

**PUTNAM/NORTHERN WESTCHESTER BOARD OF
COOPERATIVE EDUCATION SERVICES**

**Financial Statements and Required Reports
Under OMB Circular A-133 as of
June 30, 2014**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 3, 2014

To the Board of Education of
Putnam/Northern Westchester Board of
Cooperative Educational Services:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Putnam/Northern Westchester Board of Cooperative Educational Services (the "BOCES") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

(Continued)

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INDEPENDENT AUDITOR'S REPORT (Continued)

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the BOCES as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 40 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES' basic financial statements. The supplemental information on pages 42 through 45, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplemental information on pages 42 through 45 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014 on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control over financial reporting and compliance.

REQUIRED SUPPLEMENTARY INFORMATION

PUTNAM NORTHERN WESTCHESTER BOCES

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) JUNE 30, 2014

The following is a discussion and analysis of the Putnam/Northern Westchester BOCES' financial performance for the fiscal year ended June 30, 2014. The section is a summary of the BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the BOCES-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

For the year ended *June 30, 2014* total deficit net position was \$82,478,578, a decrease of \$811,939 from the \$81,666,639 deficit for the year ended June 30, 2013. This decrease is primarily the result of the accrual of the GASB Statement #45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, in the school year ended June 30, 2014. This required the BOCES to calculate and record a net other post employment benefit obligations of \$101,838,571 at year end, an increase of \$3.9 million from the prior year. In addition, through increased service levels and strict cost management, BOCES returned \$2,506,788 in surplus funds to participating districts.

At the present time, the BOCES continues to show strong financial stability. In an effort to protect taxpayer resources from fiscal mismanagement, fraud or abuse, the BOCES continues to review and strengthen their internal controls posture. To this end, the Business Office staff meets regularly with upper management and its Audit Committee to ensure integrity in all activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management's Discussion and Analysis (MD&A) (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Putnam/Northern Westchester BOCES:

- The first two statements are *BOCES-wide* financial statements that provide both *short-term* and *long-term* information about the BOCES *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the BOCES, reporting the BOCES operations in *more detail* than the BOCES-wide statements. The fund financial statements concentrate on the BOCES most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the BOCES acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES budget for the year.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.

Figure A-1

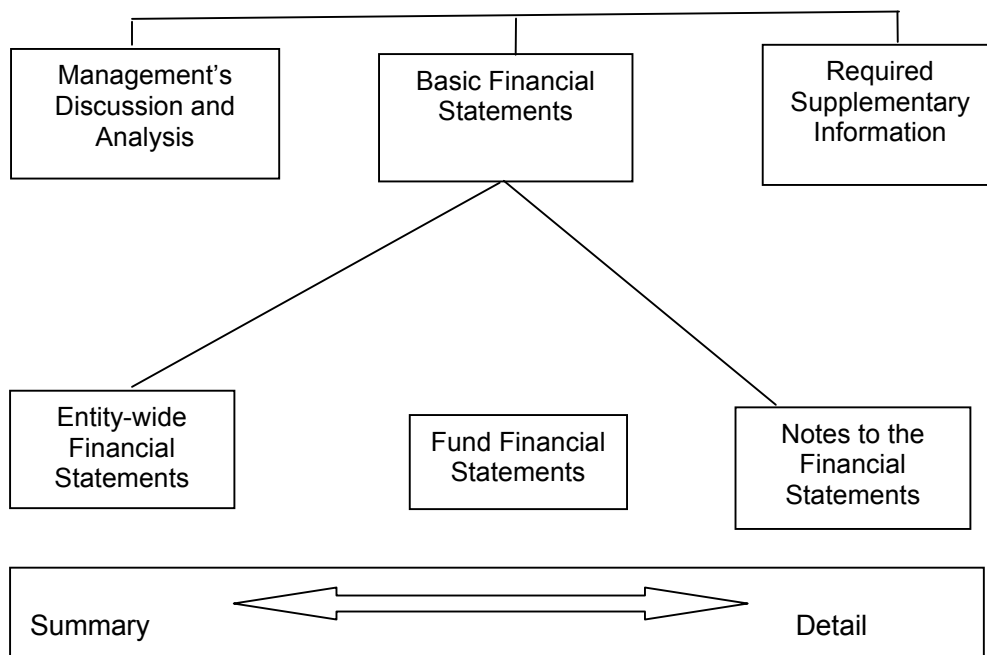


Figure A-2 summarizes the major features of the Putnam/Northern Westchester BOCES' financial statements, including a portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the BOCES-Wide and Fund Financial Statements

	BOCES-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not proprietary or fiduciary, such as special education.	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenue, expenditures, and changes in fund equity 	<ul style="list-style-type: none"> Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2 Major Features of the BOCES-Wide and Fund Financial Statements (Continued)

	Fund Financial Statements (Continued)		
	BOCES-Wide	Governmental Funds	Fiduciary Funds
Type of asset & deferred outflow/liability & deferred inflow information	All assets, deferred outflows, and liabilities, and deferred inflows both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

BOCES-Wide Statements

The BOCES-wide statements report information about the Putnam/Northern Westchester BOCES as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the BOCES assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two BOCES-wide statements report the BOCES *net position* and how they have changed. Net position – the difference between the BOCES assets and liabilities – are one way to measure the BOCES financial health or *position*.

- Over time, increases or decreases in the BOCES net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the BOCES overall health, you need to consider additional nonfinancial factors, such as changes in the BOCES property tax base and the condition of school buildings and other facilities.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

BOCES-Wide Statements (Continued)

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Investment in capital assets.
 - Restricted net position are those with constraints placed on use by external sources or imposed by law.
 - Unrestricted net position are net position that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES funds – not the BOCES as a whole. Funds are accounting devices the BOCES uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The BOCES has three kinds of funds:

- *Governmental Funds:* Most of the BOCES basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, miscellaneous revenue fund and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Proprietary Funds:* the BOCES maintains a proprietary fund, which is an internal service fund, to account for its unemployment benefits and employee benefits, Internal Service funds are used to accumulate and allocate costs internally among BOCES' various functions, These funds benefit governmental activities and are shown in a separate section of the financial statements, These funds are also included in the governmental activities section of the district-wide financial statements.
- *Fiduciary Funds:* The BOCES is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the BOCES-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

Figure A-3 Condensed Statement of Net position (in thousands of dollars)

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	<u>Percent Change</u>
Current and other assets	\$ 35,856	\$ 35,461	1.1%
Capital assets	<u>15,541</u>	<u>11,631</u>	33.6%
Total assets	<u>\$ 51,397</u>	<u>\$ 47,092</u>	9.1%
Current liabilities	\$ 26,776	\$ 26,186	2.3%
Long-term liabilities	<u>107,100</u>	<u>102,573</u>	4.4%
Total liabilities	<u>\$ 133,876</u>	<u>\$ 128,759</u>	4.0%
Net position:			
Investment in capital assets,	\$ 15,541	\$ 11,631	33.6%
Unrestricted	<u>(98,020)</u>	<u>(93,298)</u>	5.1%
Total net position	<u>\$ (82,479)</u>	<u>\$ (81,667)</u>	1.0%

Changes in Net position

The BOCES 2014 revenue was \$111,085,652 compared to the previous year of \$104,161,042 (see Figure A-4). This increase in revenue was primarily driven by increases in service levels, coupled with a modest rate increase in some programs.

