

**BOARD OF COOPERATIVE EDUCATIONAL
SERVICES FIRST SUPERVISORY DISTRICT
OF MONROE COUNTY, NEW YORK
BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2022**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

TABLE OF CONTENTS

| | <u>Page Number</u> |
|--|-------------------------------|
| Independent Auditors' Report | 1 - 3 |
| Management's Discussion and Analysis (Unaudited) | 4 - 13 |
| Basic Financial Statements: | |
| Statement of Net Position | 14 |
| Statement of Activities and Changes in Net Position | 15 |
| Balance Sheet - Governmental Funds | 16 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds | 17 |
| Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities | 18 |
| Statement of Fiduciary Net Position | 19 |
| Statement of Changes in Fiduciary Net Position | 20 |
| Notes to Financial Statements: | 21 - 48 |
| Required Supplementary Information: | |
| Schedule of Changes in BOCES' Total OPEB Liability and Related Ratio | 49 |
| Schedule of the BOCES' Proportionate Share of the Net Pension Liability | 50 |
| Schedule of BOCES' Contributions | 51 |
| Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund | 52 - 53 |
| Supplementary Information: | |
| Combining Balance Sheet - Nonmajor Governmental Funds | 54 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds | 55 |
| Analysis of Account A431 - School Districts | 56 |
| Schedule of Capital Projects Fund - Project Expenditures and Financing Resources | 57 |
| Schedule of Expenditures of Federal Awards | 58 |
| 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 | 59 - 60 |

INDEPENDENT AUDITORS' REPORT

To the Board Members
Board of Cooperative Educational Services
First Supervisory District of Monroe County

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Board of Cooperative Educational Services First Supervisory District of Monroe County, New York, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 Board of Cooperative Educational Services First Supervisory District of Monroe County, New York, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Board of Cooperative Educational Services First Supervisory District of Monroe County, New York and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Board of Cooperative Educational Services First Supervisory District of Monroe County, New York's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BOCES' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BOCES' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in BOCES' total OPEB liability and related ratio, schedule of the BOCES' proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 4-11 and 49-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Board of Cooperative Educational Services First Supervisory District of Monroe County, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information as listed in the table of contents and schedule of expenditures of federal awards 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 and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

As described in Note II to the financial statements, the District adopted GASB Statement No. 87, *Leases*. As a result, the beginning net position has been restated. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of Board of Cooperative Educational Services First Supervisory District of Monroe County, New York's 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 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 Board of Cooperative Educational Services First Supervisory District of Monroe County, New York's internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
September 29, 2022

Management Discussion and Analysis
Board of Educational Services
First Supervisory District of Monroe County
Fiscal Year-ended June 30, 2022

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, 2022. 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 increased to \$7,455,577 from \$7,240,430. 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 decreased spending across the organization. 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 \$2,000,000 per Board of Education resolution allocated as follows \$645,768 (TRS) and \$1,354,232 for ERS.

BOCES total liabilities (what is owed) exceeded its total assets (what is owned) by (\$166,796,402). This is an increase of \$10,125,356, 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 assets, liabilities, deferred pension outflows and inflows increased \$8,830,323 from the prior year. Additionally, the BOCES continues to make facility improvements and purchase technology and other equipment on behalf of our districts. Capital assets are reported on our government-wide financial statements and increased \$6,986,85 from the prior year.

BOCES governmental funds listed combined fund balances of (\$4,996,647) a decrease of \$18,600,085 when compared to the prior year. This decrease is due to a restatement of the prior year's fund balance due to implementation of GASB 87. GASB 87 requires an entity that prepays a lease to remove the revenue and put the calculations in the deferred inflow to amortize it over the life of the asset; which creates an artificial deficit in the General Fund. The BOCES currently has two capital projects in process and is expending funds on them. This resulted in more expense than the prior year.

The Adult Education Program is currently operating with a deficit fund balance of \$225,013. The program continues to experience a decrease in enrollment. The COVID 19 Pandemic affected Adult Education as enrollment decreased. The BOCES Board of Education approved pausing on this program for the 2022-2023 school year due to the decreased enrollment, flat reimbursement rates and increase in expenses; which has resulted in a significant shortfall of funds for several years. Additionally, the Extended School Year Program operated at a deficit of \$35,053. The COVID 19 Pandemic affected student enrollment and staffing. 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.

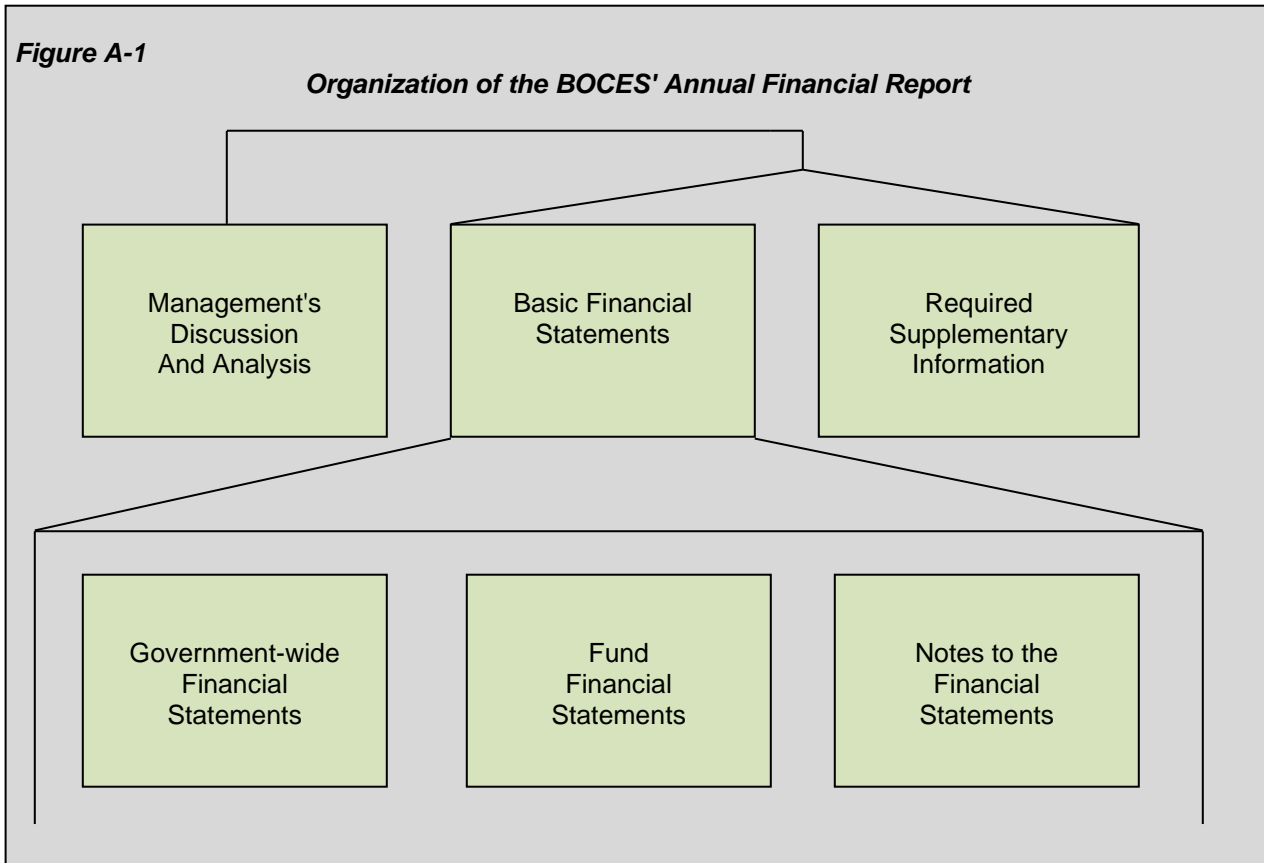


Figure A-2 summarizes the major features of the BOCES' financial statements, including the portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each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

| Figure A-2 Major Features of the Government-wide and Financial Statements | | | |
|--|---|---|---|
| | | Fund Financial Statements | |
| | Government-Wide Statments | Government Funds | Fiduciary Funds |
| Scope | Entire BOCES (except fiduciary fund) | The activitis of the BOCES that are not proprietary or fiduciary | Instances in which the BOCESA administers recourse on behalf of someone else, such as student activities money |
| 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 fund • Statement of changes in net position-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 |
| Types 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 expencted 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 sorth-term and long-term, funds do not currently contain capital assets, although they can. |
| Type of inflow/outflow information | All revenues and expenditures during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon thereafter end of the eyar, expendtiures 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 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 \$ 61,136,424 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 \$ 41,262,713 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 Position
(in thousands of dollars)**

| | <u>Governmental Activities</u> | | Total Percentage Change |
|---|--------------------------------|---------------------|--|
| | <u>2022</u> | <u>2021</u> | |
| <u>ASSETS:</u> | | | |
| Current and Other Assets | \$ 101,626 | \$ 47,595 | 113.52% |
| Capital Assets | 49,860 | 36,227 | 37.63% |
| Total Assets | \$ 151,486 | \$ 83,822 | 80.72% |
| <u>DEFERRED OUTFLOWS OF RESOURCES:</u> | | | |
| Deferred Outflows of Resources | \$ 66,577 | \$ 76,964 | -13.50% |
| <u>LIABILITIES:</u> | | | |
| Long-Term Debt Obligations | \$ 234,988 | \$ 230,716 | 1.85% |
| Other Liabilities | 35,288 | 34,105 | 3.47% |
| Total Liabilities | \$ 270,276 | \$ 264,821 | 2.06% |
| <u>DEFERRED INFLOWS OF RESOURCES:</u> | | | |
| Deferred Inflows of Resources | \$ 114,583 | \$ 52,636 | 117.69% |
| <u>NET POSITION:</u> | | | |
| Net Investment in Capital Assets | \$ 40,127 | \$ 31,909 | 25.75% |
| <u>Restricted For,</u> | | | |
| Unemployment Reserve | 425 | 405 | 4.94% |
| Retirement Contribution Reserve | 7,310 | 7,166 | 2.01% |
| Teacher Retirement Contribution Reserve | 2,411 | 1,766 | 36.52% |
| Accrued Benefit Liability Reserve | 1,034 | 1,049 | -1.43% |
| Capital Reserve | 814 | 720 | 13.06% |
| Scholarships | 87 | 91 | -4.40% |
| Unrestricted | (219,004) | (199,777) | 9.62% |
| Total Net Position | \$ (166,796) | \$ (156,671) | 6.46% |

