

## Management Discussion and Analysis For the Fiscal Year Ended June 30, 2016

This discussion and analysis of Northwest Wyoming Board of Cooperative Educational Services (NW BOCES) financial performance provides an overview of the financial activities for the fiscal year ended June 30, 2016 ("FY2016"). The intent of this discussion and analysis is to look at the organization's financial performance as a whole. Readers should also review the basic financial statements along with the notes to these statements to enhance their understanding of the NW BOCES' financial performance.

### Financial Highlights

Key financial highlights for FY 2016 are as follows:

- At year-end the capital assets of NW BOCES exceeded liabilities by \$2,537,368 government wide (excluding deferred outflows and inflows). Government wide capital net assets decreased by \$127,593 from the previous year. This is primarily due to a year of lower student enrollment this year. Assets include cash and cash equivalents, CD's, accounts receivable, buildings, vehicles, equipment and furniture. Liabilities include the basic accounts payable, accrued wages payable, and payroll taxes payable. The long term liabilities include vacation/sick leave payable and incurred but not reported health insurance claims.
- On the modified cash basis, general revenues for the student program fee for services accounted for \$2,321,350 or 80% of all revenues. Other revenue areas included: Mill Levy \$433,460 (15%); Interest \$5,554; Grants \$28,700 of the total revenues of \$2,798,028. Total revenues were \$324,581 more than expenses. There was a decrease in program service fee revenue due to lower total student enrollment days this year. Mill levy funds increased from \$427,090 to \$433,460 (an increase of \$6,370). Interest income increased by \$293, and grant funds decreased by \$12,644.
- Total general budget revenue decreased \$363,616 from the previous year. Actual budget revenue amounts were \$273,073 (10.75%) more than the original budget. The areas of most variance were: 3.9% more in the ED student program; and 62% more Mill Levy funds.
- NW BOCES had \$2,473,447 in expenses during FY 2016. Of those expenses 26% (\$644,174) was for instructional and 39% (965,408) for residential student programs. Other areas of expense include: 15% administration; 7% maintenance; 1% transportation; 5% therapy services; and 7% other (school health, grants, and food service).
- Actual expenditures were \$485,041 (16.4%) less than the original budgeted amount.
- Original budget amounts are based upon best estimates from financial figures from previous years. It is not known until mid-June or later which districts are levying the mill annually. Likewise student enrollment is ever changing due to the type of program NW BOCES provides to students. As student numbers increase or decrease the budget is adjusted

accordingly. Transfer of funds is based upon the actual budget needs for the year and occurs as approved by the NW BOCES board of directors. Original budget amounts and actual budget amounts therefore vary significantly based upon given student population for the year.

### **Overview of the Financial Statements**

The management discussion and analysis serves as an introduction to NW BOCES' basic financial statements. Both short-term and long-term information about NW BOCES' overall financial position is contained in these reports.

These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year revenues and expenses regardless of when cash is received or paid.

The statements report NW BOCES' net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the organization as a whole, the financial position of NW BOCES has either improved or diminished.

Nearly all of NW BOCES' activities are reported in governmental funds which include instruction, support services, maintenance, transportation, residential, and therapies. Governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end available for spending in future periods. Governmental fund information helps in determining whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The differences between government activities and government funds are reconciled in the financial statements.

### **Notes to Basic Financial Statements**

The notes provide additional information that is essential to fully understand the data provided in the financial statements.

### **Financial Analysis of the NW BOCES**

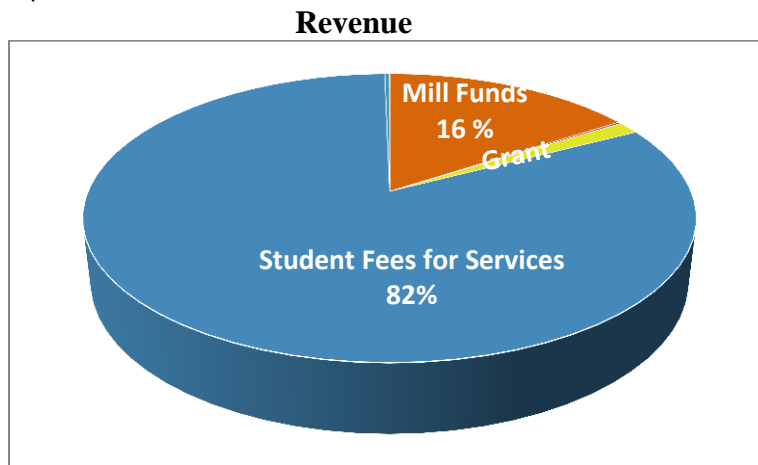
In comparing FY 2016 government wide totals to the prior year note the following:

- Capital assets decreased 10.5% (\$127,593)
- Long-term liabilities increased 22.5% (\$354,070)
- Total liabilities increased 22% (\$338,006)
- Total net assets increased 2.3% (\$100,935); FY 2015 was a 22% (\$685,550 increase)
- Student numbers have varied with highs and lows over the last several years. Spending continues to be conservative and adjustments are made based upon actual revenue. NW BOCES assets increased again for two consecutive years.
- Business-Type activities only include the food services area. Funds are transferred to the food service area from the general fund as needed
- Total assets increased \$122,906 excluding deferred outflows.