The total cost of all programs and services totaled \$111,897,591 for 2014, compared to \$106,361,009 in the previous year. These expenses are predominantly for the education, supervision, and transportation of students (see Figure A-6).

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

Figure A-4 Changes in Net position from Operating Results (in thousands of dollars)

	Fiscal Year <u>2014</u>	Fiscal Year <u>2013</u>	<u>Percent Change</u>
<u>Revenue</u>			
Program revenue:			
Charges for services	\$ 98,807	\$ 98,528	0.3%
Operating grants and contributions	2,899	2,619	10.7%
General revenue:			
Use of money and property	28	31	-9.7%
Sale of property and compensation for loss	41	49	-16.3%
Miscellaneous	9,298	2,923	218.1%
Rental Income	<u>12</u>	<u>12</u>	0.0%
Total revenue	<u>111,085</u>	<u>104,162</u>	6.6%
<u>Expenses</u>			
Administration	8,849	9,136	-3.1%
Occupational instruction	15,177	14,293	6.2%
Instruction for special needs	39,491	37,622	5.0%
Itinerant services	7,342	7,260	1.1%
General instruction	6,989	6,726	3.9%
Instruction support	20,193	18,826	7.3%
Other services	10,663	10,005	6.6%
Internal services	331	82	303.7%
School lunch program	356	262	35.9%
Return of Surplus	<u>2,507</u>	<u>2,410</u>	4.0%
Total expenses	<u>111,898</u>	<u>106,622</u>	4.9%
Change in net position	<u>\$ (813)</u>	<u>\$ (2,460)</u>	-67.0%

Revenues and expenses increased primarily as a result of increase in component district usage of P/NW BOCES services). In addition, effective fiscal control helped maintain costs year-to-year. These year-to-year improvements were offset in part by a \$3.9M increase in the stated current long-term OPEB liability as of June 30, 2014.

Deficit net position decreased to \$82,478,578 for the year ended June 30, 2014, down \$811,939 from the \$81,666,639 deficit balance for 2013. This resulted primarily from recording an increase in the other post employment benefits liability of \$3.87 million in compliance with GASB 45. It should be noted that BOCES returned \$2,506,788 of surplus created through increased service levels and effective expense management.

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

Figure A-5: Revenue Sources for 2014

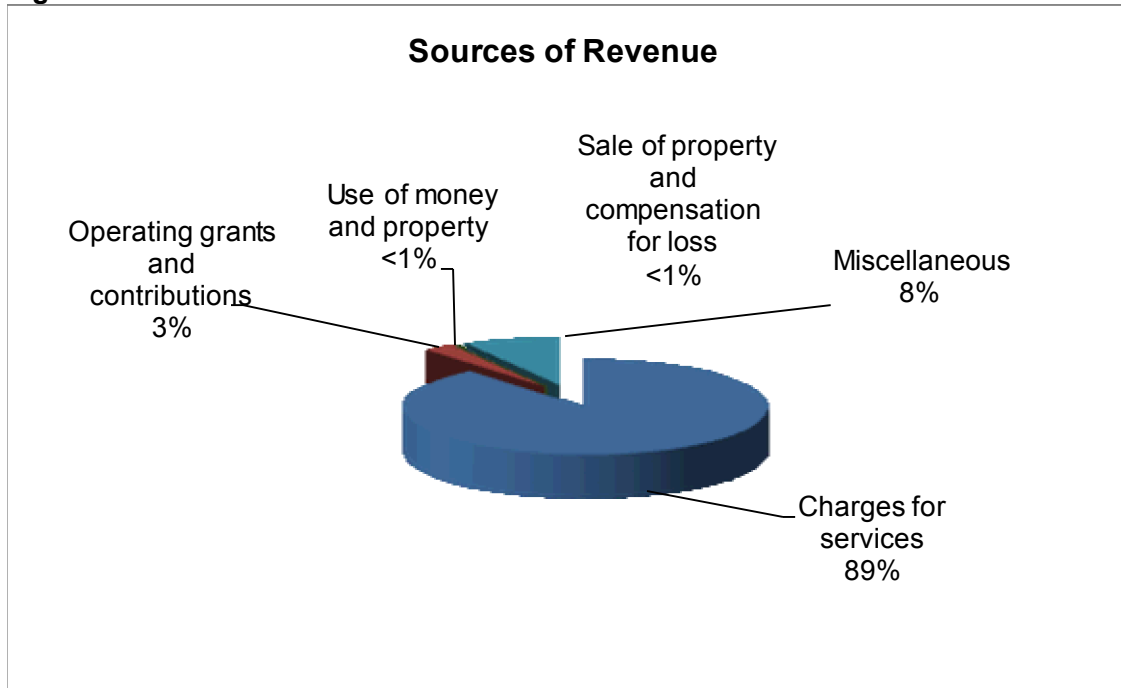
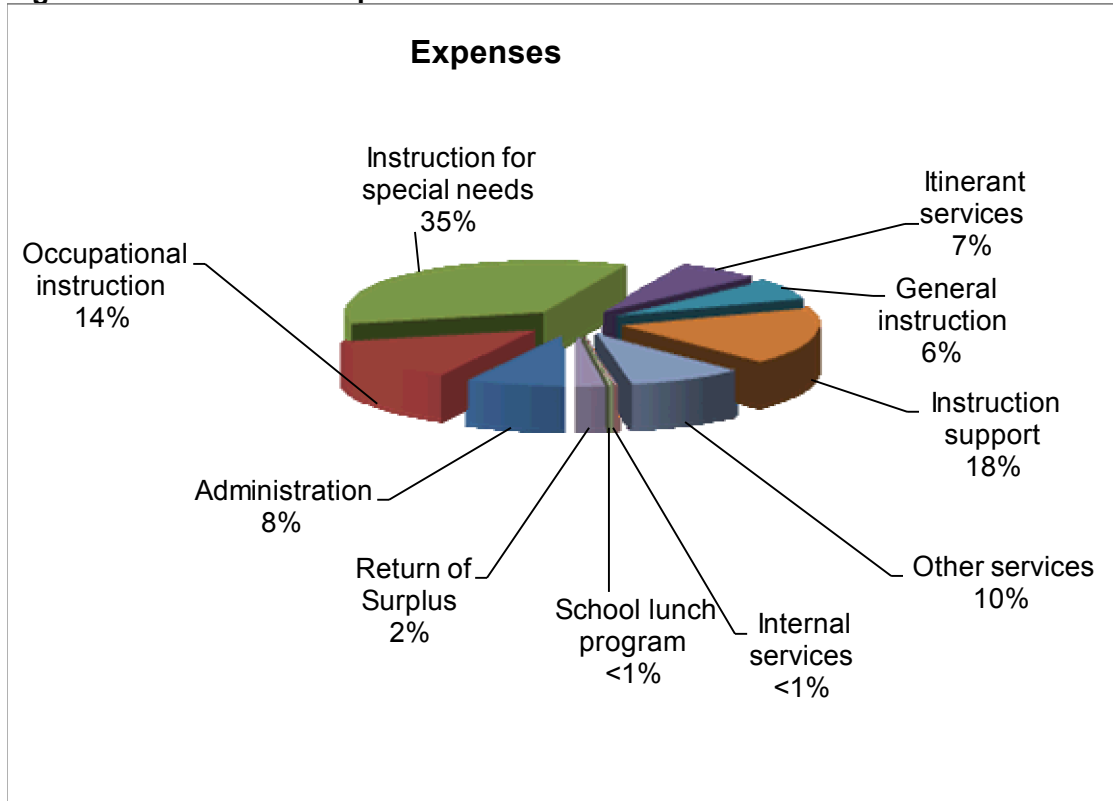