Figure A-4

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

| | <u>Governmental Activities</u> | | <u>Total Percentage Variance</u> |
|-------------------------------------|--------------------------------|-------------------|--|
| | <u>2022</u> | <u>2021</u> | |
| <u>REVENUES:</u> | | | |
| <u>Program -</u> | | | |
| Charges for Service | \$ 174,775 | \$ 156,581 | 11.62% |
| Operating Grants & Contributions | 4,079 | 3,387 | 20.43% |
| Total Program | \$ 178,854 | \$ 159,968 | 11.81% |
| <u>General -</u> | | | |
| Investment Earnings | \$ 3 | \$ 12 | -75.00% |
| Miscellaneous | 2,007 | - | 0.00% |
| Total General | \$ 2,010 | \$ 12 | 16650.00% |
| TOTAL REVENUES | \$ 180,864 | \$ 159,980 | 13.05% |
| <u>OTHER SOURCES (USES):</u> | | | |
| Reserves | \$ - | \$ (1,117) | -100.00% |
| <u>EXPENSES:</u> | | | |
| Administration | \$ 3,640 | \$ 5,286 | -31.14% |
| Career and Tech Education | 10,237 | 9,786 | 4.61% |
| Instruction for the Handicapped | 68,663 | 68,850 | -0.27% |
| Itinerant Services | 24,799 | 23,023 | 7.71% |
| General Information | 2,270 | 2,020 | 12.38% |
| Instructional Support | 20,275 | 21,087 | -3.85% |
| Other Services | 36,186 | 32,851 | 10.15% |
| School Lunch | 669 | 549 | 21.86% |
| Interest | 232 | - | 0.00% |
| TOTAL EXPENSES | \$ 166,971 | \$ 163,452 | 2.15% |
| INCREASE (DECREASE) | | | |
| IN NET POSITION | \$ 13,893 | \$ (2,355) | -689.94% |

Figure A-5

| Net Cost of Governmental Activities (in thousands of dollars) | | | | | | |
|---|-------------------------------|-------------------|-----------------|-----------------------------|-------------------|-----------------|
| | Total Cost of Services | | | Net Cost of Services | | |
| | <u>2022</u> | <u>2021</u> | <u>% Change</u> | <u>2022</u> | <u>2021</u> | <u>% Change</u> |
| Administration | \$ 3,640 | \$ 5,172 | -29.62% | \$ 13,989 | \$ 4,296 | 225.63% |
| Career and Tech Education | 10,237 | 9,786 | 4.61% | (1,084) | (757) | 43.20% |
| Instruction for the Handicapped | 68,663 | 68,850 | -0.27% | (3,170) | (7,910) | -59.92% |
| Itinerant Services | 24,799 | 23,023 | 7.71% | (469) | (2,030) | -76.90% |
| General Information | 2,270 | 2,021 | 12.32% | (15) | (204) | -92.65% |
| Instructional Support | 20,275 | 21,087 | -3.85% | 2,536 | 557 | 355.30% |
| Other Services | 36,186 | 32,851 | 10.15% | 459 | 2,850 | -83.89% |
| School Lunch | 669 | 549 | 21.86% | (131) | (285) | -54.04% |
| Interest | 232 | - | 0.00% | (232) | - | 0.00% |
| Total | \$ 166,971 | \$ 163,339 | 2.22% | \$ 11,883 | \$ (3,483) | -441.17% |

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, 2022, the combined fund balance of all governmental funds was (\$4,996,647), which is more than the previous year's reported combined ending fund balance of (\$8,681,974); which was restated from the prior year. The variance between previous year's combined ending fund balances as reported and the amount appearing on the statement of revenues, expenditures and changes in fund balances is due to a restatement as described in footnote II of these statements.

General Fund Budgetary Highlights

The general fund original budget figure was \$153,977,089. The final amended general fund budget stood at \$179,737,612. This difference of \$25,760,523 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 and a capital improvement project fully funded by the component districts.

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, 2022 Monroe #1 BOCES capital assets, net of accumulated depreciation, totaled \$49,860,294. This is an increase of \$13,633,223 from the prior year. This increase is attributable to purchase of equipment and capital improvement expenditures in excess of current year depreciation.

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 and Lease Assets, Net
(in thousands of dollars)

| | <u>2022</u> | <u>2021</u> |
|-----------------------------|------------------|------------------|
| Capital Assets: | | |
| Land | \$ 659 | \$ 659 |
| Work in Progress | 11,446 | 5,644 |
| Buildings and Improvements | 17,473 | 15,720 |
| Machinery and Equipment | 15,502 | 14,318 |
| Total Capital Assets | \$ 45,080 | \$ 36,341 |
| Lease Assets: | | |
| Buildings | \$ 4,805 | \$ 6,533 |
| Total Lease Assets | \$ 4,805 | \$ 6,533 |

Long-Term Obligations

At June 30, 2022, 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)

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|-------------------|-------------------|
| Installment Purchase Debt | \$ 4,199 | \$ 5,265 |
| Leases | 5,149 | 6,911 |
| Net Pension Liability | - | 5,749 |
| OPEB | 223,005 | 220,761 |
| Retainage | 385 | 113 |
| Compensated Absences | 2,250 | 2,238 |
| Total Long-Term Obligations | \$ 234,988 | \$ 241,037 |

Factors Bearing on the BOCES' Future

During the 2021-2022 school year, Monroe #1 BOCES participated in active collective bargaining negotiations with the following units: BOCES United Support Staff, BOCES United Professionals Association, and the BOCES Paraprofessionals. Contracts expire as follows: BOCES United Support Staff June 30, 2023, BOCES United Professionals Association; still in negotiations; BOCES Paraprofessionals, June 30, 2023; BOCES Administrative and Supervisory Association contract is in effect through June 30, 2024 and BOCES Professional Staff Personnel, June 30, 2025.

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 focus audit of Instructional Technology was conducted in the 2021-2022 school year.

The Monroe #1 BOCES continues its initiative in improving its facilities. The component school districts fund \$2,200,000 annually toward capital improvements of the facilities. We have collaborated with the Board of Education Facilities Committee to strategize on going capital improvements.

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 at 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;
- Replacement of exterior and interior doors throughout the Campus.

The project bids came in lower than expected; therefore, the district approved Phase II in May 2021.

The scope of the 2019-2023 Capital project Phase II 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:

- Building 1,2,3 elevator cab replacement;
- Building 1,2,3 replace manual faucets;

- Building 1,2,3, EMCC Entrance veneer upgrade;
- Building 1,2,3 , electronic sign at EMCC entrance
- Building 1-2-3 “ Red entry” or Visitor Entrance reconfiguration, repaving of driveways, parking areas and sidewalk reconstruction;
- O’ Connor Academy (Foreman Center Building 9, 10) exterior work of the building envelope, reconstruction of roofs, site work and replacement of exterior lights;
- O’ Connor Academy (Foreman Center Building 9, 10) elevator cab replacement;
- O’ Connor Academy (Foreman Center Building 9, 10), air handling unit replacement;

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, 2022

| | Governmental Activities |
|--|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 24,342,583 |
| Accounts receivable | 23,681,865 |
| Due from Districts | 12,795,194 |
| Inventories | 34,828 |
| Prepaid items | 281,954 |
| Net pension asset | 40,489,331 |
| Capital Assets: | |
| Land | 659,079 |
| Work in progress | 11,421,322 |
| Other capital assets (net of depreciation) | 37,779,893 |
| TOTAL ASSETS | <u>\$ 151,486,049</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflow of resources | <u>\$ 66,576,883</u> |
| LIABILITIES | |
| Accounts payable | \$ 2,406,076 |
| Accrued liabilities | 1,566,711 |
| Unearned revenue | 109,648 |
| Due to other governments | 741,189 |
| State aid due to districts | 18,244,351 |
| Due to school districts | 7,455,577 |
| Due to teachers' retirement system | 3,728,905 |
| Due to employees' retirement system | 1,035,438 |
| Long-Term Obligations: | |
| Due in one year | 5,974,818 |
| Due in more than one year | 229,013,297 |
| TOTAL LIABILITIES | <u>\$ 270,276,010</u> |
| DEFERRED INFLOW OF RESOURCES | |
| Deferred inflow of resources | <u>\$ 114,583,324</u> |
| NET POSITION | |
| Net investment in capital assets | \$ 40,126,918 |
| Restricted For: | |
| Capital reserve | 813,277 |
| Unemployment reserve | 425,590 |
| Retirement contribution reserve | 7,310,361 |
| Teacher retirement contribution reserve | 2,410,700 |
| Accrued benefit liability reserve | 1,033,567 |
| Scholarships | 86,994 |
| Unrestricted | (219,003,809) |
| TOTAL NET POSITION | <u>\$ (166,796,402)</u> |

(See accompanying notes to financial statements)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Statement of Activities and Changes in Net Position
For Year Ended June 30, 2022**

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> |
|------------------------------------|------------------------------|---------------------------------|---|--|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> |
| <u>Primary Government -</u> | | | | |
| Administration | \$ 3,640,313 | \$ 17,629,425 | \$ - | \$ 13,989,112 |
| Career & tech education | 10,236,729 | 8,673,921 | 478,426 | (1,084,382) |
| Instruction for the handicapped | 68,663,247 | 63,069,234 | 2,424,612 | (3,169,401) |
| Itinerant services | 24,798,589 | 24,329,567 | - | (469,022) |
| General instruction | 2,270,508 | 2,255,743 | - | (14,765) |
| Instructional support | 20,275,093 | 22,141,274 | 669,574 | 2,535,755 |
| Other services | 36,186,037 | 36,645,224 | - | 459,187 |
| School lunch | 668,503 | 30,511 | 506,960 | (131,032) |
| Interest | 232,183 | - | - | (232,183) |
| Total Primary Government | <u>\$ 166,971,202</u> | <u>\$ 174,774,899</u> | <u>\$ 4,079,572</u> | <u>\$ 11,883,269</u> |
| General Revenues: | | | | |
| | | | | \$ 2,840 |
| | | | | 2,007,044 |
| | | | | <u>\$ 2,009,884</u> |
| | | | | \$ 13,893,153 |
| | | | | <u>(180,689,555)</u> |
| | | | | <u>\$ (166,796,402)</u> |