The program revenue categories are summarized below:

- Student fees include tuition, related services, residential and all fees for student placements.
- Mill Funds include all mill levy funds from member districts that contribute a portion of a ½ mill to the NW BOCES. Of eighteen districts during FY 2016 ten districts contributed.
- Grant Funds are obtained through writing and securing grant monies
- Interest includes the funds earned with the savings, certificate of deposits, and money market.

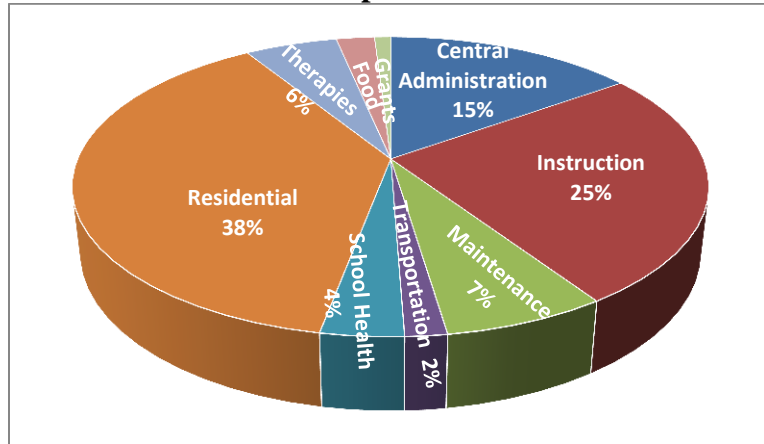
The graphs included in the management discussion and analyses are based upon the governmental fund actual revenue and expenses.



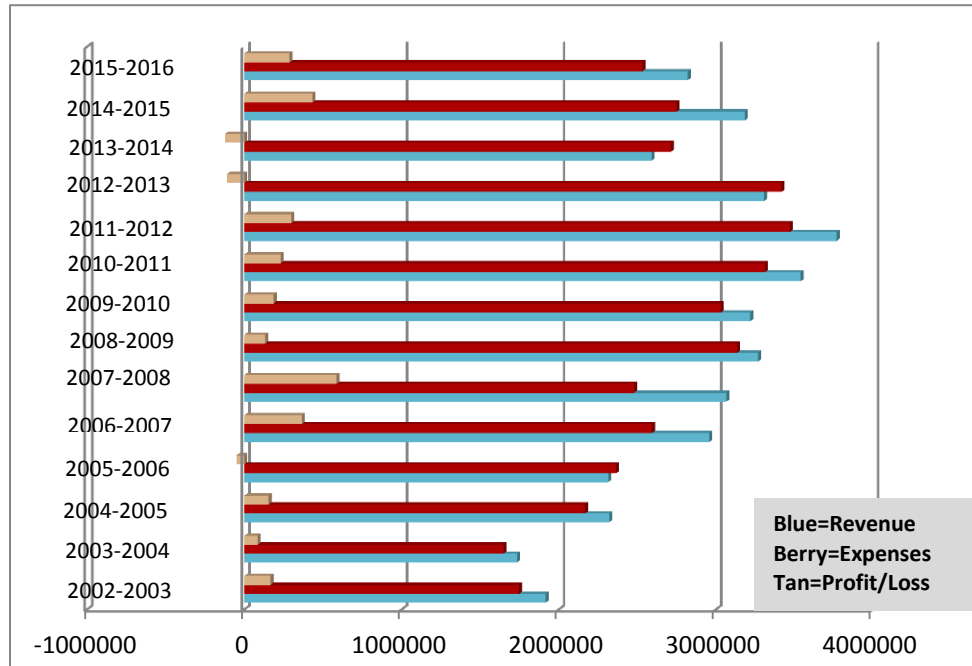
The program expense categories are summarized below:

- “Instruction” includes activities directly dealing with the teaching of students and the interaction between teacher and pupil as well as the related services which assist students to be able to benefit from special education.
- Administration costs include expenses associated with the administrative and financial supervision of NW BOCES.
- Residential includes the costs related to room and board, staffing, behavioral management programs, inclusion opportunities, and after-school activities for the youth served.
- Therapies includes recreational, occupation, speech, and physical therapies as well as adaptive physical education, behavior management, social skills, counseling, psychological, and psychiatric services.
- Maintenance includes the school and residential expenditures for those areas.
- Transportation includes the local and out of town transportation for school, home visits, activities, medical appointments, and court hearings.

