

**AUDITED
BASIC FINANCIAL STATEMENTS**

**BOARD OF COOPERATIVE EDUCATIONAL
SERVICES FIRST SUPERVISORY DISTRICT OF
MONROE COUNTY**

Fairport, New York

JUNE 30, 2019

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FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
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FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Board of Cooperative Educational Services
First Supervisory District of Monroe County
Fairport, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Education Services First Supervisory District of Monroe County (the BOCES), as of and for the year ended June 30, 2019, 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 BOCES 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 BOCES 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the BOCES, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES' basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates 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 supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, 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 solely 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 the effectiveness of the BOCES' 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.

Freed Maxick CPAs, P.C.

Rochester, New York
September 30, 2019

**Management Discussion and Analysis
Board of Educational Services
First Supervisory District of Monroe County
Fiscal Year-ended June 30, 2019**

This section of Board of Educational Service First Supervisory District of Monroe County's (the BOCES) annual financial report presents its discussion and analysis of the BOCES' financial performance during the fiscal year-ended June 30, 2019. Please read it in conjunction with the BOCES' financial statements, which immediately follow this section.

Financial Highlights

The year-end surplus distribution to be returned to the Monroe #1 BOCES constituents decreased to \$6,706,631 from \$7,537,291. This distribution is 4.14% of the year-end budget; which is within the targeted range for year-end surplus, per our guidelines. Our year-end surplus was primarily generated due to increased enrollment in our Special Education programs. It is important to note that the year-end distribution would have been larger but the Monroe #1 BOCES funded the previously established Retirement Contribution Reserve Fund. This reserve's purpose is to set aside funds now to offset increases in both the New York State Employee Retirement System (ERS) and the New York State Teachers Retirement System (TRS) rates. The reserve was funded with \$1,500,000 per Board of Education resolution allocated as follows: \$628,000 (TRS) and \$872,000 for ERS.

BOCES total liabilities (what is owed) exceeded its total assets (what is owned) by (\$146,269,417). This is an increase of \$1,084,368, from the prior year. This increase is attributable to continued reporting of other postemployment benefits. We report our pension assets and liabilities on the government-wide financial statements and the pension liabilities, deferred pension outflows and inflows increased \$421,763 from the prior year. Additionally, the BOCES continues to make facility improvements and purchase technology and other equipment on behalf of our districts. Capital asset purchases and leases are reported on our government-wide financial statements and increased \$2,220,360 from the prior year.

BOCES governmental funds listed combined fund balances of \$11,521,587 an increase of \$772,335 when compared to the prior year. A large portion of this increase is attributed to the annual capital project allocation. The BOCES did not spend all of its allocation in the 2018-2019 year; therefore, the capital fund has a larger fund balance than the prior year.

The Adult Education Program is currently operating with a deficit fund balance of \$107,760. The program continues to experience a decrease in enrollment. Additionally, the Extended School Year Program operated at a deficit for the first time in many years. The net deficit is \$58,898. The BOCES personnel will adjust the tuition rates to more accurately reflect costs and monitor staffing ratios to ensure the program is right priced and staffed.

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

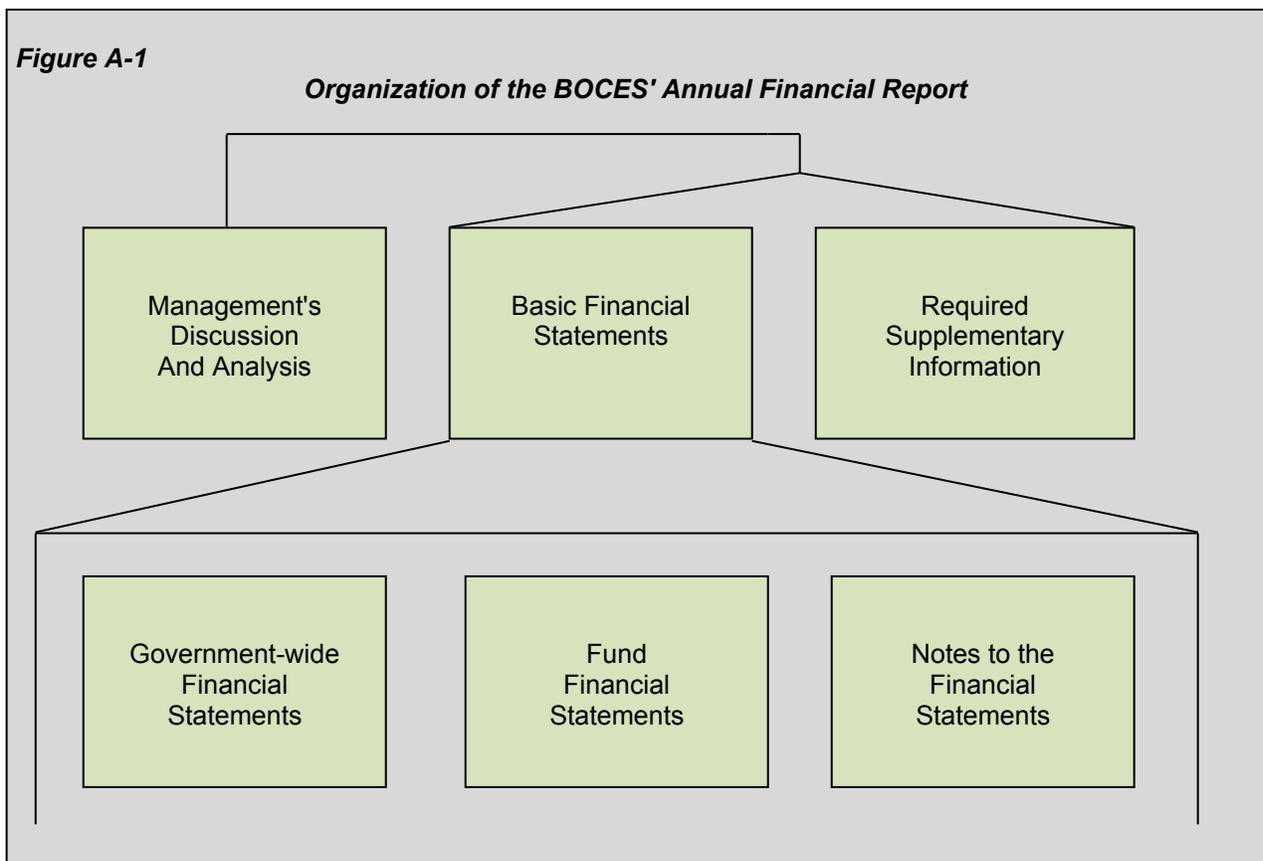


Figure A-2 summarizes the major features of the BOCES' financial statements, including the portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
		Fund Financial Statements	
	Government-wide Statements	Government Funds	Fiduciary Funds
Scope	Entire BOCES (except Fiduciary funds)	The activities of the BOCES that are not proprietary or fiduciary.	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 Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position – Fiduciary Funds • Statement of Changes in Net Assets – Fiduciary Fund
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter; generally 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/out-flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues 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

Government-wide Statements

The government-wide statements report information about the 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 revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the BOCES' net position and how it has changed. Net position is the difference between the BOCES' assets and liabilities. To assess the BOCES' overall health, you need to consider non-financial factors such as changes in the BOCES' programs and the condition of school buildings and other facilities.

In the government-wide financial statements, the BOCES' activities are shown as governmental activities. Most of the BOCES' basic services are included here, such as regular and special education and administration. Grants and charges to component and non-component units finance these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES' funds, focusing on its most significant or "major" 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:

- Some funds are required by state law while the BOCES establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).
- The BOCES currently uses the General Fund to track Co-Ser expenditures, the Special Aid Fund to track federal and state grant program revenues and expenditures, the Capital Fund to track capital building projects, the School Lunch Fund to track our school lunch program and the Trust and Agency Fund to track payroll and fiduciary related payments.

The BOCES has two types 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. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the relationship (or differences) between them.
- **Fiduciary Funds:** The BOCES is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds 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 government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the BOCES as a Whole

The BOCES' "Statement of Net Position" represents a snapshot in time of all that is owned minus all that is owed. Since the BOCES is very limited in the financial resources that can be left over at the end of any given school year, the largest component of the year-ending net assets is a reflection of investment in capital assets less any outstanding debt on those assets. These capital assets, although reflected in the Statement of Net Position, are generally not available for spending, for they are used to provide services to students.

Current assets, those assets available for use in paying liabilities, totaled \$44,834,639 at year's end. Receivables make up the majority of these current assets, primarily the state aid receivable, which will simply be taken in and then distributed to component school districts in the fall. The second largest category of current assets is cash and cash equivalents.

Current liabilities stand at \$36,675,265 at the close of the year. Much of this liability is due to component school districts in the form of state aid that once received will be paid to them.