Figure A-6: Sources of Expenses for 2014



FINANCIAL ANALYSIS OF THE BOCES' FUNDS

Variations between years for the governmental fund financial statements are not the same as variations between years for the BOCES-wide financial statements. The Putnam/Northern Westchester BOCES governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

The following is a brief description of the activity in the governmental funds for 2014 and 2013:

General Fund: Revenues exceeded expenditures in the 2013-2014 year as a result of increased service requests, as well as effective cost management. As service requests are accepted, to the extent that fixed costs have already been covered, a surplus could be generated. If this is the case, the surplus is refunded to participants the following year.

Special Aid: By the type of fund, special aid does not generate a fund balance. Revenue received is all expended. Approximately, \$6.5 million in grant revenue was generated in this fund.

School Lunch: The school lunch fund ended 2013-2014 with a surplus in net operating revenue, after interfund transfers of \$8,989. This resulted in a fund balance of \$16,488 on hand as of June 30, 2014.

Miscellaneous Revenue: The miscellaneous revenue fund's revenues exceeded expenditures by \$2,640 for the year ended 2013-2014. This resulted in a fund balance of \$28,135 on hand as of June 30, 2014.

Capital Projects: Capital Projects spending totaled \$4,594,701 in 2013-2014. An interfund transfer of \$600,000 was authorized and transferred into the fund. Additionally, local sources were received totaling \$5,373,323. This left a Fund Balance of \$2,098,598 on hand as of June 30, 2014.

General Fund Budgetary Highlights

As additional requests for service are accepted, spending adjustments are required to meet these changing needs. The original approved budget as well as estimated revenues are adjusted to more accurately reflect actual service levels. Once fixed costs are covered, additional services typically drive a surplus. This surplus is then refunded to the participants the following fiscal year.

Capital Assets

As of June 30, 2014, the BOCES had \$15,540,983 invested in a broad range of capital assets including land, buildings, buses, computers, and other educational equipment.

Capital Assets (Net of Depreciation, in Thousands of Dollars)

<u>Category</u>	<u>Fiscal Year 2014</u>	<u>Fiscal Year 2013</u>	<u>Percent Change</u>
Land	\$ 3,830	\$ 3,830	0.0%
Construction in progress	6,773	2,423	179.5%
Buildings and improvements	4,379	5,014	-12.7%
Equipment and furniture	<u>558</u>	<u>365</u>	53.0%
Total	<u>\$ 15,541</u>	<u>\$ 11,632</u>	33.6%

FINANCIAL ANALYSIS OF THE BOCES' FUNDS (Continued)

Long-Term Liabilities

As of June 30, 2014, the BOCES had \$107,099,702 in Long Term Liabilities outstanding. More detailed information about the BOCES' long-term liabilities is included in the notes to the financial statements.

<u>Category</u>	(In Thousands)	
	<u>Fiscal Year</u> <u>2014</u>	<u>Fiscal Year</u> <u>2013</u>
Compensated absences	\$ 3,516	\$ 2,811
Other Post Employment Benefits	101,839	97,974
Other Liabilities	<u>1,745</u>	<u>1,789</u>
Total	<u>\$ 107,100</u>	<u>\$ 102,574</u>

FACTORS BEARING ON THE BOCES' FUTURE

The BOCES provides quality services to its component districts. Each year, the scope of these services expands to meet the rising expectations for public school districts to achieve higher standards of excellence for all students.

The availability of resources both human and material is critical to our continuing success. We are proud of our accomplishments and the support we received each year from our participating school districts. Our goal is to maintain and improve the quality of our services and safeguard the integrity of our operations.

CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide the BOCES' component districts, customers, investors, and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it received. If you have any questions about this report or need additional financial information, contact:

Todd Currie
Director of Business Affairs
Putnam Northern Westchester BOCES
200 Boces Drive
Yorktown Heights, NY 10598

PUTNAM NORTHERN WESTCHESTER BOCES

**STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014**

ASSETS

CURRENT ASSETS:

Cash - Unrestricted	\$ 9,056,983
Cash - Restricted	28,342
Due from school districts	16,049,318
State and federal aid receivable	10,366,745
Accounts receivable	315,544
Inventories	7,256
Prepaid expenses	<u>32,239</u>

Total current assets 35,856,427

NONCURRENT ASSETS:

Capital assets, net of accumulated depreciation	<u>15,540,983</u>
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TOTAL ASSETS \$ 51,397,410

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 4,523,064
Accrued liabilities	697,762
Revenue anticipation note payable	5,000,000
Due to School Districts	9,273,182
Due to Teachers' Retirement System	3,602,495
Due To Employee Retirement System	844,596
Unearned revenue	<u>2,835,187</u>

Total current liabilities 26,776,286

LONG-TERM LIABILITIES:

Compensated absences payable	3,516,432
Workers' Compensation payable	1,744,699
Other postemployment benefits	<u>101,838,571</u>

Total long-term liabilities 107,099,702

TOTAL LIABILITIES 133,875,988

NET POSITION

Investment in capital assets	15,540,983
Unrestricted net position	<u>(98,019,561)</u>

TOTAL NET POSITION \$ (82,478,578)

PUTNAM NORTHERN WESTCHESTER BOCES

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
Administration	\$ 8,848,740	\$ 8,016,964	\$ 21,074	\$ (810,702)
Occupational instruction	15,177,257	13,750,604	772,350	(654,303)
Instruction for special needs	39,490,534	35,778,448	1,475,067	(2,237,019)
Itinerant services	7,341,989	6,651,847	-	(690,142)
General instruction	6,988,745	6,331,807	499,076	(157,862)
Instruction support	20,193,241	18,295,089	711	(1,897,441)
Other services	10,663,454	9,661,096	-	(1,002,358)
Internal services	331,024	299,908	-	(31,116)
School lunch program	355,819	21,242	130,701	(203,876)
Return of Surplus	<u>2,506,788</u>	<u>-</u>	<u>-</u>	<u>(2,506,788)</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 111,897,591</u>	<u>\$ 98,807,005</u>	<u>\$ 2,898,979</u>	<u>(10,191,607)</u>
GENERAL REVENUE:				
Use of money and property				28,373
Sale of property and compensation for loss				41,291
Miscellaneous				9,298,476
Rental Income				<u>11,528</u>
TOTAL GENERAL REVENUE				<u>9,379,668</u>
CHANGE IN NET POSITION				(811,939)
TOTAL NET POSITION - beginning of year				<u>(81,666,639)</u>
TOTAL NET POSITION - end of year				<u>\$ (82,478,578)</u>

The accompanying notes are an integral part of these statements.