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

**Balance Sheet
Governmental Funds
June 30, 2022**

| | Major | | | |
|---|-------------------------|--------------------------------------|--|---|
| | General Fund | Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 17,743,739 | \$ 6,512,721 | \$ 86,123 | \$ 24,342,583 |
| Due from other funds | 1,264,464 | - | - | 1,264,464 |
| Receivables | 22,582,972 | - | 1,098,893 | 23,681,865 |
| Due from Districts | 12,788,345 | - | 6,849 | 12,795,194 |
| Inventories | - | - | 34,828 | 34,828 |
| Prepaid items | 281,954 | - | - | 281,954 |
| TOTAL ASSETS | \$ 54,661,474 | \$ 6,512,721 | \$ 1,226,693 | \$ 62,400,888 |
| LIABILITIES AND FUND BALANCE | | | | |
| <u>Liabilities</u> - | | | | |
| Accounts payable | \$ 1,800,816 | \$ 597,087 | \$ 8,173 | \$ 2,406,076 |
| Accrued liabilities | 3,399,980 | - | 9,055 | 3,409,035 |
| Due to other funds | - | 11,261 | 1,253,203 | 1,264,464 |
| Due to other governments | 730,019 | - | 11,170 | 741,189 |
| State aid due to districts | 18,244,351 | - | - | 18,244,351 |
| Due to districts | 7,455,577 | - | - | 7,455,577 |
| Due to TRS | 3,728,905 | - | - | 3,728,905 |
| Due to ERS | 1,035,438 | - | - | 1,035,438 |
| Unearned revenues | - | - | 109,648 | 109,648 |
| TOTAL LIABILITIES | \$ 36,395,086 | \$ 608,348 | \$ 1,391,249 | \$ 38,394,683 |
| <u>Deferred Inflows</u> - | | | | |
| Deferred inflows of resources | \$ 29,002,852 | \$ - | \$ - | \$ 29,002,852 |
| <u>Fund Balances</u> - | | | | |
| Nonspendable | \$ 281,954 | \$ - | \$ 34,828 | \$ 316,782 |
| Restricted | 12,080,489 | - | - | 12,080,489 |
| Assigned | - | 5,904,373 | 60,683 | 5,965,056 |
| Unassigned | (23,098,907) | - | (260,067) | (23,358,974) |
| TOTAL FUND BALANCE | \$ (10,736,464) | \$ 5,904,373 | \$ (164,556) | \$ (4,996,647) |
| TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES | \$ 54,661,474 | \$ 6,512,721 | \$ 1,226,693 | |

**Amounts reported for governmental activities in the
Statement of Net Position are different because:**

Capital assets/right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds. 49,860,294

The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:

| | |
|---|---------------|
| Leases | (5,149,547) |
| Retainage Payable | (384,913) |
| OPEB | (223,004,745) |
| Compensated absences | (407,670) |
| Installment purchase debt | (4,198,916) |
| Net Pension Asset | 40,489,331 |
| Deferred Outflow of Resources - pension | 33,986,485 |
| Deferred Outflow of Resources - OPEB | 32,590,398 |
| Deferred Inflow of Resources - pension | (64,036,199) |
| Deferred Inflow of Resources - OPEB | (21,544,273) |

Net Position of Governmental Activities **\$ (166,796,402)**

(See accompanying notes to 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 Year Ended June 30, 2022

| | <u>Major</u> | | | <u>Total</u> <u>Governmental</u> <u>Funds</u> |
|---|-------------------------------|--|--|---|
| | <u>General</u> <u>Fund</u> | <u>Capital</u> <u>Projects</u> <u>Fund</u> | <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u> | |
| REVENUES | | | | |
| Charges for services | \$ 52,281 | \$ - | \$ 60,330 | \$ 112,611 |
| Charges to components | 123,104,153 | - | 2,038,036 | 125,142,189 |
| Chargest to non-components and other BOCES | 54,544,827 | - | 1,994,901 | 56,539,728 |
| Interest and earnings | 2,730 | - | - | 2,730 |
| Sale of property and compensation for loss | 127,043 | - | - | 127,043 |
| Miscellaneous | 2,179,770 | - | 57,079 | 2,236,849 |
| Interfund revenues | 53,133 | 12,457,186 | 128,700 | 12,639,019 |
| Sales (school lunch) | - | - | 28,957 | 28,957 |
| State sources | - | - | 3,296,061 | 3,296,061 |
| Federal sources | - | - | 783,511 | 783,511 |
| TOTAL REVENUES | \$ 180,063,937 | \$ 12,457,186 | \$ 8,387,575 | \$ 200,908,698 |
| EXPENDITURES | | | | |
| Administration | \$ 15,765,985 | \$ - | \$ - | \$ 15,765,985 |
| Career and tech education | 8,552,836 | - | 564,837 | 9,117,673 |
| Instruction for the handicapped | 59,058,412 | - | 6,497,828 | 65,556,240 |
| Itinerant services | 24,382,011 | - | - | 24,382,011 |
| General instruction | 2,259,090 | - | - | 2,259,090 |
| Instructional support | 20,224,610 | - | 680,955 | 20,905,565 |
| Other services | 37,243,904 | - | 24,203 | 37,268,107 |
| Cost of sales | - | - | 184,202 | 184,202 |
| Other expenses | - | - | 483,469 | 483,469 |
| Capital outlay | - | 9,581,477 | - | 9,581,477 |
| Debt service principal | 4,676,265 | - | - | 4,676,265 |
| Debt service interest | 232,183 | - | - | 232,183 |
| TOTAL EXPENDITURES | \$ 172,395,296 | \$ 9,581,477 | \$ 8,435,494 | \$ 190,412,267 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | \$ 7,668,641 | \$ 2,875,709 | \$ (47,919) | \$ 10,496,431 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from obligations | \$ - | 1,849,308 | \$ - | \$ 1,849,308 |
| TOTAL OTHER FINANCING SOURCES (USES) | \$ - | \$ 1,849,308 | \$ - | \$ 1,849,308 |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES | \$ 7,668,641 | \$ 4,725,017 | \$ (47,919) | \$ 12,345,739 |
| OTHER CHANGES IN FUND BALANCE | | | | |
| Surplus to be distributed | (7,455,805) | - | - | (7,455,805) |
| Net change in nonspendable fund balance | (6,977) | - | - | (6,977) |
| Net unemployment reserve transactions | 21,052 | - | - | 21,052 |
| Net capital reserve transactions | 92,922 | - | - | 92,922 |
| Net retirement contribution reserve transactions | 144,298 | - | - | 144,298 |
| Net teacher's retirement reserve transactions | 644,391 | - | - | 644,391 |
| Net change in employee accrued benefit liability reserve | (15,339) | - | - | (15,339) |
| Net change in other restricted fund balance | (4,308) | - | - | (4,308) |
| Net change in deferred inflows | (2,080,646) | - | - | (2,080,646) |
| FUND BALANCE, BEGINNING OF YEAR (restated) | (9,744,693) | 1,179,356 | (116,637) | (8,681,974) |
| FUND BALANCE, END OF YEAR | \$ (10,736,464) | \$ 5,904,373 | \$ (164,556) | \$ (4,996,647) |

(See accompanying notes to financial statements)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY**
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities**
For Year Ended June 30, 2022

NET CHANGE IN FUND BALANCES -

TOTAL GOVERNMENTAL FUNDS \$ 3,685,327

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets in excess of depreciation in the current period:

| | | |
|-------------------------------|--------------------|-----------|
| Capital Outlay | \$ 9,581,477 | |
| Additions to Assets, Net | 4,702,764 | |
| Depreciation and amortization | <u>(7,297,391)</u> | |
| | | 6,986,850 |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:

| | | |
|---|--------------------|-----------|
| Debt Repayments | \$ 4,676,265 | |
| Proceeds from installment purchase debt | <u>(1,849,308)</u> | |
| | | 2,826,957 |

The Retainage liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (271,473)

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (8,166,665)

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

| | | |
|------------------------------|--|-----------|
| Teachers' Retirement System | | 4,911,710 |
| Employees' Retirement System | | 3,918,613 |

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

| | | |
|----------------------|--|--------------|
| Compensated Absences | | <u>1,834</u> |
|----------------------|--|--------------|

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 13,893,153**

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022**

| | <u>Custodial Funds</u> |
|---|-----------------------------------|
| ASSETS | |
| Cash and cash equivalents | <u>\$ 12,907</u> |
| TOTAL ASSETS | <u><u>\$ 12,907</u></u> |
| LIABILITIES | |
| Accounts payable | <u>\$ 34</u> |
| TOTAL LIABILITIES | <u><u>\$ 34</u></u> |
| NET POSITION | |
| Restricted for: | |
| Individuals, organizations, and other governments | <u>\$ 12,873</u> |
| TOTAL NET POSITION | <u><u>\$ 12,873</u></u> |

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

Statement of Changes in Fiduciary Net Position

Fiduciary Funds

For Year Ended June 30, 2022

| | <u>Custodial Funds</u> |
|---------------------------------|-----------------------------------|
| ADDITIONS | |
| Extraclass Misc Revenue | \$ 9,671 |
| TOTAL ADDITIONS | <u>\$ 9,671</u> |
| | |
| DEDUCTIONS | |
| Extraclass | \$ 13,228 |
| TOTAL DEDUCTIONS | <u>\$ 13,228</u> |
| | |
| Change in net position | \$ (3,557) |
| | |
| NET POSITION - BEGINNING | <u>16,430</u> |
| | |
| NET POSITION - ENDING | <u><u>\$ 12,873</u></u> |

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF
MONROE AND ORLEANS COUNTIES**

Notes To The Basic Financial Statements

June 30, 2022

I. Summary of Significant Accounting Policies:

The financial statements of the Board of Cooperative Educational Services First Supervisory District of Monroe County, New York (the BOCES) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government 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 Board of Cooperative Educational Services First Supervisory District of Monroe County is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board of Education. The President of the Board serves as the chief fiscal officer. The Board is responsible for, and controls all activities related to public school education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the BOCES is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units* and GASB Statement No. 61, *The Financial Reporting Entity*. 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.

Boards of Cooperative Educational Services 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. 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 nine school districts:

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

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 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 review of certain entities included in the BOCES' reporting entity.

(I.) (Continued)

1. **Extraclassroom Activity Funds**

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the BOCES with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Statement of Fiduciary Net Position – Custodial Fund of the BOCES. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES’ business office.

B. **Basic Financial Statements**

1. **BOCES-wide Statements**

The Statement of Net Position and the Statement of Activities present financial information about the BOCES’ governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through state aid, sale of property and equipment, investment revenues and other miscellaneous revenues which consist primarily of refunds from other Districts. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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. 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas.