Figure A-3

Condensed Statement of Net Assets
(in thousands of dollars)

	Governmental Activities and Total District		Total Percentage Change
	2019	2018	2018-2019
Current and other assets	\$ 44,835	\$ 42,194	6.26%
Capital assets not being depreciated	949	831	14.20%
Capital assets, net of accumulated depreciation	28,200	28,921	-2.49%
TRS pension asset	3,486	1,459	138.93%
Total assets	<u>77,470</u>	<u>73,405</u>	<u>5.54%</u>
Deferred outflow of resources - Pension	24,039	29,471	-18.43%
Deferred outflow of resources - OPEB	19,429	22,753	-14.61%
	<u>43,468</u>	<u>52,224</u>	<u>-16.77%</u>
Current liabilities	36,675	31,445	16.63%
Long term liabilities	189,294	213,606	-11.38%
Total liabilities	<u>225,969</u>	<u>245,051</u>	<u>-7.79%</u>
Deferred inflow of resources - Pension	7,447	15,642	-52.39%
Deferred inflow of resources - OPEB	33,791	10,125	233.74%
	<u>41,238</u>	<u>25,767</u>	<u>60.04%</u>
Invested in capital assets, net of related debt	23,215	25,436	-8.73%
Restricted for:			
Equipment	7,076	417	1596.88%
Retirement contribution	331	6,531	-94.93%
Unemployment insurance	528	317	66.56%
Unrestricted (deficit)	(177,419)	(177,887)	-0.26%
Total net assets	<u>\$ (146,269)</u>	<u>\$ (145,186)</u>	<u>0.75%</u>

Figure A-4

*Changes in Net Position
(in thousands of dollars)*

	Governmental Activities and Total District		Total Percentage Change
	2019	2018	2018-2019
Revenues:			
Charges for services	\$ 161,311	\$ 156,093	3.34%
State and federal aid	3,498	3,831	-8.69%
Use of money and property	133	39	241.03%
School lunch	88	98	-10.20%
Funding of reserves	1,742	1,594	9.28%
Total revenues	<u>166,772</u>	<u>161,655</u>	<u>3.17%</u>
Expenses:			
Administration	7,052	7,348	-4.03%
Occupational education	9,141	9,223	-0.89%
Instruction for the handicapped	71,126	72,740	-2.22%
Itinerant services	24,088	24,469	-1.56%
General education	3,245	3,187	1.82%
Instructional support	20,287	18,539	9.43%
Other services	31,161	32,458	-4.00%
School lunch	680	734	-7.36%
Use of reserves	1,076	1,028	4.67%
Total expenses	<u>167,856</u>	<u>169,726</u>	<u>-1.10%</u>
Changes in net positions	<u>\$ (1,084)</u>	<u>\$ (8,071)</u>	<u>-86.57%</u>

Figure A-5

*Net Cost of Governmental Activities
(in thousands of dollars)*

	Total Cost of Services			Percentage Change 2018-2019	Net Cost of Services		Percentage Change 2018-2019
	2019	2018			2019	2018	
Administration	\$ 7,052	\$ 7,348	-4.03%	\$ (198)	\$ (272)	-27.21%	
Occupational education	9,141	9,223	-0.89%	280	327	-14.37%	
Instruction for the handicapped	71,126	72,740	-2.22%	7,237	10,251	-29.40%	
Itinerant services	24,088	24,469	-1.56%	853	1,859	-54.12%	
General education	3,245	3,187	1.82%	108	243	-55.56%	
Instructional support	20,287	18,539	9.43%	(2,402)	(1,962)	22.43%	
Other services	31,161	32,458	-4.00%	(4,238)	(2,075)	104.24%	
School lunch	680	734	-7.36%	244	305	-20.00%	
Total	<u>\$ 166,780</u>	<u>\$ 168,698</u>	<u>-1.14%</u>	<u>\$ 1,884</u>	<u>\$ 8,676</u>	<u>-78.28%</u>	

Financial Analysis of The BOCES Funds

The overall financial performance of Monroe #1 BOCES is represented by the performance of its governmental funds. For the year-ended June 30, 2019, the combined fund balance of all governmental funds was \$11,521,587, which is more than the previous year's combined ending fund balance of \$10,749,252. This increase is due to an increase in enrollments in the Special Education programs.

General Fund Budgetary Highlights

The general fund original budget figure was \$144,678,144. The final amended general fund budget stood at \$161,724,038. This difference of \$17,045,894 was due primarily to increases in service requests over and above school districts' original requests. The major areas of additional request are in the area of technology equipment for both instructional and administrative purposes.

Capital Asset and Debt Administration

Capital Assets

Current plans for capital improvements do not include any expenditures from borrowed funds. The Monroe #1 BOCES five year capital asset plan includes repairs and reconstruction projects that will be financed by the yearly capital portion of the administrative budget and an unanimously approved Inter – Municipal Agreement by all of the ten component school districts.

At the close of the school year-ended June 30, 2019, Monroe #1 BOCES capital assets, net of accumulated depreciation, totaled \$29,149,646. This is a decrease of \$605,479 from the prior year. This decrease is attributable to depreciation expense exceeding purchases in the current year.

Monroe #1 BOCES is committed to continued monitoring of this equipment and will persist in recording and accounting for the multitude of capital assets that are located in the component districts.

Figure A-6

*Capital Assets Net of Depreciation
(in thousands of dollars)*

	Governmental Activities and Total District		Percentage Change
	2019	2018	2018-2019
Land	\$ 659	\$ 659	0.00%
Construction in process	290	175	65.71%
Buildings and improvements	13,384	13,074	2.37%
Vehicles	1,312	1,446	-9.27%
Equipment	13,504	14,401	-6.23%
Total	<u>\$ 29,149</u>	<u>\$ 29,755</u>	<u>-2.04%</u>

Long-Term Obligations

At June 30, 2019, the BOCES' long-term obligations consist of installment purchase debt maturing through 2023, pension and other postemployment benefit liabilities. We are experiencing an increase in our components entering into long term leases for technology purchases.

Figure A-7

*Outstanding Long-Term Debt
(in thousands of dollars)*

	Governmental Activities and Total District		Percentage Change
	2019	2018	2018-2019
Leases payable	\$ 5,934	\$ 4,319	-19.58%
Pension liabilities	7,852	3,482	-20.00%
Postemployment benefits	178,871	205,805	-9.13%
	<u>\$ 192,657</u>	<u>\$ 213,606</u>	<u>-8.87%</u>

Factors Bearing on the BOCES' Future

During the 2018-2019 school year, Monroe #1 BOCES settled a collective bargaining negotiations agreement with the following unit; BOCES Administrative and Supervisory Association. They currently have agreements in place through June 30, 2021 with the following units: BOCES United Support Staff, BOCES Professional Support Personnel and the BOCES Paraprofessionals. Commencing in the 2019-2020 school year, BOCES will enter into negotiations with BOCES United Professionals, Association as their contract expires June 30, 2020.

The BOCES Audit Committee was implemented as a result of the Five Point Plan enacted by the New York State Comptroller in conjunction with the state legislature, as an internal audit function. We will continue to work closely with the internal auditor, external auditor and internal claims auditor to monitor the BOCES fiscal practices, processes and systems. The Committee had determined that the internal auditor would conduct an annual risk assessment and perform a detailed investigation of a focus area every other year. This focus area would be determined based on the recommendations of the risk assessment. A risk assessment was conducted in the 2018-2019 school year.

The Monroe #1 BOCES continues its initiative in improving its facilities. The component school districts fund \$1,500,000 annually toward capital improvements of the facilities. We have collaborated with the Board of Education Facilities Committee to strategize on going capital improvements. A portion of the 2017-2018 allocation was utilized to replace roof top units on four of our buildings, install a fire alarm system at O' Connor Academy and replace exterior doors at the Foreman Center. The 2018-2019 project focused on improvements to the Natatorium and increased parking at the Foreman Center.

Additionally, the component school districts and the Board of Education unanimously approved an Inter municipal Agreement in the Spring of 2019 for a \$22 million Capital Improvement Project. The 2019-2023 Capital Improvement project consists of renovations, alterations and improvements to the following buildings and facilities located at the BOCES campus on O'Connor Road, Fairport, New York (the "Campus"), including:

- Career and technical classrooms throughout the Campus, including, but not limited to, Cosmetology, Culinary, CISCO, Precision Manufacturing and Welding Forman Center Building 1, 2, 3 and Forman Center Building 4,5,6;
- O' Connor Academy (Foreman Center Building 9, 10) including reconfiguration of the teaching kitchen, gym, mechanical trades and other classroom renovations, exterior work of the building envelope, reconstruction of roofs and site work;
- Masonry reconstruction throughout the Campus;
- Replacement of various finishes, including but not limited to carpeting, painting and ceiling tile;
- Replacement of Roof top HVAC units and heat pumps throughout the campus;
- Roof replacement at 11 Linden Park;
- Replacement of exterior and interior doors throughout the Campus.

The Monroe #1 BOCES continues its use of a decentralized budgeting process, involving many more people in the actual administration of the budget. Through training and targeted guidance from the director of budgets, budget analysts, and other finance department staff, program administrators are able to fully understand the components of their budgets, use that knowledge to create their individual program budgets, and then monitor and adjust those budgets as necessary throughout the school year.

The Board of Education created a Management Steering Committee, consisting of two component school district superintendents, three component school district business officials and BOCES administrative personnel. The Committee is discussing and offering counsel in a number of management areas that directly impact the BOCES financial position. The following are examples of management issues currently being discussed by the committee: Capital Building Needs, Budgeting and Forecasting, and Program Space Requirements. Four additional steering committees (Special Education, Technology, Instruction and CTE) also continue their work on issues that have significant impact on BOCES operations and/or financial position.

Our RIC (Regional Information Center) services include enhanced coordination of technology purchasing for all 19 Monroe County school districts along with providing services for both financial and student management softwares for those districts. The BOCES will continue to monitor its effectiveness and will adjust where deemed appropriate.

Legislation was passed, allowing BOCES capital projects to be excluded from the Tax Cap calculation for the component districts. Although Monroe #1 BOCES does not have any plans to borrow funds for an upcoming capital project, this legislation is beneficial for both the BOCES and the components.