PUTNAM NORTHERN WESTCHESTER BOCES

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2014**

	Governmental Fund Types					Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Miscellaneous Revenue</u>	<u>Capital Projects</u>	
ASSETS						
Cash - Unrestricted	\$ 207,252	\$ 75,499	\$ 162	\$ -	\$ 3,974,228	\$ 4,257,141
Cash - Restricted	-	-	-	28,342	-	28,342
Due from school districts	16,021,865	27,453	-	-	-	16,049,318
Due from other funds	-	-	-	-	-	-
State and federal aid	9,273,182	1,082,626	10,937	-	-	10,366,745
Accounts receivable	32,054	283,490	-	-	-	315,544
Prepaid expenditures	32,239	-	-	-	-	32,239
Inventory	-	-	7,256	-	-	7,256
TOTAL ASSETS	\$ 25,566,592	\$ 1,469,068	\$ 18,355	\$ 28,342	\$ 3,974,228	\$ 31,056,585
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Accounts payable	\$ 3,914,936	\$ 40,221	\$ -	\$ 207	\$ 567,700	\$ 4,523,064
Accrued liabilities	641,675	54,220	1,867	-	-	697,762
Revenue anticipation note payable	5,000,000	-	-	-	-	5,000,000
State aid due to school districts	9,273,182	-	-	-	-	9,273,182
Due to other funds	4,517,595	-	-	-	-	4,517,595
Due to Workers Compensation	338,053	-	-	-	-	338,053
Deferred revenue	152,630	1,374,627	-	-	1,307,930	2,835,187
TOTAL LIABILITIES	23,838,071	1,469,068	1,867	207	1,875,630	27,184,843

(Continued)

The accompanying notes are an integral part of these financial statements.

PUTNAM NORTHERN WESTCHESTER BOCES

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)
JUNE 30, 2014**

	<u>Governmental Fund Types</u>					Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Miscellaneous Revenue</u>	<u>Capital Projects</u>	
FUND BALANCES						
Nonspendable						
Inventory	-	-	7,256	-	-	7,256
Prepaid expenses	32,239	-	-	-	-	32,239
Restricted	1,553,722	-	-	-	-	1,553,722
Assigned	174,799	-	9,232	28,135	2,098,598	2,310,764
Unassigned	<u>(32,239)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,239)</u>
TOTAL FUND BALANCES	<u>1,728,521</u>	<u>-</u>	<u>16,488</u>	<u>28,135</u>	<u>2,098,598</u>	<u>3,871,742</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 25,566,592</u>	<u>\$ 1,469,068</u>	<u>\$ 18,355</u>	<u>\$ 28,342</u>	<u>\$ 3,974,228</u>	<u>\$ 31,056,585</u>

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances per above	\$ 3,871,742
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	15,540,983
Cash recorded under full accrual in the internal service fund are not reported in the governmental funds	4,799,842
Liabilities, including Employee Retirement Payable, compensated absences and Teachers retirement payable recorded under full accrual in the internal service fund are not reported in the governmental funds	(7,963,523)
Workers compensation payable (net of general fund accrued liability)	(1,406,646)
Other post-employment benefits liability recorded in the internal service fund (net of funds due from general fund)	<u>(97,320,976)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (82,478,578)</u>

PUTNAM NORTHERN WESTCHESTER BOCES

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Miscellaneous Revenue	Capital Projects	
REVENUE:						
Charges for services	\$ 3,188,569	\$ 980,721	\$ -	\$ -	\$ -	\$ 4,169,290
Charges to components	74,544,777	1,260,915	-	-	-	75,805,692
Charges to other BOCES	18,119,898	690,883	-	-	-	18,810,781
Interest and earnings	28,373	-	-	-	-	28,373
Rental property	11,528	-	-	-	-	11,528
Sale of property and compensation for loss	41,291	-	-	-	-	41,291
Miscellaneous	2,943,271	977,133	-	4,749	5,373,323	9,298,476
State sources	-	842,660	19,315	-	-	861,975
Federal sources	-	1,925,618	111,386	-	-	2,037,004
Sales - School lunch	-	-	21,242	-	-	21,242
Total revenue	<u>98,877,707</u>	<u>6,677,930</u>	<u>151,943</u>	<u>4,749</u>	<u>5,373,323</u>	<u>111,085,652</u>
EXPENDITURES:						
Administration	8,274,257	49,597	-	-	-	8,323,854
Occupational instruction	12,486,681	1,817,701	-	-	-	14,304,382
Instruction for special education	32,882,899	3,471,525	-	-	-	36,354,424
Itinerant services	6,778,177	-	-	-	-	6,778,177
General instruction	5,749,432	1,174,560	-	2,109	-	6,926,101
Instruction support	20,025,664	1,674	-	-	-	20,027,338
Other services	10,411,410	-	-	-	-	10,411,410
Internal services	32,166	-	-	-	-	32,166
Cost of sales	-	-	242,454	-	-	242,454
Capital outlay	-	-	-	-	4,594,701	4,594,701
Total expenditures	<u>96,640,686</u>	<u>6,515,057</u>	<u>242,454</u>	<u>2,109</u>	<u>4,594,701</u>	<u>107,995,007</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>2,237,021</u>	<u>162,873</u>	<u>(90,511)</u>	<u>2,640</u>	<u>778,622</u>	<u>3,090,645</u>
OTHER SOURCES AND (USES):						
Operating transfers in	162,873	-	99,500	-	600,000	862,373
Return of surplus	(2,506,788)	-	-	-	-	(2,506,788)
Operating transfers (out)	(699,500)	(162,873)	-	-	-	(862,373)
Total other sources (uses)	<u>(3,043,415)</u>	<u>(162,873)</u>	<u>99,500</u>	<u>-</u>	<u>600,000</u>	<u>(2,506,788)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>(806,394)</u>	<u>-</u>	<u>8,989</u>	<u>2,640</u>	<u>1,378,622</u>	<u>583,857</u>
FUND BALANCES - beginning of year	<u>2,534,915</u>	<u>-</u>	<u>7,499</u>	<u>25,495</u>	<u>719,976</u>	<u>3,287,885</u>
FUND BALANCES - end of year	<u>\$ 1,728,521</u>	<u>\$ -</u>	<u>\$ 16,488</u>	<u>\$ 28,135</u>	<u>\$ 2,098,598</u>	<u>\$ 3,871,742</u>

The accompanying notes are an integral part of these statements.

PUTNAM NORTHERN WESTCHESTER BOCES

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balance - Total governmental funds	\$ 583,857
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.	4,471,855
The change in net position for the Internal Service Fund is reported in the proprietary fund and, therefore are not reported as expenditures in the governmental funds.	(3,898,901)
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(445,731)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.	<u>(1,523,019)</u>
Change in net position - Governmental activities	<u>\$ (811,939)</u>

The accompanying notes are an integral part of these statements.

PUTNAM NORTHERN WESTCHESTER BOCES

STATEMENT OF PROPRIETARY NET POSITION - INTERNAL SERVICE FUND JUNE 30, 2014

ASSETS:

Cash - Unrestricted	\$ 4,799,842
Due from other funds	<u>4,517,595</u>
Total assets	<u>\$ 9,317,437</u>

LIABILITIES:

Current Liabilities:

Accounts payable	\$ -
Compensated absences	320,000
Due to employee retirement system	844,596
Due to teachers retirement system	<u>3,602,495</u>
Total current liabilities	<u>4,767,091</u>

Non-Current Liabilities:

Compensated absences	2,920,683
Other Post employment benefits	<u>101,838,571</u>
Total non-current liabilities	<u>104,759,254</u>

NET POSITION:

Unrestricted	<u>\$ (100,208,908)</u>
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The accompanying notes are an integral part of these statements.