2. **Fund Financial Statements**

The fund 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.

The BOCES reports the following funds:

a. **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.

Capital Projects Fund - Used to account for the financial resources to be used for acquisition, construction, or renovation of capital facilities.

(I.) (Continued)

b. **Nonmajor Governmental** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

School Lunch Fund - Used to account for transactions of the BOCES' lunch, breakfast and milk programs.

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

c. **Fiduciary** - Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used.

Custodial Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various extraclassroom activity funds.

C. **Measurement Focus, Basis of Accounting**

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 BOCES-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 when the related cash transaction takes place. Nonexchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. **Restricted Resources**

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

(I.) (Continued)

E. Interfund Transactions

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

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

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

Refer to Note VII for a detailed disclosure by individual fund for interfund receivables and payables.

F. Estimates

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

G. 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 the date of acquisition.

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

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

H. Receivables

Receivables are shown net of an allowance for uncollectible accounts, which has been provided for certain amounts that may not be collectible.

In addition, the BOCES will report a receivable relating to a lease arrangement. The receivable is recorded at the present value of the future payments and recognized over the life of the lease.

(I.) (Continued)

I Inventory and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

J. Capital Assets

In the BOCES-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$1,500 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

| <u>Class</u> | <u>Capitalization Threshold</u> | <u>Depreciation Method</u> | <u>Estimated Useful Life</u> |
|-------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Buildings | \$ 50,000 | SL | 15-50 Years |
| Machinery and Equipment | \$ 1,500 | SL | 5-25 Years |
| Vehicles | \$ 1,500 | SL | 5-25 Years |
| Technology Equipment | \$ 1,500 | SL | 5-25 Years |

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

K. Right To Use Assets

The BOCES-wide financial statements, right-to-use-assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is between 3 and 10 years based on the contract terms and/or estimated replacement of the assets.

L. Unearned Revenue

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

(I.) (Continued)

M. Deferred Outflows and Inflows of Resources

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

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.

In the governmental funds deferred inflows are recognized for prepayments for the right to use BOCES assets which will be amortized over the estimate use of those assets.

N. Vested Employee Benefits

1. Compensated Absences

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

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

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

Consistent with GASB Statement 16, Accounting for Compensated Absences, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the BOCES-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the governmental funds statements only the amount of matured vacation time is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis. Due to the nature of BOCES services and related employment of BOCES employees, compensated absence liability has been reported as a current liability in the governmental funds statement.

O. Other Benefits

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

(I.) (Continued)

In addition to providing pension benefits, the BOCES provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the BOCES and the retired employee. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

P. Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities, and long-term obligations are reported in the BOCES-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

Q. Equity Classifications

1. BOCES-Wide Statements

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

- a. **Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- b. **Restricted Net Position** - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications . The reported deficit of \$219,003,809 at year end is the result of full implementation of GASB #75 regarding retiree health obligations and the New York State Pension system unfunded pension obligation.

2. Fund Statements

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

- a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

(I.) (Continued)

b. **Restricted Fund Balances** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance. The BOCES has established the following restricted fund balances:

Career Education Instructional Equipment Reserve Fund - as allowed under Education Law Section 1950(4)(ee), used to purchase only technologically advanced equipment to be used for instruction in State-Approved CTE sequences, courses or curricula. Funding amounts not to exceed the greater of 20% of the BOCES current year CTE services budget, or \$500,000 may be retained in this fund at the end of each school year for future expenditures, provided that the total amount retained does not exceed \$2,000,000. The reserve increased \$92,922 during the year, and the balance at June 30, 2022, is \$813,277. This reserve is accounted for in the General Fund.

Unemployment Insurance Reserve - as allowed by General Municipal Law Section 6-m, is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.

Retirement Contribution Reserve - as allowed by General Municipal Law Section 6-r, is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board.

Employee Benefit Accrued Liability Reserve - as allowed by General Municipal Law Section 6-p, is used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

Scholarship Reserve - represents funds to be used for student scholarships.

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

(I.) (Continued)

Restricted fund balances include the following:

| | <u>Total</u> |
|--------------------------------------|------------------------------------|
| <u>General Fund -</u> | |
| Unemployment | \$ 425,590 |
| Retirement Contribution | 7,310,361 |
| Reserve for TRS | 2,410,700 |
| Career Education Instructional | |
| Equipment Reserve | 813,277 |
| Employee Benefit Accrued Liability | 1,033,567 |
| Scholarships | 86,994 |
| Total Restricted Fund Balance | <u><u>\$ 12,080,489</u></u> |

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board. The BOCES has no committed fund balances as of June 30, 2022.

d. **Assigned Fund Balance** – Includes amounts that are constrained by the BOCES’ intent to be used for specific purposes but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the BOCES’ purchasing agent through their authorization of a purchase order prior to year end. The BOCES assignment is based on the functional level of expenditures.

Management has determined significant encumbrances for the General Fund to be \$192,000, and \$15,000 in the capital projects fund. The BOCES reports the following significant encumbrances:

| | |
|--|------------------------------------|
| <u>General Fund -</u> | |
| Other services | \$ 671,879 |
| Total General Fund Significant Encumbrances | <u><u>\$ 671,879</u></u> |
| <u>Capital Projects Fund -</u> | |
| Capital Outlay | <u><u>\$ 13,194,021</u></u> |

Assigned fund balances include the following:

| | <u>Total</u> |
|---|-----------------------------------|
| Capital Projects Fund - Year End Equity | \$ 5,904,373 |
| School Lunch Fund - Year End Equity | 60,683 |
| Total Assigned Fund Balance | <u><u>\$ 5,965,056</u></u> |

(I.) (Continued)

e. **Unassigned Fund Balance** –Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES. The deficit unassigned fund balance in the general fund is a result of the BOCES recognizing the prepayment of the right to use BOCES assets as a deferred inflow of resources which will be amortized over the estimated use of that assets.

The unassigned fund balances are as follows:

| | |
|--|-------------------------------|
| <u>General Fund</u> | |
| Encumbrances | \$ 1,014,213 |
| E-RATE | 472,863 |
| Employee Benefits | 407,670 |
| Deferred Inflows | (24,993,653) |
| Total General Unassigned Fund Balance | <u>\$ (23,098,907)</u> |
| Special Aid Unassigned Fund Balance | <u>\$ (260,067)</u> |

3. **Order of Use of Fund Balance**

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. It is the BOCES' policy that the BOCES's 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.

R. **New Accounting Standards**

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2022, the BOCES implemented the following new standards issued by GASB:

GASB has issued Statement 87, *Leases*

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates, Paragraphs 13 and 14*

GASB has issued Statement No. 98, *The Annual Comprehensive Financial Report*

S. **Future Changes in Accounting Standards**

GASB has issued Statement No. 91, *Conduit Debt Obligations*, which will be effective for reporting periods beginning after December 15, 2021.

GASB has issued Statement No. 92, *Omnibus 2020, Paragraphs 6, 7, 8, 9, 10, 12*, which will be effective for reporting periods beginning after June 15, 2021.

(I.) (Continued)

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates, Paragraphs 1-11a, and 12*, which will be effective for reporting periods beginning after June 15, 2020.

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for reporting periods beginning after June 15, 2022.

GASB has issued Statement No. 96, *Subscription Based Information Technology*, which will be effective for reporting periods beginning after June 15, 2022.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, which will be effective for reporting periods beginning after June 15, 2021.

GASB has issued Statement No. 101, *Compensated Absences*, which will be effective for reporting periods beginning after December 15, 2023.

The BOCES will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

II. Restatement of Net Position

For the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. In addition, management evaluated the accounting for certain liability and fund balance items and determined that a restatement was appropriate. The BOCES's net position has been restated as follows:

| | Government-Wide Statements | Governmental Funds |
|--|---------------------------------------|-------------------------------|
| Net position beginning of year, as previously stated | \$ (156,671,046) | \$ 13,603,438 |
| Adjustments for liability and fund balance items | | |
| Long-term compensated absences | - | 409,504 |
| Nonspendable balances | 288,931 | 288,931 |
| Retainage | 113,440 | - |
| Adjustments for GASB 87 | | |
| Installment purchase debt | (1,059,232) | - |
| Right to use assets | 15,296,329 | - |
| Accumulated amortization | (8,763,396) | - |
| Lease liability | (6,910,734) | - |
| Deferred Inflows from prepaid leases | (22,983,847) | (22,983,847) |
| Net position beginning of year, as restated | <u>\$ (180,689,555)</u> | <u>\$ (8,681,974)</u> |

III. Changes in Accounting Principles

For the year ended June 30, 2022, the BOCES implemented GASB Statement No. 87, *Leases*. The implementation of the statement changes the reporting for leases. See Note II for the financial statement impact of implementation of the Statement.

IV. Stewardship, Compliance and Accountability:

By its nature as a local government unit, the BOCES is subject to various federal, state and local laws and contractual regulations. An analysis of the BOCES' compliance with significant laws and regulations and demonstration of its stewardship over BOCES resources follows.

A. Budgetary Information

Section 1950 §4(b) of the Education Law required adoption of a final budget by no later than May 15, of the ensuing year.

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

Appropriations for educational services are adopted at the program level and lapse at the end of each fiscal year.

A tentative administrative budget is provided to the component BOCES 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.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. The Special Revenue Funds have not been included in the budget and actual comparison because they do not have legally authorized (appropriated) budgets.

The BOCES Board can approve budget revisions based upon requests for additional services and surplus revenues.

B. Deficit Fund Balance

1. General Fund

The General Fund had a deficit fund balance of \$10,736,464 as a result of its prepaid lease agreements which have been recognized as deferred inflow of resources and amortized over the life of the agreements.

2. Special Aid Fund

The Special Aid Fund had a deficit fund balance of \$260,067 as a result of operating expenditures exceeding revenues in the Continuing Education and Summer School Programs.

C. Deficit Net Position

The BOCES-wide net position had a deficit at June 30, 2022 of \$166,796,402. The deficit is the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", which required the recognition of an unfunded liability of \$223,004,745 at June 30, 2022. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

V. Cash and Cash Equivalents

Credit risk: In compliance with the State Law, BOCES investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and obligations issued by other municipalities and authorities within the State.

Concentration of Credit risk: To promote competition in rates and service cost, and to limit the risk of institutional failure, BOCES deposits and investments are placed with multiple institutions. The BOCES' investment policy limits the amounts that may be deposited with any one financial institution.