Contacting the BOCES' Financial Management

This financial report is designed to provide the BOCES' customers and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Board of Educational Service First Supervisory District of Monroe County, 41 O'Connor Road, Fairport, NY 14450.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 12,294,158
Receivables, net of allowance	340,426
Due from fiduciary fund	166,944
State and federal aid receivable	15,759,055
Due from other governments	16,152,705
Prepaid items	98,282
Inventory	23,069
TRS asset - proportionate share	3,486,337
Capital assets not being depreciated	949,247
Capital assets, net of accumulated depreciation	<u>28,200,399</u>
 Total assets	 <u>77,470,622</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	24,039,261
Deferred postemployment benefits outflows	<u>19,428,382</u>
 Total deferred outflows of resources	 <u>43,467,643</u>
LIABILITIES	
Return of surplus due to schools	6,706,631
State aid due to schools	15,063,108
Accounts payable	3,200,293
Accrued liabilities	2,858,759
Unearned revenue	131,514
Due to other governments	185,899
Due to retirement systems	5,166,848
Long-term liabilities:	
Due and payable within one year	3,362,213
Due and payable after one year	<u>189,294,331</u>
 Total liabilities	 <u>225,969,596</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	7,446,608
Deferred postemployment benefits inflows	<u>33,791,478</u>
 Total deferred inflows of resources	 <u>41,238,086</u>
NET POSITION	
Net investment in capital assets	23,215,418
Restricted for:	
Retirement contribution	7,075,626
Unemployment insurance	330,919
Equipment	528,051
Unrestricted (deficit)	<u>(177,419,431)</u>
 Total net position (deficit)	 <u>\$ (146,269,417)</u>

See notes to basic financial statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Administration	\$ 7,052,125	\$ 7,250,055	\$ -	\$ 197,930
Occupational education	9,141,314	8,137,060	724,223	(280,031)
Instruction for the handicapped	71,124,882	61,657,297	2,230,728	(7,236,857)
Itinerant services	24,087,856	23,235,259	-	(852,597)
General instruction	3,244,982	3,137,197	-	(107,785)
Instructional support	20,287,306	22,493,584	196,203	2,402,481
Other services	31,161,315	35,399,592	-	4,238,277
School lunch	679,794	88,325	346,973	(244,496)
Total governmental activities	\$ <u>166,779,574</u>	\$ <u>161,398,369</u>	\$ <u>3,498,127</u>	<u>(1,883,078)</u>
General revenues:				
Use of money and property				133,146
Other sources (uses):				
Funding of reserves				1,742,000
Use of reserves				<u>(1,076,436)</u>
Total general revenues and other sources (uses)				<u>798,710</u>
Change in net position				(1,084,368)
Net position - beginning				<u>(145,185,049)</u>
Net position - ending				\$ <u><u>(146,269,417)</u></u>

See notes to basic financial statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

	<u>General</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 8,837,064	\$ 9,172	\$ 3,447,922	\$ 12,294,158
Receivables, net of allowance	298,210	14,801	27,415	340,426
State and federal aid receivable	14,880,384	878,671	-	15,759,055
Due from other governments	16,140,305	12,400	-	16,152,705
Due from other funds	1,100,320	153	172,000	1,272,473
Prepaid items	98,282	-	-	98,282
Inventory	-	-	23,069	23,069
Total assets	<u>\$ 41,354,565</u>	<u>\$ 915,197</u>	<u>\$ 3,670,406</u>	<u>\$ 45,940,168</u>
LIABILITIES				
Return of surplus due to school districts	\$ 6,706,631	\$ -	\$ -	\$ 6,706,631
State aid due to school districts	15,063,108	-	-	15,063,108
Accounts payable	3,080,782	7,749	111,762	3,200,293
Accrued liabilities	2,850,342	4,450	3,967	2,858,759
Unearned revenue	1,500	130,014	-	131,514
Due to other funds	172,153	932,901	475	1,105,529
Due to other governments	179,159	6,740	-	185,899
Due to retirement systems	5,166,848	-	-	5,166,848
Total liabilities	<u>33,220,523</u>	<u>1,081,854</u>	<u>116,204</u>	<u>34,418,581</u>

See notes to basic financial statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019
(Continued)**

	<u>General</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
FUND BALANCES (DEFICIT)				
Nonspendable	98,282	-	23,069	121,351
Restricted	7,406,545	-	528,051	7,934,596
Assigned	1,137,001	-	3,003,082	4,140,083
Unassigned (deficit)	(507,786)	(166,657)	-	(674,443)
Total fund balances (deficit)	<u>8,134,042</u>	<u>(166,657)</u>	<u>3,554,202</u>	<u>11,521,587</u>
 Total liabilities and fund balances (deficit)	 <u>\$ 41,354,565</u>	 <u>\$ 915,197</u>	 <u>\$ 3,670,406</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 13) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	29,149,646
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Leases payable	(5,934,228)
Total OPEB liability	(178,870,415)
TRS pension asset - proportionate share	3,486,337
ERS net pension liability - proportionate share	(7,851,901)
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:	
Deferred postemployment benefits inflows	(33,791,478)
Deferred pension inflows	(7,446,608)
Deferred postemployment benefits outflows	19,428,382
Deferred pension outflows	<u>24,039,261</u>
Net position of governmental activities	<u>\$ (146,269,417)</u>

See notes to basic financial statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Charges for services	\$ 74,675	\$ 148,228	\$ -	\$ 222,903
Charges to components	104,524,699	3,737,260	-	108,261,959
Charges to non-components and other BOCES	56,163,116	1,052,317	-	57,215,433
Use of money and property	118,176	-	2,456	120,632
Sale of property and compensation for loss	40,754	-	-	40,754
Miscellaneous local sources	2,337,015	90,877	-	2,427,892
Interfund revenues	50,306	-	-	50,306
Federal, state and local sources	-	3,013,858	346,973	3,360,831
School lunch	-	-	88,325	88,325
	<u>163,308,741</u>	<u>8,042,540</u>	<u>437,754</u>	<u>171,789,035</u>
Total revenues				
EXPENDITURES				
Current:				
Administration	5,972,365	-	-	5,972,365
Occupational education	8,100,227	792,883	-	8,893,110
Instruction for the handicapped	61,430,545	7,405,865	-	68,836,410
Itinerant services	23,365,989	-	-	23,365,989
General instruction	3,138,381	-	-	3,138,381
Instructional support	21,129,358	234,007	-	21,363,365
Other services	31,767,173	48,949	-	31,816,122
School lunch	-	-	653,667	653,667
Capital outlay:				
General government	-	-	936,224	936,224
	<u>154,904,038</u>	<u>8,481,704</u>	<u>1,589,891</u>	<u>164,975,633</u>
Total expenditures				

See notes to basic financial statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Continued)**

	<u>General</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	8,404,703	(439,164)	(1,152,137)	6,813,402
OTHER FINANCING SOURCES (USES)				
Refund of surplus	(6,706,631)	-	-	(6,706,631)
Funding of reserves	1,570,000	-	172,000	1,742,000
Use of reserves	(1,012,265)	-	(64,171)	(1,076,436)
Interfund transfers in	-	-	1,796,860	1,796,860
Interfund transfers out	(1,796,860)	-	-	(1,796,860)
Total other financing sources (uses)	(7,945,756)	-	1,904,689	(6,041,067)
Net change in fund balances	458,947	(439,164)	752,552	772,335
Fund balances - beginning of year	7,675,095	272,507	2,801,650	10,749,252
Fund balances - end of year	\$ 8,134,042	\$ (166,657)	\$ 3,554,202	\$ 11,521,587

See notes to basic financial statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND
 BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019**

Amounts reported for governmental activities in the Statement of Activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 18)	\$ 772,335
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$6,076,056) exceeded capital outlays (\$5,967,312) in the current period.	(108,744)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) is to decrease net position.	(496,735)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has an effect on net position. Additionally, in the Statement of Activities, certain operating expenses measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:	
Payment of capital leases	4,182,359
Present value of new capital leases	(5,797,510)
Change in proportionate share of net pension asset/(liability) and OPEB reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.	
Net pension liability - proportionate share -TRS	2,027,204
Net pension liability - proportionate share -ERS	(4,369,188)
Other postemployment benefit obligations	26,934,040
Change in proportionate share of net pension and OPEB deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the BOCES' contributions and its proportionate share of total contributions to the pension systems and OPEB subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Change in deferred outflows and inflows - TRS pension - proportionate share	(740,667)
Change in deferred outflows and inflows - ERS pension - proportionate share	3,504,414
Change in deferred outflows and inflows - other postemployment benefits	<u>(26,991,876)</u>
Change in net position of governmental activities	<u>\$ (1,084,368)</u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 STATEMENT OF NET POSITION – FIDUCIARY FUNDS
 JUNE 30, 2019**

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 1,874,827
Cash and cash equivalents - restricted	101,308	9,029
Receivables	-	4,781
Due from other funds	-	153
Prepaid items	-	163,340
	<u> </u>	<u> </u>
Total assets	<u>\$ 101,308</u>	<u>\$ 2,052,130</u>
LIABILITIES		
Group insurance	\$ -	\$ 942,408
Extraclassroom activity balances	-	9,557
Other liabilities	-	933,068
Due to other funds	-	167,097
	<u> </u>	<u> </u>
Total liabilities	<u>-</u>	<u>\$ 2,052,130</u>
NET POSITION		
Reserved for scholarships	<u>101,308</u>	
	<u> </u>	
Total liabilities and net position	<u>\$ 101,308</u>	

See notes to basic financial statements.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019**

	Private Purpose Trust
ADDITIONS	
Use of money and property	\$ 34
Gifts and donations	<u> 39,926</u>
Total additions	39,960
DEDUCTIONS	
Scholarships	<u> 32,518</u>
Change in net position	7,442
Net position - beginning	<u> 93,866</u>
Net position - ending	<u><u> \$ 101,308</u></u>

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**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Board of Cooperative Educational Services First Supervisory District of Monroe County (BOCES) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the BOCES' accounting policies are described below.

A. REPORTING ENTITY

The BOCES is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Cooperative Educational Services. President of the Board serves as the chief fiscal officer and the District Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to education within the BOCES. Board members have authority to make decisions, power to appoint management, and are primarily accountable for all fiscal matters.

The scope of activities included within the accompanying financial statements are those transactions which comprise BOCES' operations and are governed by, or significantly influenced by, the Board of Cooperative Educational Services. Essentially, the primary function of the BOCES is to provide education for pupils. Services such as administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the BOCES officials exercise oversight responsibility.