PUTNAM NORTHERN WESTCHESTER BOCES

**STATEMENT OF PROPRIETARY REVENUES, EXPENSES AND CHANGES IN NET POSITION - INTERNAL SERVICE FUND
JUNE 30, 2014**

ADDITIONS:

Operating Revenues - Charges for Services	\$6,301,106
Operating Expenses - Employee Benefits	<u>10,200,007</u>
Loss from operations	(3,898,901)
Non-Operating revenues - interest and earnings	<u>-</u>
CHANGE IN NET POSITION	<u>(3,898,901)</u>
NET POSITION - beginning of year	(96,310,007)
NET POSITION - end of year	<u>\$ (100,208,908)</u>

The accompanying notes are an integral part of these statements.

PUTNAM NORTHERN WESTCHESTER BOCES

STATEMENT OF PROPRIETARY CASH FLOWS - INTERNAL SERVICE FUND JUNE 30, 2014

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net position	\$ (3,898,901)
Adjustments to reconcile change in net position to net cash flow from operating activities:	
Changes in:	
Accounts payable	(4,659)
Due to employee retirement system	566
Due to teachers retirement system	984,095
Other post employment benefits	3,865,022
Compensated absences	<u>429,953</u>
Net cash flow from operating activities	<u>1,376,076</u>
CASH FLOW FROM FINANCING ACTIVITIES:	
Repayment of interfund receivables	<u>(3,199,019)</u>
Net cash flow from financing activities	<u>(3,199,019)</u>
CASH FLOW FROM INVESTING ACTIVITIES:	
Interest and earnings	<u>-</u>
Net cash flow from investing activities	<u>-</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,822,943)
CASH AND CASH EQUIVALENTS - beginning of year	<u>6,622,785</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 4,799,842</u>

The accompanying notes are an integral part of these statements.

PUTNAM NORTHERN WESTCHESTER BOCES

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014**

	<u>Agency</u>	<u>Private Purpose Trusts</u>
ASSETS:		
Cash	\$ 46,973	\$ -
Restricted Cash	<u>9,853</u>	<u>72,288</u>
Total assets	<u>\$ 56,826</u>	<u>\$ 72,288</u>
LIABILITIES:		
Extraclassroom activity balances	\$ 9,853	\$ -
Other liabilities	<u>46,973</u>	<u>-</u>
Total liabilities	<u>\$ 56,826</u>	<u>-</u>
NET POSITION:		
Reserved for private purposes		<u>\$ 72,288</u>

PUTNAM NORTHERN WESTCHESTER BOCES

**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Gifts and contributions	\$ 12,965
Interest	<u>2</u>
Total additions	12,967
DEDUCTIONS:	
Scholarships and other private purposes	<u>19,553</u>
NET INCREASE	(6,586)
NET POSITION - beginning of year	<u>78,874</u>
NET POSITION - end of year	<u>\$ 72,288</u>

The accompanying notes are an integral part of these statements.

PUTNAM NORTHERN WESTCHESTER BOCES

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2014

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The BOCES provides shared educational programs and services to its component units.

Significant Accounting Policies

The financial statements of Putnam/Northern Westchester BOCES have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Putnam/Northern Westchester BOCES is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The board is responsible for, and controls all activities related to public school education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES board as a corporation (§1950(6)). In addition, BOCES boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital costs is calculated using a 50/50 hybrid combination of the components total true valuation and resident weighted average daily attendance (RWADA) as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

The reporting entity of the BOCES is based upon criteria set forth by generally accepted accounting principles. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the BOCES. The BOCES is not a component unit of another reporting entity. The decision to include a potential component unit in the BOCES reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of a certain entity included in the BOCES reporting entity.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Extraclassroom Activity Funds

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the BOCES with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES business office. The BOCES accounts for assets held as an agent for various student organizations in an agency fund.

Basis of Presentation

BOCES -Wide Statements

The statement of net position and the statement of activities present financial information about the BOCES governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the BOCES governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

Fund Financial Statements

The fund statements provide information about the Putnam/Northern Westchester BOCES funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The BOCES reports the following major governmental funds:

General Fund: This is the BOCES primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

School Lunch Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

Miscellaneous Revenue Fund: This fund is used to account for third party contributions in which principal and income benefits the BOCES for a specific purpose set forth by the donor.

Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Proprietary Funds: These funds consist of an internal Service fund. The internal service fund accounts for operations that provide services to other departments or other governments on a cost reimbursement basis. The BOCES has elected to account for its employee retirement benefits, unemployment benefits, and compensated absences as an internal service fund.

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There are two classes of fiduciary funds:

- Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.
- Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

Measurement Focus and Basis of Accounting

The BOCES-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Non-exchange transactions in which the BOCES gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The BOCES considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary funds are used to account for ongoing organizations or activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and changes in financial position. Reporting is on the accrual basis of accounting with an economic resource measurement focus. Proprietary fund operating revenues, such as charges for services, result from exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as investment earnings, result from non-exchange transactions or ancillary activities.

Cash

The BOCES cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

New York State law governs the BOCES investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and BOCES.

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$28,342 within the governmental funds.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventories and Prepaid Items

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Inventories and Prepaid Items (Continued)

Prepaid items represent payments made by the BOCES for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the BOCES-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

Interfund Transactions

The operations of the BOCES include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The BOCES typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditures and revenue to provide financing or other services.

In the BOCES-wide statements, the amounts reported on the Statement of Net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the BOCES' practice to settle these amounts at a net balance based upon the right of legal offset.

Capital Assets

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the BOCES-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building	\$ 5,000	SL	50
Building improvements	5,000	SL	20
Furniture and equipment	5,000	SL	5-20

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government has one item that qualifies for reporting in this category.

It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Deferred Outflows and Inflows of Resources (Continued)

This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Vested Employee Benefits

The BOCES employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

Consistent with generally accepted accounting principles, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the funds statements, only the amount of matured liabilities is accrued within the general fund based on expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Other Benefits

The BOCES employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

Other Postemployment Benefits

In addition to providing pension benefits described, the BOCES provides post-employment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the BOCES and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. The BOCES pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level, the BOCES recognized the current cost of providing benefits for June 30, 2014 by recording \$5,076,130, which is its share of insurance premiums for approximately 370 currently enrolled retirees, as an expenditure for the current year.

In accordance with the provisions of Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the BOCES has recorded in the government-wide statement of net position required other postemployment benefits totaling \$101,838,571 as of June 30, 2014. See Note 9 for additional information regarding postemployment benefits.

Unearned Revenue

Unearned revenue is reported when potential revenue meets both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the BOCES before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for deferred revenue is removed and revenue is recorded.

Short-Term Debt

The BOCES may issue Revenue Anticipation Notes (RANs), in anticipation of the receipt of revenue. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The BOCES issued a RAN totaling \$5,000,000 on October 5, 2012 with an interest rate of .6% maturing on September 30, 2013.