Interest rate risk: The BOCES has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

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

| | | |
|--|-----------|--------------------------|
| Uncollateralized | \$ | - |
| Collateralized with Securities held by the Pledging Financial Institution | | 29,667,308 |
| Total | \$ | <u>29,667,308</u> |

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$12,080,489 within the governmental funds.

VI. Receivables

Receivables at June 30, 2022 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

| <u>Description</u> | <u>Governmental Activities</u> | | | <u>Total</u> |
|---|--------------------------------|-----------------------------|------------------------------|-----------------------------|
| | <u>General Fund</u> | <u>Special Aid Fund</u> | <u>School Lunch Fund</u> | |
| Accounts Receivable | \$ 330,567 | \$ 3,704 | \$ - | \$ 334,271 |
| Leases receivable | 4,009,199 | - | - | 4,009,199 |
| Due From State and Federal Allowance for Uncollectible Accounts | 18,244,351 | 982,204 | 112,985 | 19,339,540 |
| | (1,145) | - | - | (1,145) |
| Total Receivables | <u>\$ 22,582,972</u> | <u>\$ 985,908</u> | <u>\$ 112,985</u> | <u>\$ 23,681,865</u> |

VII. Interfund Receivables and Payables

Interfund Receivables and Payables at June 30, 2022, were as follows:

| | Interfund | |
|-----------------------|----------------------------|----------------------------|
| | <u>Receivables</u> | <u>Payables</u> |
| General Fund | \$ 1,264,464 | \$ - |
| Special Aid Fund | - | 1,162,513 |
| School Lunch Fund | - | 90,690 |
| Capital Projects Fund | - | 11,261 |
| Total | <u>\$ 1,264,464</u> | <u>\$ 1,264,464</u> |

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

VIII. Changes In Capital Assets and Lease Assets

A. Capital Assets

A summary of changes in capital assets follows:

| <u>Type</u> | <u>Balance</u> <u>7/1/21</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/22</u> |
|--|---------------------------------|-----------------------------|------------------------------|----------------------------------|
| <u>Governmental Activities:</u> | | | | |
| <u>Capital Assets that are not Depreciated -</u> | | | | |
| Land | \$ 659,079 | \$ - | \$ - | \$ 659,079 |
| Work in progress | 5,643,923 | 9,852,950 | (4,050,551) | 11,446,322 |
| <i>Total Nondepreciable</i> | <u>\$ 6,303,002</u> | <u>\$ 9,852,950</u> | <u>\$ (4,050,551)</u> | <u>\$ 12,105,401</u> |
| <u>Capital Assets that are Depreciated -</u> | | | | |
| Buildings and Improvements | \$ 28,866,215 | \$ 2,169,056 | \$ - | \$ 31,035,271 |
| Machinery and equipment | 99,067,862 | 6,340,458 | (135,787) | 105,272,533 |
| <i>Total Depreciated Assets</i> | <u>\$ 127,934,077</u> | <u>\$ 8,509,514</u> | <u>\$ (135,787)</u> | <u>\$ 136,307,804</u> |
| <u>Less Accumulated Depreciation -</u> | | | | |
| Buildings and Improvements | \$ 13,146,450 | \$ 416,034 | \$ - | \$ 13,562,484 |
| Machinery and equipment | 84,750,118 | 5,153,740 | (133,115) | 89,770,743 |
| <i>Total Accumulated Depreciation</i> | <u>\$ 97,896,568</u> | <u>\$ 5,569,774</u> | <u>\$ (133,115)</u> | <u>\$ 103,333,227</u> |
| <i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i> | <u>\$ 30,037,509</u> | <u>\$ 2,939,740</u> | <u>\$ (2,672)</u> | <u>\$ 32,974,577</u> |
| Total Capital Assets | <u>\$ 36,340,511</u> | <u>\$ 12,792,690</u> | <u>\$ (4,053,223)</u> | <u>\$ 45,079,978</u> |

(VIII.) (Continued)

B. Lease Assets

A summary of the lease and subscription IT asset activity during the year ended June 30, 2022 is as follows:

| <u>Type</u> | <u>Balance 7/1/2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/2022</u> |
|---|-----------------------------|------------------------------|--------------------|------------------------------|
| <u>Lease Assets:</u> | | | | |
| Buildings | \$ 15,296,329 | \$ - | \$ 559,370 | \$ 14,736,959 |
| <i>Total Lease Assets</i> | <u>\$ 15,296,329</u> | <u>\$ -</u> | <u>\$ 559,370</u> | <u>\$ 14,736,959</u> |
| <u>Less Accumulated Amortization -</u> | | | | |
| Buildings | \$ 8,763,396 | \$ 1,727,617 | \$ 559,370 | \$ 9,931,643 |
| <i>Total Accumulated Amortization</i> | <u>\$ 8,763,396</u> | <u>\$ 1,727,617</u> | <u>\$ 559,370</u> | <u>\$ 9,931,643</u> |
| <i>Total Lease Assets, Net</i> | <u><u>\$ 6,532,933</u></u> | <u><u>\$ (1,727,617)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 4,805,316</u></u> |

C. Other capital assets, net of depreciation/amortization:

| | |
|--|-----------------------------|
| Depreciated Capital Assets, Net | \$ 32,974,577 |
| Amortized Lease Assets, Net | 4,805,316 |
| Total Other Capital Assets, Net | <u><u>\$ 37,779,893</u></u> |

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

| <u>Governmental Activities:</u> | <u>Depreciation</u> | <u>Amortization</u> | <u>Total</u> |
|---|----------------------------|----------------------------|----------------------------|
| Administration | \$ 161,523 | \$ - | \$ 161,523 |
| Career and Tech Education | 1,408,596 | - | 1,408,596 |
| Instruction for the Handicapped | 3,258,318 | - | 3,258,318 |
| Itinerant Services | 233,374 | - | 233,374 |
| General Instruction | 29,520 | - | 29,520 |
| Instructional Support | 211,094 | - | 211,094 |
| Other Services | 267,349 | 1,727,617 | 1,994,966 |
| Total Depreciation and Amortiation Expense | <u><u>\$ 5,569,774</u></u> | <u><u>\$ 1,727,617</u></u> | <u><u>\$ 7,297,391</u></u> |

IX. Long-Term Obligations

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

| <u>Governmental Activities:</u> | <u>Balance</u> <u>7/1/21</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>6/30/22</u> | <u>Due Within</u> <u>One Year</u> |
|---|---------------------------------|---------------------|----------------------|----------------------------------|--------------------------------------|
| <u>Bonds and Notes Payable -</u> | | | | | |
| Installment Purchase Debt | \$ 5,264,686 | \$ 1,849,308 | \$ 2,915,078 | \$ 4,198,916 | \$ 2,047,578 |
| Leases | 6,910,734 | - | 1,761,187 | 5,149,547 | 1,700,003 |
| Total Bonds and Notes Payable | \$ 12,175,420 | \$ 1,849,308 | \$ 4,676,265 | \$ 9,348,463 | \$ 3,747,581 |
| <u>Other Liabilities -</u> | | | | | |
| Net Pension Liability | \$ 5,749,318 | \$ - | \$ 5,749,318 | \$ - | \$ - |
| OPEB | 220,761,371 | 2,243,374 | - | 223,004,745 | - |
| Retainage | 113,440 | 271,473 | - | 384,913 | 384,913 |
| Compensated Absences | 2,237,424 | 12,570 | - | 2,249,994 | 1,842,324 |
| Total Other Liabilities | \$ 228,861,553 | \$ 2,527,417 | \$ 5,749,318 | \$ 225,639,652 | \$ 2,227,237 |
| Total Long-Term Obligations | \$ 241,036,973 | \$ 4,376,725 | \$ 10,425,583 | \$ 234,988,115 | \$ 5,974,818 |

The following is a summary of debt service requirements:

| <u>Year</u> | <u>Installment Purchase Debt</u> | | <u>Leases</u> | |
|--------------|----------------------------------|-------------------|---------------------|-------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2023 | \$ 2,047,578 | \$ 69,774 | \$ 1,700,003 | \$ 93,984 |
| 2024 | 1,187,063 | 31,030 | 1,749,406 | 53,285 |
| 2025 | 517,366 | 10,606 | 1,700,138 | 12,594 |
| 2026 | 350,462 | 2,907 | - | - |
| 2027 | 96,447 | 43 | - | - |
| Total | \$ 4,198,916 | \$ 114,360 | \$ 5,149,547 | \$ 159,863 |

X. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

| | <u>Deferred</u> <u>Outflows</u> | <u>Deferred</u> <u>Inflows</u> |
|--------------|------------------------------------|-----------------------------------|
| Pension | \$ 33,986,485 | \$ 64,036,199 |
| Leases | - | 29,002,852 |
| OPEB | 32,590,398 | 21,544,273 |
| Total | \$ 66,576,883 | \$ 114,583,324 |

XI. Pension Plans

A. General Information

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.

(XI.) (Continued)

B. Provisions and Administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS 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. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. 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. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

C. 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 for the ERS' fiscal year ended March 31. The BOCES paid 100% of the required contributions as billed by the TRS and ERS for the current year.