Boards of Cooperative Educational Services (BOCES) were established by New York State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, legislation was passed allowing BOCES to provide vocational and special education services. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following 10 school districts in New York's Monroe County:

- | | |
|--|--|
| Brighton Central School District | Penfield Central School District |
| East Irondequoit Central School District | Pittsford Central School District |
| East Rochester Union Free School District | Rush-Henrietta Central School District |
| Fairport Central School District | Webster Central School District |
| Honeoye Falls-Lima Central School District | West Irondequoit Central School District |

BOCES programs and services include special education, vocational education, academic and alternative programs, summer schools, staff development, computer services (management and instructional), educational communication and cooperative purchasing.

The reporting entity of the BOCES is based upon criteria set forth by the GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units*. 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 certain entities included in the BOCES' reporting entity.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

1. INCLUDED IN THE REPORTING ENTITY

The Extraclassroom Activity Funds of the BOCES represent funds of the students within the BOCES. The Board of Cooperative Educational Services exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the BOCES with respect to financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the BOCES business office. The BOCES accounts for assets held as an agent for various student organizations in the Agency Fund of the BOCES.

B. BASIS OF PRESENTATION

1. GOVERNMENT-WIDE STATEMENTS:

While separate government-wide and fund financial statements are presented, they are interrelated. 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 BOCES 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 Federal and State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include specific operating and discretionary (either operating or capital) grants.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues 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. Indirect expenses, principally depreciation, is allocated to functional areas based on the percent of each functions current year's expenditures to total expenditures. Program revenues include 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. Revenues that are not classified as program revenues are presented as general revenues.

2. FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the 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. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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, State and local grants that are legally restricted to expenditures for a specified purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Additionally, the BOCES reports the following fund types:

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

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

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 from these trust agreements.

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement or results of operations. Assets are held by BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholdings.

During the course of operations the BOCES has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds or advances from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the BOCES gives or receives value without directly receiving or giving value in exchange, includes state and federal aid, grants and donations. Revenue from grants and donations are 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the BOCES considers revenues to be available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in the governmental funds.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year end). All other revenue items are considered to be measurable and available only when cash is received by the BOCES.

The Agency Fund has no measurement focus but utilized the accrual basis of accounting for reporting its assets and liabilities.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

1. CASH AND CASH EQUIVALENTS

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.

2. RESTRICTED ASSETS

Certain assets are classified on the Balance Sheet and Statement of Net Position as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes.

3. RECEIVABLES

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible receivables. The allowance for uncollectible receivables has been established by management, using past history of uncollectible receivables. Management has established an allowance for uncollectible receivables of \$17,694 in the Special Aid Fund.

4. INVENTORY AND PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

Inventories of food and/or supplies 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.

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

5. INTERFUND TRANSACTIONS

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

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

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

Refer to Note 2.I for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS**

6. CAPITAL ASSETS

Capital assets, which include property and equipment are reported in the government-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received. As the BOCES constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in process are not depreciated. 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 government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building improvements	\$ 50,000	straight-line	15-50 years
Machinery and equipment	1,500	straight-line	5-25 years
Vehicles	1,500	straight-line	5-25 years
Technology equipment	1,500	straight-line	5-15 years

7. INSURANCE

The BOCES insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

8. DEFERRED OUTFLOWS/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(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BOCES has two items that qualify for reporting in this category. The first is related to pensions reported in the government-wide Statement of Net Position. This represents the net change in the BOCES' proportion of the collective net pension (asset)/liability, the difference during the measurement period between the BOCES' contributions and its proportional share of total contributions to the pension systems not included in pension expense, and any contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 2.E. The second item is related to other postemployment benefits (OPEB) reported in the BOCES Statement of Net Position. This represents the effect of the net change in the actual and expected experience. See details of deferred OPEB outflows in Note 2.F.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has two items that qualify for reporting in this category. The first is related to pensions reported in the government-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension (asset)/liability and difference during the measurement periods between the BOCES' contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 2.E. The second item is related to OPEB reported in the BOCES Statement of Net Position. This represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 2.F.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

9. UNEARNED REVENUE

The BOCES reports unearned revenues on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the BOCES before it has legal claim to them, as when grant funds are received prior to the occurrence of qualifying expenditures. In subsequent periods when the BOCES has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

10. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

Payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid 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 governmental funds financial statements only to the extent that they are due for payment in the current year. Leases and other long-term obligations that will be paid from governmental funds are recognized as a liability in the governmental 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.

11. VESTED EMPLOYEE BENEFITS

Compensated Absences

Compensated absences consist of unpaid accumulated sick leave, vacation and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, based on contractual provisions. These payments are budgeted annually without accrual.

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.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on contractually negotiated rates in effect at year-end.

In the governmental fund statements, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Due to the nature of BOCES services and the related employment of BOCES' employees, compensated absence liability has been reported as a current liability in the governmental fund statements.

12. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS

In addition to providing pension benefits, the BOCES provides postemployment benefits health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirements. The obligation of the BOCES and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (See Note 2.F).

13. NET POSITION FLOW ASSUMPTION

Sometimes the BOCES will fund outlays for a particular purpose from both restricted (e.g., grant proceeds) and unrestricted resources. In order to calculate the amounts to report as "restricted – net position" and "unrestricted – net position" in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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It is the BOCES' policy that the Board of Cooperative Educational Services will assess the current financial condition of the BOCES and then determine the order of application of expenditures which restricted – net position and unrestricted – net position is applied.

14. FUND BALANCE FLOW ASSUMPTIONS

Sometimes the BOCES will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The BOCES has adopted a formal spending policy under the provisions of GASB Statement No. 54, stating the Board will assess the current financial condition of the BOCES and then determine the order of application of expenditures to which fund balance classifications will be charged.

15. FUND BALANCE POLICIES

Fund balance of the BOCES' funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The BOCES itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the BOCES' highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the BOCES that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the BOCES for specific purposes but do not meet the criteria to be classified as committed. The Board has by resolution authorized the Assistant Superintendent for Finance and Operation to assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

E. REVENUES

Amounts reported as *program revenues* include 1) charges to component and non-component school districts, other BOCES or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All internally dedicated resources are reported as general revenues rather than as program revenues.

F. 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 amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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G. ACCOUNTING PRONOUNCEMENTS

During the fiscal year ended June 30, 2019, the BOCES adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations* and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*.

The BOCES has evaluated Statements No. 83 and 88 and have determined that they have no impact on the BOCES' operations in the current year.

The GASB has issued the following new pronouncements:

- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020.
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021.
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.
- Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61*, which will be effective for the year ending June 30, 2020.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2022.

The BOCES is currently reviewing these statements and plans on adoption, as required.

NOTE 2 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

The BOCES' investment policies are governed by State statutes. In addition, the BOCES has its own written investment policy. The BOCES funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit not covered by Federal Deposit 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 school districts.

The BOCES' aggregate bank balances were fully collateralized at June 30, 2019.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. Restricted cash as of year-end includes \$9,029 within the Agency Fund restricted for extraclassroom activities and \$101,308 in the Private Purpose Trust Fund restricted for scholarships.

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Investment and Deposit Policy

The BOCES follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Assistant Superintendent for Finance and Operations.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The BOCES' investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The BOCES' policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The BOCES' investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the BOCES' investment and deposit policy, all deposits of the BOCES including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The BOCES restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.

B. RECEIVABLES

State and federal aid receivables consist of the following at June 30, 2019:

General Fund	
State aid - general aid	\$ <u>14,880,384</u>
Special Aid Fund	
State receivable	\$ 229,964
Federal receivable	648,707
	\$ <u>878,671</u>

Due from other governments consist of the following at June 30, 2019:

General Fund	
Due from component and non-component schools and BOCES	\$ <u>16,140,305</u>

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C. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

Governmental Activities:

	Balance 07/01/2018	Increases	Decreases	Balance 06/30/2019
<u>Capital assets not being depreciated:</u>				
Land	\$ 659,079	\$ -	\$ -	\$ 659,079
Construction work in progress	175,069	115,099	-	290,168
Total capital assets not being depreciated	<u>834,148</u>	<u>115,099</u>	<u>-</u>	<u>949,247</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	25,181,236	654,572	-	25,835,808
Machinery and equipment	81,301,566	4,918,527	2,449,576	83,770,517
Vehicles	6,703,912	279,114	-	6,983,026
Total capital assets, being depreciated	<u>113,186,714</u>	<u>5,852,213</u>	<u>2,449,576</u>	<u>116,589,351</u>
<u>Less accumulated depreciation:</u>				
Buildings and improvements	12,107,096	344,343	-	12,451,439
Machinery and equipment	66,900,673	5,318,618	1,952,841	70,266,450
Vehicles	5,257,968	413,095	-	5,671,063
Total accumulated depreciation	<u>84,265,737</u>	<u>6,076,056</u>	<u>1,952,841</u>	<u>88,388,952</u>
Total capital assets being depreciated, net	<u>28,920,977</u>	<u>(223,843)</u>	<u>496,735</u>	<u>28,200,399</u>
Governmental activities capital assets, net	<u>\$ 29,755,125</u>	<u>\$ (108,744)</u>	<u>\$ 496,735</u>	<u>\$ 29,149,646</u>

Depreciation expense for the period was charged to functions/programs as follows:

Administration	\$ 221,168
Occupational education	329,322
School lunch	26,127
Instruction for the handicapped	2,548,906
Itinerant services	865,230
General instruction	116,053
Instructional support	791,103
Other services	1,178,147
Total	<u>\$ 6,076,056</u>

D. ACCRUED LIABILITIES

Accrued liabilities reported by the BOCES at June 30, 2019, were as follows:

	General Fund	Special Aid Fund	Nonmajor Funds	Total Funds
Salary and employee benefits	\$ 428,372	\$ 4,450	\$ 3,967	\$ 436,789
Accrued vacation	1,508,814	-	-	1,508,814
Accrued sick days	835,366	-	-	835,366
Tuitions and other	77,790	-	-	77,790
Total accrued liabilities	<u>\$ 2,850,342</u>	<u>\$ 4,450</u>	<u>\$ 3,967</u>	<u>\$ 2,858,759</u>

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E. PENSION OBLIGATIONS

The BOCES participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). 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.