The BOCES may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the BOCES-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Installment Purchase Agreements and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the BOCES' future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net position.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

Equity Classifications

BOCES-Wide Statements

In the BOCES-wide statements there are three classes of net position:

Invested in capital assets - consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the BOCES.

In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund and deferred expenditures in the General fund.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**
(Continued)

Funds Statements

Fund Balance – Reservations and Designations

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The BOCES has available the following restricted fund balances.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES’ highest level of decision making authority, i.e., the Board of Education. The BOCES has no committed fund balances as of June 30, 2014.

Assigned fund balance – Includes amounts that are constrained by the BOCES’ intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the general fund are classified as restricted or assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$1,728,521. As of June 30, 2014, the BOCES’ encumbrances were classified as follows:

Restricted fund balance:

Occupational instruction	\$	505,155
Instruction support		519,411
Other services		189,014
Internal services		<u>340,141</u>
		1,553,721

Assigned fund balance:

Occupational instruction	\$	2,848
Instruction for special education		263
Instruction support		103,494
Other services		28,900
Internal services		<u>39,295</u>
		<u>174,800</u>

Total encumbrances	\$	<u>1,728,521</u>
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Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Balance – Reservations and Designations (Continued)

Order of Fund Balance Spending Policy

The BOCES' policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Newly Adopted Accounting Standards

During the year ended June 30, 2014, the BOCES adopted the following:

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* establishing accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of major fund calculations and limiting the use of the term deferred in the financial statements.

GASB Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62* that improves accounting and financial reporting by clarifying guidance regarding risk financing, operating lease payments, and accounting for loans.

2. **EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND BOCES WIDE STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the BOCES-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the BOCES governmental funds differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered "available", whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND BOCES WIDE STATEMENTS (Continued)

Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

3. STEWARDSHIP AND COMPLIANCE

Budgets

Section 1950 of the Education Law requires adoption of a final budget by no later than May 15 of the ensuing year.

The BOCES administration prepares a proposed administrative capital and program budget, as applicable, for approval by members of the BOCES' board for the general Fund.

Appropriations for educational services are adopted at the program level.

A tentative administrative budget is provided to the component districts for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority of the component school boards actually voting. During the current year, the administrative budget was approved unanimously by its voting component school boards.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the BOCES Board of Education as a result of selected new revenue sources not included in the original budget, (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board of Education approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year.

Adopted budget	\$ 53,790,469
Add: Prior year's encumbrances	<u>2,534,915</u>
Original budget	56,325,384
Budget revision: Board resolutions to accept changes in service contracts	<u>45,261,349</u>
Final budget	<u>\$ 101,586,733</u>

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the previous year.

4. CASH

Custodial credit risk is the risk that in the event of a bank failure, the BOCES' deposits may not be returned to it. While the BOCES does not have a specific policy for custodial credit risk, New York State statutes govern the BOCES' investment policies, as discussed previously in these Notes.

The BOCES' aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash including trust funds	\$ 10,865,261	\$ 9,132,298
Collateralized with securities held by the pledging financial institution's trust department or agent in the BOCES' name	\$ 9,865,261	
Covered by FDIC insurance	<u>1,000,000</u>	
Total	<u>\$ 10,865,261</u>	

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Cash on deposit for donor restricted activities	<u>\$ 28,342</u>
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Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 82,141</u>
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5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2014, were as follows:

	July 1, 2013 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2014 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 3,829,770	\$ -	\$ -	\$ 3,829,770
Construction in progress	<u>2,422,590</u>	<u>4,594,701</u>	<u>243,859</u>	<u>6,773,432</u>
Total non-depreciable historical cost	<u>6,252,360</u>	<u>4,594,701</u>	<u>243,859</u>	<u>10,603,202</u>
Capital assets that are depreciated:				
Buildings and improvements	14,399,480	-	-	14,399,480
Furniture and equipment	<u>2,995,580</u>	<u>121,013</u>	<u>116,373</u>	<u>3,000,220</u>
Total depreciable historical cost	<u>17,395,060</u>	<u>121,013</u>	<u>116,373</u>	<u>17,399,700</u>
Less accumulated depreciation:				
Buildings and improvements	9,736,053	284,055	-	10,020,108
Furniture and equipment	<u>2,280,135</u>	<u>161,676</u>	<u>-</u>	<u>2,441,811</u>
Total accumulated depreciation	<u>12,016,188</u>	<u>445,731</u>	<u>-</u>	<u>12,461,919</u>
Total depreciable cost, net	<u>\$ 5,378,872</u>	<u>\$ (324,718)</u>	<u>\$ 116,373</u>	<u>\$ 4,937,781</u>

Depreciation expense of \$445,731 for the year ended June 30, 2014, was allocated to specific functions as follows:

Administration	\$ 36,225
Occupational instruction	68,438
Instruction for special education	175,123
Itinerant services	45,208
General instruction	14,627
Instruction support	12,791
Other services	20,234
Internal services	23,630
Cost of sales	<u>49,455</u>
Total	<u>\$ 445,731</u>

6. LONG-TERM LIABILITIES

Long-term liability balances and activity for the year are summarized below:

	Beginning <u>Balance</u>	<u>Issued</u>	<u>Redeemed</u>	Ending <u>Balance</u>	Amounts Due Within <u>One Year</u>
Government activities					
Other long-term debt:					
Compensated absences	\$ 3,240,683	\$ 275,749 (A)	\$ -	\$ 3,516,432	\$ 320,000
Workers' Compensation	1,788,645	- (A)	43,946	1,744,699	-
Other postemployment benefits	<u>97,973,549</u>	<u>8,631,410</u>	<u>4,766,388</u>	<u>101,838,571</u>	<u>-</u>
Total other long-term debt	<u>\$ 103,002,877</u>	<u>\$ 8,907,159</u>	<u>\$ 4,810,334</u>	<u>\$ 107,099,702</u>	<u>\$ 320,000</u>

(A) Additions and deletions to compensated absences and workers' compensation are shown net because it is impractical to determine these amounts separately.

See Note 10 for more detailed information on the Workers' Compensation long-term debt.

7. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ -	\$ 4,517,595	\$ 162,873	\$ 699,500
Special aid fund	-	-	-	162,873
School lunch fund	-	-	99,500	-
Miscellaneous revenue fund	-	-	-	-
Capital fund	-	-	600,000	-
Proprietary fund	4,517,595	-	-	-
Fiduciary funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 4,517,595</u>	<u>\$ 4,517,595</u>	<u>\$ 862,373</u>	<u>\$ 862,373</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

8. PENSION PLANS

The BOCES participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). These are cost-sharing, multiple employer public employee retirement systems. The systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

8. PENSION PLANS (Continued)

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

NYSERS provides retirement benefits, as well as death and disability benefits. New York State Retirement and Social Security Law govern obligations of employers and employees to contribute, and benefits to employees. The system issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Governor Alfred E. Smith State Office Building, Albany, New York 12244.