The BOCES' share of the required contributions, based on covered payroll paid for the BOCES' year ended June 30, 2022:

| <u>Contributions</u> | <u>ERS</u> | <u>TRS</u> |
|----------------------|--------------|--------------|
| 2022 | \$ 4,590,507 | \$ 3,728,905 |

(XI.) (Continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2022, the BOCES reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2022 for ERS and June 30, 2021 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset/(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>ERS</u> | <u>TRS</u> |
|--|----------------|---------------|
| Measurement date | March 31, 2022 | June 30, 2021 |
| Net pension assets/(liability) | \$ 7,524,042 | \$ 32,965,289 |
| District's portion of the Plan's total net pension asset/(liability) | 0.092042% | 0.190231% |

For the year ended June 30, 2022, the BOCES recognized pension expenses of \$336,477 for ERS and \$(2,033,674) for TRS. At June 30, 2022 the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | | <u>Deferred Inflows of Resources</u> | |
|---|---------------------------------------|-----------------------------|--------------------------------------|-----------------------------|
| | <u>ERS</u> | <u>TRS</u> | <u>ERS</u> | <u>TRS</u> |
| Differences between expected and actual experience | \$ 569,806 | \$ 4,543,915 | \$ 739,071 | \$ 171,269 |
| Changes of assumptions | 12,556,782 | 10,842,972 | 211,882 | 1,920,131 |
| Net difference between projected and actual earnings on pension plan investments | - | - | 24,638,084 | 34,501,585 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 715,140 | 448,361 | 1,175,933 | 678,244 |
| Subtotal | <u>\$ 13,841,728</u> | <u>\$ 15,835,248</u> | <u>\$ 26,764,970</u> | <u>\$ 37,271,229</u> |
| BOCES' contributions subsequent to the measurement date | <u>1,035,438</u> | <u>3,274,071</u> | <u>-</u> | <u>-</u> |
| Grand Total | <u>\$ 14,877,166</u> | <u>\$ 19,109,319</u> | <u>\$ 26,764,970</u> | <u>\$ 37,271,229</u> |

(XI.) (Continued)

BOCES contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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>Year</u> | <u>ERS</u> | <u>TRS</u> |
|--------------|----------------------|----------------------|
| 2022 | \$ - | \$ 4,399,205 |
| 2023 | 1,979,950 | 5,084,727 |
| 2024 | 2,919,791 | 6,341,024 |
| 2025 | 6,563,927 | 8,342,043 |
| 2026 | 1,459,574 | (1,578,861) |
| Thereafter | - | (1,152,157) |
| Total | \$ 12,923,242 | \$ 21,435,981 |

E. 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. The actuarial valuations used the following actuarial assumptions:

| | <u>ERS</u> | <u>TRS</u> |
|--------------------------|---|---|
| Measurement date | March 31, 2022 | June 30, 2021 |
| Actuarial valuation date | April 1, 2021 | June 30, 2020 |
| Interest rate | 5.90% | 6.95% |
| Salary scale | 4.40% | 5.18%-1.95% |
| Decrement tables | April 1, 2015- March 31, 2020 System's Experience | July 1, 2015- June 30, 2020 System's Experience |
| Inflation rate | 2.70% | 2.40% |
| COLA's | 1.40% | 1.30% |

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2019. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale MP-2019.

The long-term 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 as of March 31, 2022 are summarized as follows:

(XI.) (Continued)

| Long Term Expected Rate of Return | | |
|--|-------------------|-------------------|
| | <u>ERS</u> | <u>TRS</u> |
| Measurement date | March 31, 2022 | June 30, 2021 |
| <u>Asset Type -</u> | | |
| Domestic equity | 3.30% | 6.80% |
| International equity | 5.85% | 7.60% |
| Global equity | 0.00% | 7.10% |
| Private equity | 6.50% | 10.00% |
| Real estate | 5.00% | 6.50% |
| Absolute return strategies * | 4.10% | 0.00% |
| Opportunistic portfolios | 4.10% | 0.00% |
| Real assets | 5.58% | 0.00% |
| Bonds and mortgages | 0.00% | 0.80% |
| Cash | -1.00% | -0.20% |
| Inflation-indexed bonds | -1.00% | 0.00% |
| Private debt | 0.00% | 5.90% |
| Real estate debt | 0.00% | 3.30% |
| High-yield fixed income securities | 0.00% | 3.80% |
| Domestic fixed income securities | 0.00% | 1.30% |
| Global fixed income securities | 0.00% | 0.00% |
| Short-term | 0.00% | 0.00% |
| Credit | 3.78% | 0.00% |

The real rate of return is net of the long-term inflation assumption of 2.50% for ERS and 2.40% for TRS.

* Excludes equity-oriented long-only funds. For investment management purposes, these funds are included in domestic equity and internal equity.

F. Discount Rate

The discount rate used to calculate the total pension liability was 5.90% for ERS and 6.95% for TRS. 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. 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.

G. Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the BOCES's proportionate share of the net pension liability calculated using the discount rate of 5.90% for ERS and 6.95% for TRS, as well as what the BOCES's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.90% for ERS and 5.95% for TRS) or 1-percentage-point higher (6.90% for ERS and 7.95% for TRS) than the current assumption :

(XI.) (Continued)

| | 1% Decrease | Current Assumption | 1% Increase |
|---|-----------------------|---------------------------|-----------------------|
| <u>ERS</u> | <u>(4.90%)</u> | <u>(5.90%)</u> | <u>(6.90%)</u> |
| Employer's proportionate share of the net pension asset (liability) | \$ (19,366,802) | \$ 7,524,042 | \$ 30,016,935 |
| | | Current Assumption | 1% Increase |
| <u>TRS</u> | <u>(5.95%)</u> | <u>(6.95%)</u> | <u>(7.95%)</u> |
| Employer's proportionate share of the net pension asset (liability) | \$ 3,459,226 | \$ 32,965,289 | \$ 57,762,993 |

H. Pension Plan Fiduciary Net Position

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

| | (In Thousands) | |
|--|-----------------------|----------------------|
| | <u>ERS</u> | <u>TRS</u> |
| Measurement date | March 31, 2022 | June 30, 2021 |
| Employers' total pension liability | \$ 223,874,888 | \$ 130,819,415 |
| Plan net position | 232,049,473 | 148,148,457 |
| Employers' net pension asset/(liability) | <u>\$ 8,174,585</u> | <u>\$ 17,329,042</u> |
| Ratio of plan net position to the employers' total pension asset/(liability) | 103.65% | 113.25% |

I. Payables to the Pension Plan

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, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$1,035,438.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2022 amounted to \$3,728,905.

XII. Postemployment Benefits

A. General Information About the OPEB Plan

Plan Description – The BOCES’ defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the BOCES. The plan is a single-employer defined benefit OPEB plan administered by the BOCES. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The BOCES provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the BOCES offices and are available upon request.

Employees Covered by Benefit Terms – At April 1, 2022, the following employees were covered by the benefit terms:

| | |
|--|--------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 1,071 |
| Active Employees | 1,298 |
| Total | 2,369 |

B. Total OPEB Liability

The BOCES’ total OPEB liability of \$223,004,745 was measured as of March 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|---|
| Inflation | 2.83% |
| Salary Increases | 3.44% average including inflation |
| Discount Rate | 2.83% |
| Healthcare Cost Trend Rates | 6.10% for 2021, decreasing to an ultimate rate of 4.37% after 2075 |
| Retirees' Share of Benefit-Related Costs | 100% of future retirees eligible for an employer subsidy. 20% of future retirees required to pay 100% of premiums |

The discount rate was based on Fidelity Municipal Go AA 20 year bond rate as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the Mortality Improvement Scale MP-2020, as appropriate, with adjustments for mortality improvements based on Scale AA.

(XII.) (Continued)

C. Changes in the Total OPEB Liability

| | |
|--|------------------------------|
| Balance at June 30, 2021 | \$ 220,761,371 |
| <u>Changes for the Year -</u> | |
| Service cost | \$ 6,059,049 |
| Interest | 5,006,887 |
| Differences between expected and actual experience | 16,814,078 |
| Changes in assumptions or other inputs | (19,383,946) |
| Benefit payments | (6,252,694) |
| Net Changes | <u>\$ 2,243,374</u> |
| Balance at June 30, 2022 | <u>\$ 223,004,745</u> |

Changes of benefit terms reflect updated premium information and other retirement and healthcare cost trend rate changes.

Changes of assumptions and other inputs reflect a change in the discount rate from 2.27 percent in 2021 to 2.83 percent in 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – 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 a discount rate that is 1-percentage-point lower (1.83 percent) or 1-percentage-point higher (3.83 percent) than the current discount rate:

| | 1% Decrease (1.83%) | Discount Rate (2.83%) | 1% Increase (3.83%) |
|----------------------|--------------------------------|--------------------------------------|--------------------------------|
| Total OPEB Liability | \$ 261,352,828 | \$ 223,004,745 | \$ 192,501,745 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – Healthcare costs can be subject to considerable volatility over time. The following exhibit demonstrates the effect on liabilities of a 1% change in healthcare cost trend rates.

| | 1% Decrease (5.10% Increasing to 3.37%) | Healthcare Cost Trend Rates (6.10% Increasing to 4.37%) | 1% Increase (7.10% Increasing to 5.37%) |
|----------------------|--|--|--|
| Total OPEB Liability | \$ 187,653,321 | \$ 223,004,745 | \$ 268,519,387 |

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

For the year ended June 30, 2022, the BOCES recognized OPEB expense of \$13,129,092. At June 30, 2022, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(XII.) (Continued)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 24,938,684 | \$ 2,339,180 |
| Changes of assumptions | 6,088,540 | 19,205,093 |
| Contributions after measurement date | 1,563,174 | - |
| Total | \$ 32,590,398 | \$ 21,544,273 |

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

| <u>Year</u> | |
|--------------|---------------------|
| 2023 | \$ 6,188,159 |
| 2024 | 1,616,261 |
| 2025 | 405,117 |
| 2026 | 707,453 |
| 2027 | 565,961 |
| Total | \$ 9,482,951 |

XIII. Risk Management

A. General Information

The BOCES is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Health 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, First Supervisory District of Monroe County and its component districts.

1. Plan I

The Plans 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 Plan 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 Plan 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 Plan year. Plan members bear an equal proportionate share of the Plan's assets and claim liabilities. Pursuant to the Municipal Cooperative Agreement the Plan is 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. This Plan's members include seventeen districts and two BOCES with the BOCES bearing an equal proportionate share of the Plan's assets and claim liabilities.

(XIII.) (Continued)

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

This 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 claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2022, the BOCES incurred premiums or contribution expenditures totaling \$360,485.

This Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended December 31, 2021, revealed that the Plan was fully funded.

2. Plan II

The BOCES incurs costs related to the Rochester Area School Health Plan II sponsored by the Board of Cooperative Educational services, First Supervisory District of Monroe County (Monroe 2-Orleans BOCES). The Plan was established as a Municipal Cooperative Agreement 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.

Membership in the Plan may be offered to any component school district of the Monroe 1 BOCES and Monroe 2-Orleans BOCES within the geographical boundaries of Monroe County, New York provided that the applicant provides proof of its financial responsibility that is satisfactory to the Board of Directors in its sole discretion, and the applicant is the same type of municipal corporation as the initial Participants. The Plan has full participation from all eligible participants including the two BOCES and seventeen component school districts.

A participant has the right to withdraw from the Plan, but such withdrawal shall be effective only on January 1 of the next Plan Year following the Plan Year in which the participant provides notice. Any withdrawing participant shall be responsible for its pro rata share of any Plan deficit, and shall satisfy any other obligation relating to the Participant's membership in the Plan. The withdrawing participant shall not be entitled to share in any Plan surplus.