Provisions and Administration

The TRS System provides retirement benefits as well as, death and disability 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. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

The ERS System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. ERS issues a publicly available financial report that contains financial statements and required supplementary information. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31st.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the BOCES reported the following amount for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2018, for TRS and

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March 31, 2019, for ERS. The total pension amount used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The BOCES' proportion of the net pension liability was based on a projection of the BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the BOCES.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Net pension (asset)/liability	\$ (3,486,337)	\$ 7,851,901
BOCES portion of the Plan's total net pension liability	0.192800%	0.110820%
Change in proportion since the prior measurement date	0.000834	0.002911

For the year ended June 30, 2019, the BOCES' recognized pension expense of \$2,587,973 for TRS and \$5,329,322 for ERS, respectively. At June 30, 2019, the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 2,605,312	\$ 1,546,204	\$ 471,924	\$ 527,083
Change of assumptions	12,187,035	1,973,647	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	3,870,100	2,015,232
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	40,831	519,384	562,269	-
BOCES' contributions subsequent to the measurement date	<u>3,875,364</u>	<u>1,291,484</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 18,708,542</u>	<u>\$ 5,330,719</u>	<u>\$ 4,904,293</u>	<u>\$ 2,542,315</u>

BOCES' contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>TRS</u>	<u>ERS</u>
Year ended:		
2020	\$ 3,376,711	\$ 1,789,843
2021	2,254,782	(1,388,396)
2022	132,448	(22,681)
2023	2,246,569	1,118,154
2024	1,550,977	-
Thereafter	367,398	-

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Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Interest rate	7.25%	7.00%
Salary scale	1.90% - 4.70%	4.20%
Decrement tables	July 1, 2009 - June 30, 2014 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.25%	2.50%
Cost of living adjustments	1.50%	1.30%

For TRS, the actuarial assumptions used in the June 30, 2017, valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2018, valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014, System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP 2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015, System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	June 30, 2018 TRS	March 31, 2019 ERS
<u>Asset Class:</u>				
Domestic equity	33.0 %	36.0 %	5.8 %	4.6 %
International equity	16.0	14.0	7.3	6.4
Global equities	4.0	-	6.7	-
Private equity	8.0	10.0	8.9	7.5
Real estate	11.0	10.0	4.9	5.6
Absolute return strategies	-	2.0	-	3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	7.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.3	(0.3)
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.3	-
Global fixed income securities	2.0	-	0.9	-
Private debt	1.0	-	6.8	-
High yield income securities	1.0	-	3.5	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

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Discount Rate

The discount rate used to calculate the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following tables present the BOCES' proportionate share of the net pension liability calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the BOCES' proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25% for TRS and 6.0% for ERS) or 1-percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
<u>TRS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 23,951,705	\$ (3,486,337)	\$ (26,471,791)
	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 34,329,765	\$ 7,851,901	\$ (14,391,383)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset)/liability of the employers as of the respective measurement dates, were as follows:

	(Dollars in Thousands)	
	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ 118,107,254	\$ 189,803,429
Plan net position	119,915,518	182,718,124
Employers' net pension (asset)/liability	<u>\$ (1,808,264)</u>	<u>\$ 7,085,305</u>
Ratio of plan net position to the employers' total pension (asset)/liability	-101.5%	96.3%

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Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employee and employer contributions for the fiscal year ended June 30, 2019, based on paid TRS wages multiplied by the employer’s contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019, amounted to \$3,875,364.

For ERS, employer contributions are paid annually based on the System’s fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019, through June 30, 2019, based on paid ERS wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2019, amounted to \$1,291,484.

F. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS

Plan Description

The Board of Cooperative Educational Services First Supervisory District of Monroe County (BOCES) administers the BOCES Retiree Medical, Dental and Life Insurance Plan (the Plan) a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). The Plan provides for continuation of medical, dental and life insurance benefits for certain retirees and their spouses and can be amended by action of the BOCES subject to applicable collective bargaining and employment agreements. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the BOCES pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the BOCES.

Employees Covered by Benefit Terms

As of June 30, 2019, the following employees were covered by the benefit terms:

Active employees, not eligible to retire	1,217
Active employees, eligible to retire	226
Retired and surviving spouses	771
Retired spouses covered	<u>285</u>
Total	<u><u>2,499</u></u>

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The BOCES total OPEB liability of \$178,870,415 was measured as of April 1, 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.36%
Salary Increases	3.36%, average, including inflation
Discount Rate	3.44%
Healthcare Cost Trend Rates	5.20% as of 2019, with an ultimate rate of 4.32% for 2071 and later years
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy. Employer subsidies are based on years of service.

The discount rate was based on the Fidelity Mutual General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General and Safety, without separate Contingent Survivor mortality, fully generational using Scale MP-2018.

Retirement and termination assumptions reflect general published tables based on large scale retirement plan population data. The plan's estimated termination and retirement experience is then analyzed and the base table is adjusted accordingly, as necessary. No formal experience study is prepared for this plan. Mortality based tables are used without adjustment since the plan's mortality experience is too small to generate a credible adjustment.

Changes in the Total OPEB Liability

Balance at July 1, 2018	\$ 205,804,455
<u>Changes for the year:</u>	
Service cost	5,734,983
Interest	7,442,824
Changes of benefit terms	-
Differences between expected and actual experience	(32,737,553)
Changes in assumptions or other inputs	(2,007,269)
Benefit payments	(5,367,025)
Net Changes	<u>(26,934,040)</u>
Balance at June 30, 2019	<u>\$ 178,870,415</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following present the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44%) or 1 percentage point higher (4.44%) than the current discount rate and updated mortality and healthcare trend rates.

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	1% Decrease <u>(2.44%)</u>	Discount Rate <u>(3.44%)</u>	1% Increase <u>(4.44%)</u>
Total OPEB Liability	\$ <u>211,169,428</u>	\$ <u>178,870,415</u>	\$ <u>153,436,860</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.20%) or 1 percentage point higher (6.20%) than the current healthcare cost trend rate:

	1% Decrease (4.20% decreasing to 3.32%)	Healthcare Cost Trend Rates (5.20% decreasing to 4.32%)	1% Increase (6.20% decreasing to 5.32%)
Total OPEB Liability	\$ <u>149,185,401</u>	\$ <u>178,870,415</u>	\$ <u>221,856,549</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the BOCES' recognized OPEB expense of \$5,592,143. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,538,290	\$ 23,383,966
Changes of assumptions	2,548,336	10,407,512
Contributions subsequent to the measurement date	1,341,756	-
Total	\$ <u>19,428,382</u>	\$ <u>33,791,478</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2020	\$ (7,585,664)
2021	(7,585,664)
2022	(3,929,297)
2023	707,453
2024	707,453
Thereafter	1,980,867

G. CAPITAL LEASE

The BOCES enters into agreements as lessee for financing the acquisition of various equipment. These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

Future minimum lease obligations and the net present value of these minimum payments as of June 30, 2019, were as follows:

<u>Year ending June 30</u>	
2020	\$ 3,362,213
2121	2,329,704
2022	323,602
2023	75,472
2024	5,132
Total minimum lease payments	<u>6,096,123</u>
Less: amount representing interest	<u>161,895</u>
Present value of minimum lease payments	<u>\$ 5,934,228</u>

*Interest rates range from 0.00%-2.76%

In the fund financial statements, governmental funds recognize lease payments during the current period.

H. CHANGES IN LONG-TERM LIABILITIES

Changes in the BOCES' long-term liabilities for the year ended June 30, 2019, are as follows:

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2019</u>	<u>Due Within One Year</u>
Government activities:					
Leases payable	\$ 4,319,077	\$ 5,797,510	\$ 4,182,359	\$ 5,934,228	\$ 3,362,213
Net pension liabilities* (ERS) - proportionate share	3,482,713	4,369,188	-	7,851,901	-
Total OPEB liability	<u>205,804,455</u>	<u>13,177,807</u>	<u>40,111,847</u>	<u>178,870,415</u>	<u>-</u>
Total long-term liabilities	<u>\$ 213,606,245</u>	<u>\$ 23,344,505</u>	<u>\$ 44,294,206</u>	<u>\$ 192,656,544</u>	<u>\$ 3,362,213</u>

*Additions to net pension liability are presented net of reductions.

The General Fund has typically been used to liquidate long-term liabilities such as leases payable, net pension liabilities and postemployment benefit obligations.

I. INTERFUND ACTIVITY

Interfund activity at June 30, 2019, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,100,320	\$ 172,153	\$ -	\$ 1,796,860
Capital Projects Fund	172,000	-	1,500,000	-
Special Aid Fund	153	932,901	-	-
School Lunch Fund	-	475	296,860	-
Agency Fund	153	167,097	-	-
Total	<u>\$ 1,272,626</u>	<u>\$ 1,272,626</u>	<u>\$ 1,796,860</u>	<u>\$ 1,796,860</u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Interfund receivables and payables are mainly related to the General Fund paying expenditures on behalf of the Special Aid Fund until grant money is received; transfers to the School Lunch Fund that did not occur prior to year end and the Agency Fund overestimating certain liabilities paid by the General Fund.

The majority of the interfund revenues and expenditures are the result of the General Fund funding the current year capital projects and a few programs in the General Fund that utilize the School Lunch Fund.

J. NET POSITION AND FUND BALANCE

1. NET POSITION

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2019.

Unrestricted net position - This category represents net position of the BOCES not restricted for any project or other purpose.

2. FUND BALANCE

In the governmental fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the BOCES at June 30, 2019, include:

- *Prepaid items* - represents miscellaneous items that are applicable to future accounting periods. This balance is nonspendable as the asset does not represent an available resource.
- *Inventory* - represents nonspendable inventory in the school lunch fund.

Restricted – represents amounts with constraints placed on the use of resources and 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.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the BOCES' highest level of decision-making authority, the Board of Education. As of June 30, 2019, the BOCES had no committed fund balances.