The Systems are noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the Systems more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, employees in NYSERS contribute 3% of their salary throughout their active membership and those in NYSTRS contribute 3.5% throughout their active membership. For employees who joined after April 1, 2012, employees in NYSERS contribute 3% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership and those in NYSTRS contribute 3.5% of their salary until April 1, 2013 and then contribute 3% to 6% of their salary throughout their active membership. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The BOCES is required to contribute at an actuarially determined rate. The BOCES contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

	<u>TRS</u>	<u>ERS</u>
2014	\$ 2,434,786	\$ 2,918,512
2013	2,634,101	2,928,077
2012	2,387,903	2,164,099

9. OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Plan Description

The BOCES provides certain other post-employment benefits (predominately health insurance) for retired employees of the BOCES. The BOCES administers the Other Post-Employment Benefits Plan (the "OPEB Plan") as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB).

The net other postemployment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

9. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Annual OPEB Cost and Net OPEB Obligation

The BOCES annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years

The following table shows the components of the BOCES annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the BOCES' net OPEB obligation:

Annual required contribution	\$ 2,254,334
Interest on net OPEB obligation	5,431,027
Adjustment to annual required contribution	<u>946,049</u>
Annual OPEB cost (expense)	8,631,410
Contributions made	<u>4,766,388</u>
Increase in net OPEB obligation	3,865,022
NET OPEB obligation - beginning of year	<u>97,973,549</u>
NET OPEB obligation - end of year	<u>\$ 101,838,571</u>
Percentage of annual OPEB cost contributed	55%

Trend information – The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Contribution (ARC)</u>	<u>OPEB Cost Contributed</u>	<u>% of ARC Contributed</u>	<u>OPEB Obligation</u>
6/30/14	\$ 8,631,410	\$ 2,587,346	4,766,388	55.2%	101,838,571
6/30/13	8,291,492	2,587,346	5,076,130	61.2%	97,973,549
6/30/12	8,028,619	2,464,139	4,498,992	56.0%	94,758,187

Funded Status and Funding Progress

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The OPEB Plan is currently not funded.

The schedule of funding progress presents information on the actuarial value of plan assets relative to the actuarial accrued liabilities for benefits. In the future, the schedule will provide multi-year trend information about the value of plan assets relative to the AAL.

9. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Schedule of Funding Progress for the BOCES' Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2013	\$ -	\$ 113,558,564	\$ 113,558,564	0%	N/A	N/A
7/1/2012	\$ -	\$ 103,659,870	\$ 103,659,870	0%	N/A	N/A
7/1/2011	\$ -	\$ 94,758,197	\$ 94,758,197	0%	N/A	N/A

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the following methods and assumptions were used:

Actuarial cost method	Projected unit credit
Discount rate*	5.0%
Medical care cost trend rate	8%
Unfunded actuarial accrued liability:	
Amortization period	30 years
Amortization method	Level dollar
Amortization basis	Open

* As the plan is unfunded, the assumed discount rate considers that the BOCES' investment assets are low risk in nature, such as money market funds or certificates of deposit.

10. RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Workers' Compensation Plan

The BOCES incurs costs related to a workers' compensation insurance plan (Plan) sponsored by itself and participating districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage and develop a comprehensive loss control program. During the year ended June 30, 2014, the BOCES incurred premiums for contribution expenditures were approximately \$500 thousand.

10. RISK MANAGEMENT (Continued)

Workers' Compensation Plan (Continued)

The BOCES establishes Workers' Compensation and unemployment claims liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported, but not settled, and of claims that have been incurred, but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on complex factors, such as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. At June 30, 2014, the BOCES has accrued \$1,744,699 in workers compensation payable relating to open claims.

11. FUND BALANCES

Portions of fund balances are reserved and not available for current expenses or expenditures as reported in the governmental funds balance sheet.

12. CONTINGENCIES AND COMMITMENTS

Other contingencies

The BOCES has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the BOCES administration believes disallowances, if any, will be immaterial.

Commitments

The BOCES has various commitments with contractors for the completion of capital projects.

Litigation

The BOCES has been named as defendant in certain actions. A review by management and the BOCES' attorneys indicate these actions are either fully covered by insurance or not substantial enough to materially affect the financial position of the BOCES.

13. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In June 2012, the GASB issued Statements *No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Statement No. 68 establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of Statement No. 68, as well as for non-employer governments that have a legal obligation to contribute to those plans. The BOCES is required to adopt the provisions of these Statements for the year ending June 30, 2015, with early adoption encouraged.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term *government combinations* include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The BOCES is required to adopt the provisions of this Statement for the year ending June 30, 2015. A prospective basis should be applied and early adoption is encouraged.

13. ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

(Continued)

In November 2013, the GASB issued Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Transition Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The District is required to adopt the provisions of this Statement in conjunction with GASB Statement No. 68, for the year ending June 30, 2015, with early adoption encouraged.

The BOCES has not assessed the impact of these statements on its future financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

PUTNAM NORTHERN WESTCHESTER BOCES

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUE				
Administration	\$ 9,267,600	\$ 9,115,877	\$ 9,076,893	\$ (38,984)
Occupational instruction	12,299,289	13,237,697	12,561,320	(676,377)
Instruction for special education	18,119,194	33,415,409	32,537,217	(878,192)
Itinerant services	3,353,712	6,826,420	6,818,356	(8,064)
General instruction	4,585,101	5,754,966	5,706,569	(48,397)
Instruction support	3,281,925	21,075,443	20,220,927	(854,516)
Other services	2,883,648	11,866,378	11,824,755	(41,623)
Internal services	<u>-</u>	<u>131,670</u>	<u>131,670</u>	<u>-</u>
Total revenues	53,790,469	101,423,860	98,877,707	(2,546,153)
OTHER FINANCING USES				
Transfers from other funds	<u>-</u>	<u>162,873</u>	<u>162,873</u>	<u>-</u>
Total revenues and other sources	<u>\$ 53,790,469</u>	<u>\$ 101,586,733</u>	<u>\$ 99,040,580</u>	<u>\$ (2,546,153)</u>

(Continued)

The accompanying notes are an integral part of these schedules

Putnam Northern Westchester BOCES

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

(Continued)

FOR THE YEAR ENDED JUNE 30, 2014

EXPENDITURES	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Encumbrances</u>	<u>Variance with Budgetary Actual and Encumbrances</u>
Administration	\$ 8,667,600	\$ 8,584,153	\$ 8,274,257	\$ 11,358	\$ 298,538
Occupational instruction	12,299,289	13,237,697	12,486,681	658,015	93,001
Instruction for special education	18,119,194	33,510,006	32,882,899	101,390	525,717
Itinerant services	3,353,712	6,826,420	6,778,177	16,688	31,555
General instruction	4,585,101	5,754,966	5,749,432	12,150	(6,616)
Instruction support	3,281,925	21,075,443	20,025,664	812,837	236,942
Other services	2,883,648	11,866,378	10,411,410	116,086	1,338,882
Internal services	<u>(99,500)</u>	<u>32,170</u>	<u>32,166</u>	<u>(1)</u>	<u>5</u>
 Total expenditures	 53,090,969	 100,887,233	 96,640,686	 1,728,523	 2,518,024
 OTHER FINANCING USES					
Return of surplus	-	-	(2,506,788)	-	2,506,788
Transfers to other funds	<u>(699,500)</u>	<u>(699,500)</u>	<u>(699,500)</u>	<u>-</u>	<u>-</u>
 Total other uses	 <u>(699,500)</u>	 <u>(699,500)</u>	 <u>(3,206,288)</u>	 <u>-</u>	 <u>2,506,788</u>
 Total expenditures and other uses	 <u>53,790,469</u>	 <u>101,586,733</u>	 <u>99,846,974</u>	 <u>1,728,523</u>	 <u>5,024,812</u>
 NET CHANGE IN FUND BALANCES	 -	 -	 (806,394)		
FUND BALANCE - beginning of year			<u>2,534,915</u>		
FUND BALANCE - end of year			<u>\$ 1,728,521</u>		