The Plan is a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. The annual premium equivalent for each coverage option under the Plan is established and approved by a majority of the entire Board of Directors. Each participant is required to contribute to the Plan an amount equal to the Premium Equivalent applicable to the coverage options, under which the participants Enrollees are covered. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

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. Such claims estimates are based on the ultimate cost of claims that have been reported but not settled, and claims that have been incurred but not reported.

(XIII.) (Continued)

The Plan is audited on an annual basis and is available at the Monroe 2-Orleans BOCES administrative offices. The most recent audit available for the year ended December 31, 2021, revealed that the Plan was fully funded.

During the year ended June 30, 2022, the BOCES incurred premiums or contribution expenditures totaling \$17,534,121.

C. Workers' Compensation

The BOCES incurs costs related to the Rochester Area School Workers' Compensation Plan (Plan) sponsored by the Board of Cooperative Educational Services, First Supervisory District of Monroe County 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 Director. 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 seventeen districts and two BOCES. 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 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 needed to meet 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 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 claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2022, the BOCES incurred premiums or contribution expenditures totaling \$706,515.

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, 2021, revealed that the Plan was underfunded.

(XIII.) (Continued)

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 2022 and 2021 is as follows:

| | <u>2022</u> | <u>2021</u> |
|---------------------------|--------------------------|--------------------------|
| Beginning liabilities | \$ 146,946 | \$ 147,009 |
| Premiums collected | 1,229,950 | 1,256,716 |
| Claims payments | <u>(1,255,598)</u> | <u>(1,256,779)</u> |
| Ending liabilities | <u>\$ 121,298</u> | <u>\$ 146,946</u> |

E. Unemployment

BOCES employees are entitled to coverage under the New York State Unemployment Insurance Law. The BOCES has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The BOCES has established a self-insurance fund to pay these claims. The New York State Department of Labor covered \$200,759 of claim expenditures for this program for the 2021-22 fiscal year. The balance of the fund at June 30, 2022 was \$425,590 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2022, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XIV. Commitments and Contingencies

A. Litigation

The BOCES is a defendant in a lawsuit, however, no amount for loss can be reasonably estimated as of the report date.

B. Grants

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

XV. Related Parties-Foundation

The BOCES is currently renting buildings from Monroe #1 BOCES Education Foundation 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 locations was \$1,179,380 as of June 30, 2022

(XV.) (Continued)

Lease payments for the Foundation consist of the following:

| | Monthly <u>Rent</u> | Annual <u>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> |

XVI. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, voter approved budgets, and future results of operations. Management is actively monitoring the global situation on its financial condition, budgets, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the BOCES is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2023.

The BOCES Federal stimulus spending can be found in the Schedule of Expenditures of Federal Awards on page 58 of this report.

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of Changes in BOCES' Total OPEB Liability and Related Ratio
For Year Ended June 30, 2022

| | TOTAL OPEB LIABILITY | | | | | |
|---|-----------------------------|-----------------------|-----------------------|------------------------|-----------------------|-----------------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
| Service cost | \$ 6,059,049 | \$ 6,250,452 | \$ 5,757,606 | \$ 5,734,983 | \$ 5,724,372 | \$ 5,363,425 |
| Interest | 5,006,887 | 4,999,974 | 6,185,549 | 7,442,824 | 7,309,804 | 5,960,533 |
| Changes in benefit terms | - | - | - | - | (731,295) | - |
| Differences between expected and actual experiences | 16,814,078 | 10,083,044 | (16,374,266) | (32,737,553) | 1,997,692 | 20,065,679 |
| Changes of assumptions or other inputs | (19,383,946) | 4,066,483 | 30,898,729 | (2,007,269) | 4,865,004 | (12,425,188) |
| Benefit payments | (6,252,694) | (5,161,067) | (4,815,548) | (5,367,025) | (4,888,495) | (4,410,972) |
| Net Change in Total OPEB Liability | \$ 2,243,374 | \$ 20,238,886 | \$ 21,652,070 | \$ (26,934,040) | \$ 14,277,082 | \$ 14,553,477 |
| Total OPEB Liability - Beginning | \$ 220,761,371 | \$ 200,522,485 | \$ 178,870,415 | \$ 205,804,455 | \$ 191,527,373 | \$ 176,973,896 |
| Total OPEB Liability - Ending | \$ 223,004,745 | \$ 220,761,371 | \$ 200,522,485 | \$ 178,870,415 | \$ 205,804,455 | \$ 191,527,373 |
| Covered Employee Payroll | \$ 63,228,423 | \$ 61,125,688 | \$ 53,551,682 | \$ 51,881,110 | \$ 50,218,866 | \$ 50,218,866 |
| Total OPEB Liability as a Percentage of Covered Employee Payroll | 352.70% | 361.16% | 374.45% | 344.77% | 409.82% | 381.39% |

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of the BOCES' Proportionate Share of the Net Pension Liability
For Year Ended June 30, 2022

NYSERS Pension Plan

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Proportion of the net pension liability (assets) | 0.092042% | 0.102747% | 0.106483% | 0.110820% | 0.107909% | 0.106898% | 0.105707% | 0.105218% |
| Proportionate share of the net pension liability (assets) | \$ (7,524,042) | \$ 102,309 | \$ 28,197,203 | \$ 7,851,901 | \$ 3,482,713 | \$ 10,044,416 | \$ 16,966,323 | \$ 3,554,532 |
| Covered-employee payroll | \$ 29,520,323 | \$ 32,586,802 | \$ 32,807,317 | \$ 33,513,627 | \$ 32,216,821 | \$ 31,504,718 | \$ 30,222,033 | \$ 28,521,095 |
| Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll | -25.488% | 0.314% | 85.948% | 23.429% | 10.810% | 31.882% | 56.139% | 12.463% |
| Plan fiduciary net position as a percentage of the total pension liability | 103.65% | 99.95% | 86.40% | 96.30% | 98.20% | 94.70% | 90.70% | 97.90% |

NYSTRS Pension Plan

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|-----------------|---------------|----------------|----------------|----------------|---------------|-----------------|-----------------|
| Proportion of the net pension liability (assets) | 0.190231% | 0.204360% | 0.197860% | 0.192800% | 0.191966% | 0.188130% | 0.180201% | 0.182234% |
| Proportionate share of the net pension liability (assets) | \$ (32,965,289) | \$ 5,647,009 | \$ (5,140,413) | \$ (3,486,337) | \$ (1,459,133) | \$ 2,014,952 | \$ (18,717,121) | \$ (20,299,770) |
| Covered-employee payroll | \$ 33,399,906 | \$ 33,222,431 | \$ 31,683,106 | \$ 29,933,726 | \$ 30,412,082 | \$ 29,017,154 | \$ 26,964,590 | \$ 29,901,587 |
| Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll | -98.699% | 16.998% | -16.224% | -11.647% | -4.798% | 6.944% | -69.414% | -67.889% |
| Plan fiduciary net position as a percentage of the total pension liability | 113.25% | 9775.00% | -102.20% | -101.50% | -100.70% | 9901.00% | -110.50% | -111.50% |

10 years of historical information is not available, and will be added each year subsequent to the year of implementation until 10 years of historical data is present.

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of BOCES Contributions
For Year Ended June 30, 2022

| NYSERS Pension Plan | | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Contractually required contributions | \$ 4,590,507 | \$ 4,907,005 | \$ 4,858,374 | \$ 4,481,452 | \$ 4,519,802 | \$ 4,283,885 | \$ 4,799,041 | \$ 5,439,196 | \$ 5,507,130 | \$ 5,024,220 |
| Contributions in relation to the contractually required contribution | <u>(4,590,507)</u> | <u>(4,907,005)</u> | <u>(4,858,374)</u> | <u>(4,481,452)</u> | <u>(4,519,802)</u> | <u>(4,283,885)</u> | <u>(4,799,041)</u> | <u>(5,439,196)</u> | <u>(5,507,130)</u> | <u>(5,024,220)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 29,520,323 | \$ 27,006,735 | \$ 30,676,560 | \$ 30,696,496 | \$ 30,206,262 | \$ 31,922,033 | \$ 30,222,033 | \$ 28,521,095 | \$ 28,036,024 | \$ 28,115,456 |
| Contributions as a percentage of covered-employee payroll | 15.55% | 18.17% | 15.84% | 14.60% | 14.96% | 13.42% | 15.88% | 19.07% | 19.64% | 17.87% |
| NYSTRS Pension Plan | | | | | | | | | | |
| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
| Contractually required contributions | \$ 3,728,905 | \$ 3,553,542 | \$ 3,729,135 | \$ 3,423,404 | \$ 3,078,086 | \$ 3,565,259 | \$ 4,457,158 | \$ 5,120,889 | \$ 3,631,517 | \$ 3,650,227 |
| Contributions in relation to the contractually required contribution | <u>(3,728,905)</u> | <u>(3,553,542)</u> | <u>(3,729,135)</u> | <u>(3,423,404)</u> | <u>(3,078,086)</u> | <u>(3,565,259)</u> | <u>(4,457,158)</u> | <u>(5,120,889)</u> | <u>(3,631,517)</u> | <u>(3,650,227)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered-employee payroll | \$ 33,408,888 | \$ 31,449,699 | \$ 33,222,431 | \$ 31,683,106 | \$ 29,933,726 | \$ 30,412,082 | \$ 29,017,154 | \$ 26,964,590 | \$ 27,570,613 | \$ 27,452,769 |
| Contributions as a percentage of covered-employee payroll | 11.16% | 11.30% | 11.22% | 10.81% | 10.28% | 11.72% | 15.36% | 18.99% | 13.17% | 13.30% |

(See Independent Auditors' Report)

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For Year Ended June 30, 2022

| <u>REVENUES</u> | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Current Year's Revenues</u> | <u>Variance Favorable (Unfavorable)</u> |
|--|------------------------------|------------------------------|--|---|
| Administration 001-002 | \$ 10,609,541 | \$ 18,173,858 | \$ 18,680,864 | \$ 507,006 |
| Career and Tech Education 100-199 | 9,071,452 | 8,917,762 | 8,909,571 | (8,191) |
| Instruction for Handicapped 200-299 | 62,638,741 | 61,289,887 | 61,260,018 | (29,869) |
| Itinerant 300-399 | 24,478,202 | 25,377,679 | 25,322,175 | (55,504) |
| General Instruction 400-499 | 1,816,892 | 2,699,113 | 2,795,130 | 96,017 |
| Instructional Support 500-599 | 15,762,591 | 22,853,640 | 22,898,392 | 44,752 |
| Other Services 600-699 | <u>29,599,670</u> | <u>40,425,673</u> | <u>40,197,787</u> | <u>(227,886)</u> |
| TOTAL REVENUES | <u>\$ 153,977,089</u> | <u>\$ 179,737,612</u> | <u>\$ 180,063,937</u> | <u>\$ 326,325</u> |