Assigned – represents amounts that are constrained by the BOCES' intent to be used for the specified purposes noted below, but are neither restricted nor committed.

Assigned to specific use – Represents fund balance within the special revenue and capital funds that is assigned to a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

As of June 30, 2019, fund balances were classified as follows:

	General	Special Aid	Nonmajor Funds	Total
<u>Nonspendable</u>				
Prepaid items	\$ 98,282	\$ -	\$ -	\$ 98,282
Inventory	-	-	23,069	23,069
<u>Restricted:</u>				
Unemployment insurance	330,919	-	-	330,919
Retirement contribution	7,075,626	-	-	7,075,626
Equipment	-	-	528,051	528,051
<u>Assigned:</u>				
E-Rate	876,457	-	-	876,457
Encumbrances:				
Administrative	31,263	-	-	31,263
Occupational Instruction	6,049	-	-	6,049
Instruction for Handicapped	53,040	-	-	53,040
Itinerant	1,323	-	-	-
General Instruction	131,418	-	-	131,418
Instructional Support	9,899	-	-	9,899
Other Services	27,552	-	-	27,552
School lunch	-	-	153,006	153,006
Capital Projects	-	-	2,850,076	2,850,076
<u>Unassigned:</u>				
General Fund	(507,786)	-	-	(507,786)
Special Aid Fund	-	(166,657)	-	(166,657)
Total	<u>\$ 8,134,042</u>	<u>\$ (166,657)</u>	<u>\$ 3,554,202</u>	<u>\$ 11,521,587</u>

NOTE 3 - RISK MANAGEMENT

A. GENERAL

The BOCES is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

B. WORKERS' COMPENSATION PLAN

The BOCES incurs costs related to the Rochester Area School Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Monroe #1 and Monroe #2 BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of eighteen districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount required to eliminate such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expense) that have been reported but not settled, and claims that have been incurred but not reported.

Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2019, the BOCES incurred premiums or contribution expenditures totaling \$1,059,262.

The Plan is audited on an annual basis and that report is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2018, indicated that the Plan was fully funded.

C. HEALTH INSURANCE PLAN

The BOCES incurs costs related to the Rochester Area School Health Plan (Plan I and Plan II) sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Membership in the Plans may be offered to any component district of the Monroe #1 and Monroe #2 BOCES with the unanimous approval of the Board of Directors. Voluntary withdrawal from the Plans may be effective only once annually on the last day of the Plans year as may be established by the Board of Directors. Notice of Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than thirty days prior to the end of the Plans year. Plan members bear an equal proportionate share of the Plans' assets and claim liabilities.

Pursuant to the Municipal Cooperative Agreement the Plans are a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

Plan I

The Plan's members include seventeen districts with the BOCES bearing an equal proportionate share of the Plan's assets and claim liabilities.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid within any one fiscal year.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claim liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2019, the BOCES incurred premiums or contribution expenditures totaling \$386,405.

The Plan is audited on an annual basis and that report is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2018, indicated that the Plan was fully funded.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS**

Plan II

The Plan members include eighteen districts with the BOCES bearing an equal proportionate share of the Plan's assets and claim liabilities. The Plan was established as a Municipal Cooperative under the authorization of Article 5-G of the General Municipal Law in 2004. The plan received a Certificate of Authority to operate as a self-funded plan under Article 47 of the New York State Insurance Law, effective January 1, 2018.

The Plan arrangement includes a pooling point to limit its exposure. The pooling point provides additional protection in the form of an experience credit in the subsequent year.

The Insurer will determine whether there is a deficit or a surplus for the Plan year. If a deficit occurs in a Plan year, the Insurer will fund payment of the deficit. If there is a surplus in the Plan year, the surplus may not be applied to off-set a deficit in a subsequent Plan year(s). If a surplus occurs in a Plan year that follows the year in which a deficit occurred, the surplus may be applied to fund the deficit.

Any medical claims expenses that are not paid by the Insurer (either with Plan money representing the net premium or with the Insurer's money if a deficit occurred) during the term of the agreement with the Insurer, will be the financial responsibility of the Plan. If the Insurer is processing medical claim expenses during part or all of the 12-month period referred to above, it will pay those medical claim expenses provided that the Plan provides adequate funding for the medical claims expenses.

The administrative services that will be provided by the Insurer during the 12-month period referred to above will be provided for at an additional charge determined by first dividing the Insurer administrative fee paid in the last Plan year by the total of the medical claims expenses paid during the last Plan year to determine an administrative cost percentage (the "Admin Percentage"). Then, for each medical claims expense paid during the subsequent 12-month period, the Plan will pay the Insurer an additional charge determined by multiplying the amount of the medical claims expense by the administrative percentage. During the year ended June 30, 2019, the BOCES incurred premiums or contribution expenditures totaling \$362,275.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2018, indicated that the Plan was fully funded.

D. DENTAL COVERAGE

The BOCES self insures for dental coverage for its employees. The BOCES uses a third party administrator who is responsible for processing claims and estimating liabilities. The BOCES does not carry excess insurance coverage relative to this Plan. The BOCES records expenditures as claims are presented for payment in accordance with the BC/BS schedule of allowances. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

A reconciliation of the claims recorded for 2019, follows:

Claim liability, July 1, 2017	\$	176,378
Incurred claims		1,142,673
Claims payments		<u>(1,153,022)</u>
Claim liability, June 30, 2018		166,029
Incurred claims		1,178,284
Claims payments		<u>(1,198,934)</u>
Claim liability, June 30, 2019	\$	<u><u>145,379</u></u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS**

NOTE 4 - COMMITMENTS AND CONTINGENCIES

A. CONTINGENCIES

1. GRANT AWARDS

The BOCES participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the BOCES' compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the BOCES anticipates such amounts, if any, will be immaterial.

2. LITIGATION

The BOCES is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the BOCES' legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

3. CONSTRUCTION COMMITMENTS

The District has active construction projects outstanding as of June 30, 2019, which includes a joint agreement entered into with the ten component school Districts of the BOCES for the construction of improvements to various BOCES school facilities, pursuant to section 1950 of the education law. Construction commitments for active construction projects as of June 30, 2019, are as follows:

<u>Contractor</u>	<u>Project</u>	<u>PO - Number</u>	<u>Original Contract</u>	<u>Paid to Date 6/30/2019</u>	<u>Remaining Balance</u>
LaBella Architects	18-19	18-07220	\$ 189,185	\$ 162,657	\$ 26,528
LaBella Architects	18-19	19-05319	5,000	-	5,000
Foundtion Design	18-19	19-07025	5,500	-	5,500
Terracon	18-19	19-07026	12,000	-	12,000
Terracon	18-19	19-07027	7,500	-	7,500
Paradigm	18-19	19-07155	3,000	-	3,000
Testa Construction	18-19	19-07170	971,000	-	971,000
DDS Constructors, LLC	18-19	19-07171	983,800	45,082	938,718
Concord Electric	18-19	19-07172	122,000	-	122,000
Crosby Brownlie, INC	18-19	19-07173	339,000	-	339,000
T-Bell Construction	18-19	19-07174	141,400	-	141,400
Total			<u>\$ 2,779,385</u>	<u>\$ 207,739</u>	<u>\$ 2,571,646</u>

The BOCES has entered into a joint agreement with its component school districts for the construction of improvements to various BOCES school facilities pursuant to Section 1950 of the Education Law, at a maximum cost not to exceed \$22,000,000.

B. ENCUMBRANCES

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$260,544 recorded in the General Fund.

C. LEASE COMMITMENTS AND LEASED ASSETS

The BOCES leases buildings and equipment under several leases extending to 2025.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 NOTES TO BASIC FINANCIAL STATEMENTS**

Total rent expense under the non-cancellable operating leases was \$1,775,404 during the year ended June 30, 2019. Minimum rental commitments as of June 30, 2019, for these leases are as follows:

	<u>Buildings</u>
2020	\$ 1,548,675
2021	1,549,946
2022	1,376,152
2023	1,339,379
2024	1,288,397
2025	1,179,380

NOTE 5 - RELATED PARTY TRANSACTIONS

A. LEASING ARRANGEMENTS

The Monroe #1 BOCES Educational Foundation is currently renting buildings to the BOCES under long term operating lease agreements. The original lease was for 10 years with an option to renew for an additional 10 years. The lease began on July 1, 2005, and was renewed in June 2015. The rent for all four locations is \$1,179,380 under renewal of the lease.

Lease payments from the BOCES consist of the following:

	<u>Monthly Rent</u>	<u>Annual Rent</u>
11 Linden Park	\$ 10,456	\$ 125,466
15 Linden Park	10,456	125,466
25 O'Connor Road	46,004	552,050
38-40 O'Connor Road	31,366	376,398
Total	<u>\$ 98,282</u>	<u>\$ 1,179,380</u>

NOTE 6 - SUBSEQUENT EVENTS

These financial statements have not been updated for subsequent events occurring after September 30, 2019, which is the date these financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
REVENUES				
Administrative 001 - 002	\$ 9,886,922	\$ 7,794,082	\$ 8,653,991	\$ 859,909
Occupational Education 100-199	7,913,377	8,262,969	8,244,180	(18,789)
Instruction for handicapped 200-299	62,924,995	63,459,393	63,994,103	534,710
Itinerant 300-399	22,282,901	24,476,175	24,422,359	(53,816)
General Instruction 400-499	2,877,480	3,348,595	3,349,693	1,098
Instructional Support 500-599	11,152,433	21,668,021	21,783,134	115,113
Other services 600-799	<u>27,640,036</u>	<u>32,714,803</u>	<u>32,861,281</u>	<u>146,478</u>
Total revenues	<u>\$ 144,678,144</u>	<u>\$ 161,724,038</u>	<u>\$ 163,308,741</u>	<u>\$ 1,584,703</u>