### Expenses



### NW BOCES Profit/Loss 2002-2016



The NW BOCES financial picture is becoming more unstable through students exiting the program at times unpredictably. Student populations consistently averaged 14-14 students prior to 2013. Student numbers were quite low in the later part of 2013 and in 2014 with 11-15 students in placement at various times throughout the year. In 2010, 25 students were served, 24 in 2011, 25 in 2012, 30 in 2013, 22 in 2014, 23 in 2015, and 15 students in 2016. Administration responds appropriately with budget decision. The original budget amount is always done with very conservative figures regarding student enrollment projections and staff budget requests. Areas of financial need are prioritized for use of funds as well as some funds being put into reserves. As student numbers fluctuate, administration also adjusts staffing ratios. Additional information regarding fiscal year 2015 is shown in written and graph format as part of the NW BOCES annual report.

## NW BOCES Government Activity

	General Fund		Modified Cash Basis
	2016	2015	2016
<b>Revenues</b>			
Mill Funds	433,460	427,090	433,460
Program Fees	2,321,350	2,740,398	2,321,350
Interest Income	5,554	5,261	5,554
Grants Income	28,700	41,344	28,700
Other Income	<u>8,964</u>	<u>782</u>	<u>8,964</u>
<b>Total Revenues</b>	<b>2,798,028</b>	<b>3,214,875</b>	<b>2,798,028</b>
<b>Expenditures</b>			
Instruction	709,102	620,876	644,174
Residential Services	1,070,115	965,091	965,408
Instructional Services	122,587	98,876	114,773
Administration	414,488	378,993	383,922
Maintenance	189,035	164,841	177,811
Transportation	47,403	43,503	45,685
Therapy	<u>149,413</u>	<u>203,044</u>	<u>141,674</u>
<b>Total Expenditures</b>	<b>2,702,003</b>	<b>2,475,224</b>	<b>2,473,447</b>
Operating Transfer in (out)	(58,803)	(102,705)	(58,803)
<b>Net Change in Fund Balance</b>	<b>37,222</b>	<b>636,946</b>	<b>265,778</b>
Fund Balance beginning of the year	<u>3,069,288</u>	<u>2,432,342</u>	<u>2,952,136</u>
<b>Fund Balance end of the year</b>	<b><u>3,106,510</u></b>	<b><u>3,069,288</u></b>	<b><u>3,217,914</u></b>
<b>Total Net Pension Liability</b>	<b>1,700,065</b>	<b>1,318,252</b>	<b>1,700,065</b>

	Governmental Activities		Business Type Activities		Totals	Totals
	2016	2015	2016	2015	2016	2015
<b>Total Capital Assets</b>	1,069,275	1,196,868	35,409	39,693	1,104,684	1,236,561
<b>Total Assets</b>	4,350,802	4,227,896	45,576	67,547	4,396,378	4,295,443
<b>Total Deferred Outflows</b>	634,827	361,791	14,280	8,139	649,107	369,930
<b>Total Long Term Liabilities</b>	1,757,154	1,441,327	38,243		1,795,397	1,441,327
<b>Total Liabilities</b>	1,820,767	1,520,219	38,243	785	1,859,010	1,521,004
<b>Total Deferred Inflows</b>	58,352	180	1,313	4	59,665	184
<b>NET POSITION</b>						
<b>Net Investment in Capital Assets</b>	1,069,275	1,196,868	1,313	39,693	1,104,684	1,236,561
<b>Unrestricted</b>	<u>2,037,235</u>	<u>1,872,420</u>	<u>(15,109)</u>	<u>5,550</u>	<u>2,022,126</u>	<u>1,877,970</u>
<b>Total Net Position</b>	<b>3,106,510</b>	<b>3,069,288</b>	<b>20,300</b>	<b>45,243</b>	<b>3,126,810</b>	<b>3,114,531</b>

There were no significant capital expenditures in FY16 and there are no major capital commitments for 2016-2017.

A substantial change occurred to the financial statement in the 2014-2015 audit based upon the Governmental Accounting Standards Board (GASB) new pronouncements GASB 68 and GASB 71. Related to this are standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures for the Wyoming Retirement System Public Employee Pension Plan. Therefore an additional net pension liability of \$1,302,106 was included in the 2014-2015 audit report.

There were no funding changes from the Wyoming Department of Education (WDE). Tuition and related services fees paid by WDE and member districts are consistent with NW BOCES costs. The Department of Family Services (DFS) fees for residential services did increase \$133 to \$175 in 2015-2016. This is only the second increase since 1998 when the payment was \$125. The DFS payment continues to be well below our cost of \$240 per day. Medicaid funding issues continue with lack of payment for services. NW BOCES is an educational facility with all students being served through the IEP process. These same students with the same IEP goals of speech, occupational therapy, physical therapy, counseling, would receive a 100% reimbursement. NW BOCES will be hiring a "coder" to assist us in perhaps capturing some of these long overdue billings. The Navigant cost study and Medicaid are both medical funding models with no transparency and lack technical assistance to facilities. We will continue to work with the departments and the legislator to resolve these long standing issues.

*Carolyn Conner*

Submitted by Carolyn Conner  
NW BOCES Administrative Director