The accompanying notes are an integral part of these schedules

SUPPLEMENTARY INFORMATION

PUTNAM NORTHERN WESTCHESTER BOCES

**SCHEDULE OF ACCOUNT A431 - SCHOOL DISTRICTS
FOR THE YEAR ENDED JUNE 30, 2014**

July 1, 2013 - Debit (Credit) balance	\$ 10,598,141
Debits	
Billings to school districts	95,864,484
Refund of balances due school districts	3,933,233
Encumbrances - June 30,2014	1,728,521
Other adjustments	-
Total debits	<u>101,526,238</u>
Credits	
Collections from school districts	90,957,745
Adjustment - credits to school districts	(18,676)
Revenues in excess of expenditures	2,506,790
Encumbrances - June 30, 2013	2,534,915
Other adjustments	121,740
Total credits	<u>96,102,514</u>
June 30, 2014 - Debit (Credit) balance	<u><u>\$ 16,021,865</u></u>

The accompanying notes are an integral part of these schedules.

PUTNAM NORTHERN WESTCHESTER BOCES

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Project Title</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Building B HVAC - Phase II	\$ 1,097,300	\$ 1,092,259	\$ 787,842	\$ -	\$ 787,842	\$ 304,417
Tech Center HVAC	850,371	1,450,377	1,210,675	(39,909)	1,170,766	279,611
Therapy Pool & Locker Room	2,789,165	2,789,165	113,048	829,988	943,036	1,846,129
Bldg B Roof & HVAC	3,083,058	3,083,058	31,934	3,014,050	3,045,984	37,074
Bldg D Roof & HVAC	2,056,640	2,056,640	62,920	416,549	479,469	1,577,171
Fox Meadow Roofs & HVAC	1,556,933	1,556,933	54,557	333,599	388,156	1,168,777
Building A Roof & HVAC	2,184,310	2,184,310	61,280	17,439	78,719	2,105,591
Building A Fire Alarm/PA	171,740	171,740	8,475	-	8,475	163,265
Building C Roof & HVAC	4,263,470	4,263,470	67,087	16,771	83,858	4,179,612
Building E Roof & HVAC	<u>839,385</u>	<u>839,385</u>	<u>24,852</u>	<u>6,214</u>	<u>31,066</u>	<u>808,319</u>
Total	\$ 18,892,372	\$ 19,487,337	\$ 2,422,670	\$ 4,594,701	\$ 7,017,371	\$ 12,469,966

The accompanying notes are an integral part of these schedules.

PUTNAM NORTHERN WESTCHESTER BOCES

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 53,790,469
Add: Prior year's encumbrances	<u>2,534,915</u>
Original budget	56,325,384
Budget revision: Board resolutions to accept changes in service contracts	<u>45,261,349</u>
Final budget	<u>\$ 101,586,733</u>

The accompanying notes are an integral part of these schedules.

PUTNAM NORTHERN WESTCHESTER BOCES

**SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2014**

Capital assets, net	\$ 15,540,983
Deduct:	
Bond anticipation note	-
Short-term portion of installment purchase debt	-
Long-term portion of installment purchase debt	-
Short-term portion of bonds payable	-
Long-term portion of bonds payable	-
Plus: Unspent bond proceeds	-
	<hr/>
Investment in capital assets, net of related debt	<u>\$ 15,540,983</u>

The accompanying notes are an integral part of these schedules.

REQUIRED REPORTS UNDER OMB CIRCULAR A-133

PUTNAM NORTHERN WESTCHESTER BOCES

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>2014 Expenditures</u>
<u>U.S. Department of Agriculture</u>			
National School Lunch Program	10.555	*	\$ 5,572
<u>U.S. Department of Agriculture Pass-Through New York State Dept. of Education</u>			
School Breakfast program	10.553	*	36,990
National School Lunch Program	10.555	*	<u>68,824</u>
Total U.S Department of Agriculture			<u>111,386</u>
<u>U.S. Department of Education</u>			
Teaching American History	84.315X		18,938
Federal Family Education Loans	84.032	+	97,676
Pell Grants	84.063	+	<u>272,617</u>
			<u>389,231</u>
<u>U.S. Department of Education Pass-Through New York State Dept. of Education</u>			
Vocational Education - Basic Grants to States (Perkins III)	84.048	8000-14-0027	<u>270,692</u>
			<u>270,692</u>
Total U.S. Department of Education			<u>659,923</u>
Total Expenditures of Federal Awards			<u>\$ 771,309</u>

* Part of National School Lunch Program Cluster

+ Part of Student Financial Aid Cluster

PUTNAM NORTHERN WESTCHESTER BOCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2014

1. GENERAL

The schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the BOCES. The BOCES' reporting entity is defined in the basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal assistance passed through from other governments, is included in the schedule.

2. BASIS OF ACCOUNTING

The schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, as described in the BOCES's basic financial statements. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in the preparation of the financial statements.

3. OTHER DISCLOSURES

No insurance is carried specifically to cover equipment purchased with federal awards. Any equipment purchased with federal funds has only a nominal value and is covered by the BOCES's insurance policies.

4. SUBRECIPIENTS

No amounts were paid to sub-recipients during the year ended June 30, 2014.

5. LOAN PROGRAMS

Students attending the BOCES received the following new loans during the year ended June 30, 2014. These loans are made by an organization separate from the BOCES. The value of the loans made during the year is included as federal expenditures presented in the schedule of federal awards.

Federal Family Education Loans	CFDA 84.032	\$97,676
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

October 3, 2014

To the Board of Education of the
Putnam/Northern Westchester Board of
Cooperative Educational Services:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of Putnam/Northern Westchester Board of Cooperative Educational Services (the "BOCES") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated October 3, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BOCES's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BOCES' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

October 3, 2014

To the Board of Education of the
Putnam/Northern Westchester Board of
Cooperative Educational Services:

Report on Compliance for Each Major Federal Program

We have audited the Putnam Northern Westchester BOCES (the BOCES) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2014. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the BOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, the BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM; AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR
A-133
(Continued)**

Report on Internal Control over Compliance

Management of the BOCES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

PUTNAM NORTHERN WESTCHESTER BOCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2014 (Continued)

Section II—Financial Statement Findings

There were no instances of significant deficiencies, material weaknesses, or noncompliance that are required to be reported under Government Auditing Standards.

Section III—Federal Award Findings and Questioned Costs

There were no instances of significant deficiencies, material weaknesses, or noncompliance, including questioned costs that are required to be reported under OMB Circular A-133.

Section IV - Status of Prior Year Comments

There were no prior year comments.

PUTNAM NORTHERN WESTCHESTER BOCES

CORRECTIVE ACTION PLAN YEAR ENDED JUNE 30, 2014

For the year ended June 30, 2014, there were no findings required to be reported under *Government Auditing Standards* or OMB Circular A-133. Accordingly, a corrective action plan is unnecessary.