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
EXPENDITURES					
Administrative 001 - 002	\$ 9,886,922	\$ 7,794,082	\$ 5,972,365	\$ 32,450	\$ 1,789,267
Occupational Education 100-199	7,913,377	8,262,969	8,100,227	12,387	150,355
Instruction for handicapped 200-299	62,924,995	63,459,393	61,430,545	67,132	1,961,716
Itinerant 300-399	22,282,901	24,476,175	23,365,989	3,231	1,106,955
General Instruction 400-499	2,877,480	3,348,595	3,138,381	217	209,997
Instructional Support 500-599	11,152,433	21,668,021	21,129,358	133,264	405,399
Other services 600-799	<u>27,640,036</u>	<u>32,714,803</u>	<u>31,767,173</u>	<u>11,863</u>	<u>935,767</u>
Total expenditures	<u>\$ 144,678,144</u>	<u>\$ 161,724,038</u>	<u>\$ 154,904,038</u>	<u>\$ 260,544</u>	<u>\$ 6,559,456</u>

The notes to the required supplementary information is an integral part of this schedule.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
SCHEDULE OF THE BOCES' PROPORTIONATE SHARE OF THE NET PENSION (ASSET)
LAST FIVE FISCAL YEARS**

	Year ended June 30,				
	2015	2016	2017	2018	2019
<u>Teachers' Retirement System (TRS)</u>					
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018
BOCES' proportion of the net pension (asset) liability	0.182234%	0.180201%	0.188130%	0.191966%	0.192800%
BOCES' proportionate share of the net pension (asset) liability	\$ <u>(20,299,770)</u>	\$ <u>(18,717,121)</u>	\$ <u>2,014,952</u>	\$ <u>(1,459,133)</u>	\$ <u>(3,486,337)</u>
BOCES' covered payroll	\$ 26,901,587	\$ 26,964,590	\$ 29,017,154	\$ 30,412,082	\$ 29,933,726
BOCES' proportionate share of the net pension (asset) liability as a percentage of its covered payroll	-75.0%	-69.4%	6.9%	-4.8%	-11.6%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-111.5%	-110.5%	99.0%	-100.7%	-101.5%
<u>Employees' Retirement System (ERS)</u>					
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019
BOCES' proportion of the net pension (asset) liability	0.1052180%	0.1057070%	0.1068980%	0.1079093%	0.110820%
BOCES' proportionate share of the net pension (asset) liability	\$ <u>3,554,532</u>	\$ <u>16,966,323</u>	\$ <u>10,044,416</u>	\$ <u>3,482,713</u>	\$ <u>7,851,901</u>
BOCES' covered payroll	\$ 28,521,095	\$ 30,222,033	\$ 31,504,718	\$ 32,216,821	\$ 33,513,627
BOCES' proportionate share of the net pension (asset) liability as a percentage of its covered payroll	12.0%	56.1%	31.9%	10.8%	23.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	97.9%	90.7%	94.7%	98.2%	96.3%

* This schedule is intended to show information for ten years. Since 2015 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

The notes to the required supplementary information is an integral part of this schedule.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 SCHEDULE OF THE BOCES' PENSION CONTRIBUTIONS
 LAST 10 FISCAL YEARS
 FOR THE YEAR ENDED JUNE 30,**

	TEACHERS' RETIREMENT SYSTEM									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 2,489,404	\$ 2,015,951	\$ 2,962,188	\$ 3,650,227	\$ 3,631,517	\$ 5,120,889	\$ 4,457,158	\$ 3,565,259	\$ 3,078,086	\$ 3,423,404
Contributions in relation to the contractually required contribution	<u>2,489,404</u>	<u>2,015,951</u>	<u>2,962,188</u>	<u>3,650,227</u>	<u>3,631,517</u>	<u>5,120,889</u>	<u>4,457,158</u>	<u>3,565,259</u>	<u>3,078,086</u>	<u>3,423,404</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
BOCES' covered payroll	30,063,897	29,370,943	28,965,325	27,452,769	27,570,613	26,964,590	29,017,154	30,412,082	29,933,726	31,683,106
Contributions as a percentage of covered payroll	8%	7%	10%	13%	13%	19%	15%	12%	10%	11%
	EMPLOYEES' RETIREMENT SYSTEM									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 2,105,449	\$ 3,228,327	\$ 4,329,906	\$ 5,024,220	\$ 5,507,130	\$ 5,439,196	\$ 4,799,041	\$ 4,283,885	\$ 4,519,802	\$ 4,481,452
Contributions in relation to the contractually required contribution	<u>2,105,449</u>	<u>3,228,327</u>	<u>4,329,906</u>	<u>5,024,220</u>	<u>5,507,130</u>	<u>5,439,196</u>	<u>4,799,041</u>	<u>4,283,885</u>	<u>4,519,802</u>	<u>4,481,452</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
BOCES' covered payroll	31,085,450	33,006,073	28,588,726	28,115,456	28,036,024	28,521,095	30,222,033	31,922,033	30,206,262	30,696,496
Contributions as a percentage of covered payroll	7%	10%	15%	18%	20%	19%	16%	13%	15%	15%

The notes to the required supplementary information is an integral part of this schedule.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 SCHEDULE OF CHANGES IN THE TOTAL OPEB RELATED LIABILITY
 AND RELATED RATIOS
 LAST THREE FISCAL YEARS***

Measurement Date	<u>2017</u> April 1,	<u>2018</u> April 1,	<u>2019</u> April 1,
<u>Total OPEB Liability</u>			
Service cost	\$ 5,363,425	\$ 5,724,372	\$ 5,734,983
Interest	5,960,533	7,309,804	7,442,824
Changes in benefit terms	-	(731,295)	-
Differences between expected and actual experience in the measurement of the total OPEB liability	20,065,679	1,997,692	(32,737,553)
Changes of assumptions or other inputs	(12,425,188)	4,865,004	(2,007,269)
Benefit payments	<u>(4,410,972)</u>	<u>(4,888,495)</u>	<u>(5,367,025)</u>
Net change in total OPEB liability	14,553,477	14,277,082	(26,934,040)
Total OPEB liability - beginning	<u>176,973,896</u>	<u>191,527,373</u>	<u>205,804,455</u>
Total OPEB liability - ending	<u>\$ 191,527,373</u>	<u>\$ 205,804,455</u>	<u>\$ 178,870,415</u>
Covered-employee payroll	\$ 50,218,866	\$ 50,218,866	\$ 51,881,110
Total OPEB liability as a percentage of covered-employee payroll	381.39%	409.82%	344.77%

* This schedule is intended to show information for ten years. Since 2017 was the first year for this presentation, ten years of data is not available. Additional years will be included as they become available.

The notes to the required supplementary information is an integral part of this schedule.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - BUDGETARY INFORMATION

BUDGETARY BASIS OF ACCOUNTING

A. BUDGET POLICIES – The budget policies are as follows:

- a. Selection 1950 4(b) of Education Law requires adoption of a final budget by no later than May 15 of the ensuing year.
- b. 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.
- c. Appropriations for educational services are adopted at the program level and lapse at the end of each fiscal year.
- d. 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 by a majority of its voting component school boards.

B. BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2019, and therefore, is the only fund presented in the Budgetary Comparison Schedule. The appropriated budget is prepared by fund and function. Transfers of appropriations between functions require the approval of the Board of Cooperative Educational Services.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law).

The capital projects fund is appropriated on a project-length basis. Budgets are established and used for individual capital project fund expenditures as approved by the Board of Education. The maximum project amount authorized is based primarily upon the cost of the project, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Other special revenue funds and the permanent fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

NOTE 2 - FACTORS AFFECTING TRENDS IN OTHER POSTEMPLOYMENT BENEFITS AND PENSIONS

The BOCES has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The BOCES currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. Changes of assumptions and other inputs reflect a change in the discount rate from 3.61 percent in 2018 to 3.44 percent in 2019 and changes in the inflation rate from 2.31 percent in 2018 to 2.36 percent in 2019.

The BOCES' Proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invest in. In addition, the discount factor has varied from 7.5 percent to 7.0 percent over the past four years.

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SUPPLEMENTARY INFORMATION

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**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 ANALYSIS OF SCHOOL DISTRICT ACCOUNT BALANCES
 FOR THE YEAR ENDED JUNE 30, 2019**

Due from School Districts - Beginning of Year	\$ 3,981,927
Additions:	
Billings to School District	160,680,459
Refund of Balance due to School Districts	7,537,291
Encumbrances at June 30, 2018	<u>260,544</u>
Total Additions	<u>168,478,294</u>
Balance Before Deductions	172,460,221
Deductions:	
Collections from School Districts	156,059,372
Credits to Schools Districts for Revenue in Excess of Expenditures	6,607,843
Encumbrances at June 30, 2017	<u>359,332</u>
Total Deductions	<u>163,026,547</u>
Net Balance Due from School Districts - End of Year	<u><u>\$ 9,433,674</u></u>
<u>Recap of Net Balance Due from School Districts - End of Year:</u>	
Due from School Districts	\$ 16,140,305
Due to School Districts	<u>(6,706,631)</u>
Net Balance	<u><u>\$ 9,433,674</u></u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 COMBINING BALANCE SHEET- NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019**

	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 136,356	\$ 3,311,566	\$ 3,447,922
Receivables	27,415	-	27,415
Due from other funds	-	172,000	172,000
Inventory	23,069	-	23,069
	<u>186,840</u>	<u>3,483,566</u>	<u>3,670,406</u>
Total assets	\$ <u>186,840</u>	\$ <u>3,483,566</u>	\$ <u>3,670,406</u>
LIABILITIES			
Accounts payable	\$ 6,323	\$ 105,439	\$ 111,762
Accrued liabilities	3,967	-	3,967
Due to other funds	475	-	475
	<u>10,765</u>	<u>105,439</u>	<u>116,204</u>
Total liabilities	<u>10,765</u>	<u>105,439</u>	<u>116,204</u>
FUND BALANCES			
Nonspendable	23,069	-	23,069
Restricted	-	528,051	528,051
Assigned	153,006	2,850,076	3,003,082
	<u>176,075</u>	<u>3,378,127</u>	<u>3,554,202</u>
Total fund balances	<u>176,075</u>	<u>3,378,127</u>	<u>3,554,202</u>
Total liabilities and fund balances	\$ <u>186,840</u>	\$ <u>3,483,566</u>	\$ <u>3,670,406</u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCES – NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES			
Use of money and property	\$ -	\$ 2,456	\$ 2,456
Federal, state and local sources	346,973	-	346,973
School lunch	88,325	-	88,325
	<u>435,298</u>	<u>2,456</u>	<u>437,754</u>
Total revenues			
EXPENDITURES			
Current:			
School lunch	653,667	-	653,667
Capital outlay:			
General government	-	936,224	936,224
	<u>653,667</u>	<u>936,224</u>	<u>1,589,891</u>
Total expenditures			
Deficit of revenue over expenditures	(218,369)	(933,768)	(1,152,137)
OTHER FINANCING SOURCES			
Funding of reserves	-	172,000	172,000
Use of reserves	-	(64,171)	(64,171)
Interfund transfers in	296,860	1,500,000	1,796,860
	<u>296,860</u>	<u>1,607,829</u>	<u>1,904,689</u>
Total other financing sources			
Net change in fund balances	78,491	674,061	752,552
Fund balances - beginning	97,584	2,704,066	2,801,650
Fund balances - ending	<u>\$ 176,075</u>	<u>\$ 3,378,127</u>	<u>\$ 3,554,202</u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

Project Title	Original Appropriations	Revised Appropriations	Expenditures to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2019
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Foreman Center - RTU	206,488	206,488	11,528	194,960	206,488	-	-	-	206,488	206,488	-
VOC Bldg 456 - RTU	72,622	72,622	4,650	67,972	72,622	-	-	-	72,622	72,622	-
ALT HS - RTU, Fire Alarm System	290,165	284,368	92,444	191,924	284,368	-	-	-	284,368	284,368	-
Harris Bldg - RTU, Fire Alarm System	201,609	188,789	61,765	127,024	188,789	-	-	-	188,789	188,789	-
15 Linden - RTU	73,127	68,858	4,682	64,176	68,858	-	-	-	68,858	68,858	-
Fuel Depot	2,190,280	2,190,280	-	184,925	184,925	2,005,355	-	-	2,190,280	2,190,280	2,005,355
Pool Renovations	909,720	909,720	-	44,886	44,886	864,834	-	-	909,720	909,720	864,834
Foreman Center - Renovations	-	20,119	-	20,119	20,119	-	-	-	20,119	20,119	-
VOC Building - Renovations	-	20,119	-	20,119	20,119	-	-	-	20,119	20,119	-
ALT HS - Renovations	-	20,119	-	20,119	20,119	-	-	-	20,119	20,119	-
Capital Fund Holding	-	40,244	-	-	-	-	-	-	40,244	40,244	40,244
CTE Reserve	-	-	177,609	64,170	241,779	-	-	-	709,473	709,473	467,694
Total	\$ 3,944,011	\$ 4,021,726	\$ 352,678	\$ 1,000,394	\$ 1,353,072	\$ 2,870,189	\$ -	\$ -	\$ 4,731,199	\$ 4,731,199	\$ 3,378,127

INTERNAL CONTROL AND COMPLIANCE

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**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**

INDEPENDENT AUDITOR'S REPORT

Board of Cooperative Educational Services
First Supervisory District of Monroe County
Fairport, New York

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, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services First Supervisory District of Monroe County (the BOCES), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BOCES' 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the BOCES' financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 the 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.

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 BOCES' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Freed Maxick CPAs, P.C.

Rochester, New York
September 30, 2019

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SINGLE AUDIT REPORT

**BOARD OF COOPERATIVE EDUCATIONAL
SERVICES FIRST SUPERVISORY DISTRICT OF
MONROE COUNTY**

FAIRPORT, NEW YORK

JUNE 30, 2019

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Cooperative Educational Services
First Supervisory District of Monroe County
Fairport, New York

Report on Compliance for Each Major Federal Program

We have audited the Board of Cooperative Educational Services First Supervisory District of Monroe County's (the BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2019. 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 federal statutes, regulations and the terms and conditions of its federal awards, 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2019.

Report on Internal Control Over Compliance

Management of the BOCES is responsible for establishing and maintaining effective internal control over compliance with the type 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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the BOCES as of and for the year ended June 30, 2019, and have issued our report thereon dated September 30, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as whole.

Freed Maxick CPAs, P.C.

Rochester, New York
September 30, 2019

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>				
<i>Passed through New York State Bureau of School Food Management:</i>				
<i>Child Nutrition Cluster</i>				
National School Breakfast Program	10.553	26910000000	\$ -	\$ 109,050
National School Lunch Program	10.555	26910000000	-	211,399
National School Lunch Program - Food Distribution	10.555	26910000000	-	17,484
<i>Total Child Nutrition Cluster</i>			-	337,933
<i>Total U.S. Department of Agriculture</i>			-	337,933
<u>U.S. Department of Education</u>				
<i>Passed through New York State Education Department:</i>				
<i>Special Education Cluster</i>				
Special Education - Grants to States	84.027	C012209; C012175; C012922 C012467	-	1,785,713
Special Education - Preschool Grants	84.173		-	370,587
<i>Total Special Education Cluster</i>			-	2,156,300
Career and Technical Education - Basic Grants to States	84.048	8000-19-0047	-	250,210
<i>Total U.S. Department of Education</i>			-	2,406,510
<u>U.S. Department of Homeland Security</u>				
<i>Direct program</i>				
Citizenship Education and Training	97.010	N/A	-	10,932
<i>Total U.S. Department of Homeland Security</i>			-	10,932
Total Expenditures of Federal Awards			\$ -	\$ 2,755,375

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes federal award activity of the BOCES under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the BOCES, it is not intended to and does not present the financial position, changes in net position, or cash flows of the BOCES.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The amounts reported as federal expenditures were obtained from the BOCES financial reporting system, which is the source of the BOCES' basic financial statements.

NOTE 3 - INDIRECT COST

The BOCES has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019**

I. FINANCIAL STATEMENT FINDINGS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Type of auditor's report(s) issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification on major federal programs:

CFDA Number(s)

Name of Federal Program or Cluster

84.027/84.173

Special Education Cluster

Dollar threshold used to distinguish between Type A Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

II. FINANCIAL STATEMENT FINDINGS

There were no financial statement findings noted for the fiscal year ended June 30, 2019.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs noted for the fiscal year ended June 30, 2019.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

I. FINANCIAL STATEMENT FINDINGS

2018-001 INTERNAL CONTROL OVER LEASE TRANSACTIONS

Criteria: The BOCES must have adequate internal controls over financial reporting for all financial transactions, including leasing transactions, which are reported on the government-wide financial statements.

Condition: Internal controls over financial reporting of leasing transactions had not been communicated by management to the personnel responsible for tracking these transactions.

Cause: Due to multiple changes in personnel responsible for tracking lease transactions, internal controls over accounting for these transactions were not adequately documented and followed.

Effect: This condition resulted in a prior period adjustment reported in the government-wide financial statements in the prior year.

Recommendation: We recommended the BOCES implement a system of internal control and oversight over financial reporting related to lease transactions.

Status: The BOCES has implemented a system of internal controls and oversight which requires reconciliations of the leased transactions to the general ledger activity.

II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

There were no federal award findings or questioned costs noted for the fiscal year ended June 30, 2018.

**AUDITED
EXTRACLASSROOM ACTIVITY FINANCIAL STATEMENTS**

**BOARD OF COOPERATIVE EDUCATIONAL
SERVICES FIRST SUPERVISORY DISTRICT OF
MONROE COUNTY**

FAIRPORT, NEW YORK

JUNE 30, 2019

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
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**INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BASIS NET POSITION OF THE
EXTRACLASSROOM ACTIVITY FUNDS**

Board of Cooperative Educational Services
First Supervisory District of Monroe County
Fairport, New York

Report on the Financial Statements

We have audited the accompanying Statement of Cash Receipts, Disbursements and Changes in Cash Basis Net Position of the Extraclassroom Activity Funds of Board of Cooperative Educational Services First Supervisory District of Monroe County (the BOCES), as of and for the year ended June 30, 2019, and the related note to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the cash basis of accounting described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control over Extraclassroom Activity relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls over Extraclassroom Activity relevant to the BOCES' preparation and fair presentation of the financial statement 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 BOCES' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts, disbursements and changes in cash basis net position of the Extraclassroom Activity Funds of the BOCES for the year ended June 30, 2019, arising from cash collected and disbursements made during the year then ended on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Freed Maxick CPAs, P.C.

Rochester, New York
September 30, 2019

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS
 NET POSITION OF THE EXTRACLASSROOM ACTIVITY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Balance</u> <u>July 1, 2018</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2019</u>
Creekside Classroom Transition	\$ 1,431	\$ 3,911	\$ 4,165	\$ 1,177
Criminal Justice	1,500	21,405	21,270	1,635
Culinary Arts	1,102	14,172	14,568	706
Early Childhood	-	3,600	3,170	430
Emergency Services	3,296	17,009	15,441	4,864
Professional Health Careers	298	7,552	7,326	524
VICA/Skills USA	159	20,453	20,391	221
Visual Communications	<u>15</u>	<u>-</u>	<u>15</u>	<u>-</u>
Totals	<u>\$ 7,801</u>	<u>\$ 88,102</u>	<u>\$ 86,346</u>	<u>\$ 9,557</u>

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENT**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The transactions of the Extraclassroom Activity Funds are not considered part of the reporting entity of the Board of Cooperative Educational Services First Supervisory District of Monroe County (the BOCES). Consequently, such transactions are included in the basic financial statements of the BOCES only to the extent that cash and a corresponding liability are recorded in the Agency Fund in the BOCES' Statement of Net Position-Fiduciary Funds at June 30, 2019.

The books and records of the BOCES' Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenses are recognized when cash is disbursed.