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For Year Ended June 30, 2022

| <u>EXPENDITURES</u> | <u>Original Budget</u> | <u>Revised Budget</u> | <u>Current Year's Expenditures</u> | <u>Encumbrances</u> | <u>Variance Favorable (Unfavorable)</u> |
|---|----------------------------|---------------------------|--|---------------------|---|
| Administration 001-002 | \$ 10,609,541 | \$ 18,173,858 | 17,667,400 | \$ 39,218 | \$ 467,240 |
| Career and Tech Education 100-199 | 9,071,452 | 8,917,762 | 8,552,836 | 98,782 | 266,144 |
| Instruction for Handicapped 200-299 | 62,638,741 | 61,289,887 | 59,058,412 | 128,235 | 2,103,240 |
| Itinerant 300-399 | 24,478,202 | 25,377,679 | 24,382,011 | 29,856 | 965,812 |
| General Instruction 400-499 | 1,816,892 | 2,699,113 | 2,259,090 | 930 | 439,093 |
| Instructional Support 500-599 | 15,762,591 | 22,853,640 | 22,138,795 | 45,313 | 669,532 |
| Other Services 600-699 | <u>29,599,670</u> | <u>40,425,673</u> | <u>38,336,752</u> | <u>671,879</u> | <u>1,417,042</u> |
| TOTAL EXPENDITURES | <u>\$ 153,977,089</u> | <u>\$ 179,737,612</u> | <u>\$ 172,395,296</u> | <u>\$ 1,014,213</u> | <u>\$ 6,328,103</u> |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,668,641</u> | | |

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2022

| | <u>Special Revenue Funds</u> | | Total Nonmajor Governmental Funds |
|--|---------------------------------|----------------------------------|--|
| | Special Aid Fund | School Lunch Fund | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 37,930 | \$ 48,193 | \$ 86,123 |
| Receivables | 985,908 | 112,985 | 1,098,893 |
| Due from Districts | 6,849 | - | 6,849 |
| Inventories | - | 34,828 | 34,828 |
| TOTAL ASSETS | <u>\$ 1,030,687</u> | <u>\$ 196,006</u> | <u>\$ 1,226,693</u> |
| LIABILITIES AND FUND BALANCE | | | |
| <u>Liabilities</u> - | | | |
| Accounts payable | \$ 2,770 | \$ 5,403 | \$ 8,173 |
| Accrued liabilities | 4,653 | 4,402 | 9,055 |
| Due to other funds | 1,162,513 | 90,690 | \$ 1,253,203 |
| Due to other governments | 11,170 | - | 11,170 |
| Unearned revenues | 109,648 | - | 109,648 |
| TOTAL LIABILITIES | <u>\$ 1,290,754</u> | <u>\$ 100,495</u> | <u>\$ 1,391,249</u> |
| <u>Fund Balances</u> - | | | |
| Nonspendable | \$ - | \$ 34,828 | \$ 34,828 |
| Assigned | - | 60,683 | 60,683 |
| Unassigned | (260,067) | - | (260,067) |
| TOTAL FUND BALANCE | <u>\$ (260,067)</u> | <u>\$ 95,511</u> | <u>\$ (164,556)</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,030,687</u> | <u>\$ 196,006</u> | <u>\$ 1,226,693</u> |

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2022

| | <u>Special Revenue Funds</u> | | Total Nonmajor Governmental Funds |
|--|---------------------------------|----------------------------------|--|
| | <u>Special Aid Fund</u> | <u>School Lunch Fund</u> | |
| REVENUES | | | |
| Charges for services | \$ 60,330 | \$ - | \$ 60,330 |
| Charges to components | 2,038,036 | - | 2,038,036 |
| Charges to non-components and other BOCES | 1,994,901 | - | 1,994,901 |
| Miscellaneous | 55,525 | 1,554 | 57,079 |
| Interfund revenues | - | 128,700 | 128,700 |
| Sales (school lunch) | - | 28,957 | 28,957 |
| State sources | 3,287,078 | 8,983 | 3,296,061 |
| Federal sources | 285,534 | 497,977 | 783,511 |
| TOTAL REVENUES | \$ 7,721,404 | \$ 666,171 | \$ 8,387,575 |
| EXPENDITURES | | | |
| Career and tech education | \$ 564,837 | \$ - | \$ 564,837 |
| Instruction for the handicapped | 6,497,828 | - | 6,497,828 |
| Instructional support | 680,955 | - | 680,955 |
| Other services | 24,203 | - | 24,203 |
| Cost of sales | - | 184,202 | 184,202 |
| Other expenses | - | 483,469 | 483,469 |
| TOTAL EXPENDITURES | \$ 7,767,823 | \$ 667,671 | \$ 8,435,494 |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | | | |
| | \$ (46,419) | \$ (1,500) | \$ (47,919) |
| FUND BALANCE, BEGINNING OF YEAR | | | |
| | (213,648) | 97,011 | (116,637) |
| FUND BALANCE, END OF YEAR | \$ (260,067) | \$ 95,511 | \$ (164,556) |

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Analysis of Account A431 - School Districts
For Year Ended June 30, 2022**

| | 2022 |
|--|-----------------------|
| July 1, 2021 - DEBIT (CREDIT) BALANCE | \$ 2,442,770 |
| DEBITS: | |
| Billings to school districts | \$ 177,648,980 |
| Refund of balances made to school districts | 7,240,429 |
| Encumbrances - June 30, 2022 | 1,014,213 |
| Total Debits | \$ 185,903,622 |
| TOTAL | \$ 188,346,392 |
| CREDITS: | |
| Collections from school districts | \$ 174,536,858 |
| Adjustment - credits to school districts - revenues in excess of expenditures | 7,668,641 |
| Nonspendable - deferred expenditures | 6,518 |
| Other Adjustments - miscellaneous | 229 |
| Encumbrances - June 30, 2021 | 801,378 |
| Total Credits | \$ 183,013,624 |
| June 30, 2022 - DEBIT (CREDIT) BALANCE | \$ 5,332,768 |

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
SCHEDULE OF CAPITAL PROJECTS FUND
PROJECT EXPENDITURES AND FINANCING RESOURCES
For Year Ended June 30, 2022**

| <u>Project Title</u> | <u>Expenditures</u> | | | | | <u>Methods of Financing</u> | | | | | <u>Fund Balance</u> |
|----------------------------|-------------------------------|------------------------------|---------------------|---------------------|----------------------|-----------------------------|---------------------|----------------------|------------------|----------------------|---------------------|
| | <u>Original Appropriation</u> | <u>Revised Appropriation</u> | <u>Prior Years</u> | <u>Current Year</u> | <u>Total</u> | <u>Unexpended Balance</u> | <u>Obligations</u> | <u>Local Sources</u> | <u>Transfers</u> | <u>Total</u> | |
| Fuel Depot | \$ 1,173,230 | \$ 1,212,709 | \$ 1,112,839 | \$ 96,452 | \$ 1,209,291 | \$ 3,418 | \$ - | \$ 1,212,709 | \$ (3,418) | \$ 1,209,291 | \$ - |
| 11 Linden Roof Project | 1,015,241 | 975,762 | 959,765 | - | 959,765 | 15,997 | - | 975,762 | (15,997) | 959,765 | - |
| Foreman Center-Renovations | 9,514,080 | 9,514,080 | 1,539,919 | 4,542,559 | 6,082,478 | 3,431,602 | - | 9,514,080 | - | 9,514,080 | 3,431,602 |
| VOC Building-Renovations | 2,273,056 | 2,273,056 | 803,532 | 1,231,212 | 2,034,744 | 238,312 | - | 2,273,056 | - | 2,273,056 | 238,312 |
| ALT HS-Renovations | 2,240,336 | 2,240,336 | 860,201 | 883,733 | 1,743,934 | 496,402 | - | 2,240,336 | - | 2,240,336 | 496,402 |
| Phase II-Alt. HS | - | 2,978,441 | 51,036 | 311,253 | 362,289 | 2,616,152 | - | 674,441 | - | 674,441 | 312,152 |
| Phase II-Foreman 123 | - | 9,321,559 | 203,190 | 609,773 | 812,963 | 8,508,596 | - | 2,025,559 | - | 2,025,559 | 1,212,596 |
| Unassigned capital project | - | - | - | - | - | - | - | 193,894 | 19,415 | 213,309 | 213,309 |
| CTE Reserve | - | - | - | 57,186 | 57,186 | (57,186) | - | 57,186 | - | 57,186 | - |
| Installment purchase debt | 1,849,308 | 1,849,308 | - | 1,849,308 | 1,849,308 | - | 1,849,308 | - | - | 1,849,308 | - |
| TOTAL | \$ 18,065,251 | \$ 30,365,251 | \$ 5,530,482 | \$ 9,581,476 | \$ 15,111,958 | \$ 15,253,293 | \$ 1,849,308 | \$ 19,167,023 | \$ - | \$ 21,016,331 | \$ 5,904,373 |

(See Independent Auditors' Report)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2022**

| <u>Grantor / Pass - Through Agency</u> | <u>Assistance</u> | | <u>Pass-Through</u> | <u>Total</u> |
|--|-------------------|----------------|---------------------|--------------------------|
| <u>Federal Award Cluster / Program</u> | <u>Listing</u> | <u>Grantor</u> | <u>Agency</u> | <u>Expenditures</u> |
| | <u>Number</u> | <u>Number</u> | <u>Number</u> | |
| <u>U.S. Department of Education:</u> | | | | |
| <u>Indirect Programs:</u> | | | | |
| <u>Passed Through NYS Education Department -</u> | | | | |
| VATEA - Basic Grant | 84.048 | N/A | 8000-22-0047 | \$ 276,100 |
| Total U.S. Department of Education | | | | <u>\$ 276,100</u> |
| <u>National Endowment for the Humanities</u> | | | | |
| <u>Indirect Programs:</u> | | | | |
| <u>Passed through Rochester Regional Library Council</u> | | | | |
| ARPA Library Program 2021-2022 | | | | \$ 9,434 |
| Total National Endowment for the Humanit | 45.310 | N/A | N/A | <u>\$ 9,434</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE:</u> | | | | |
| <u>Indirect Programs:</u> | | | | |
| <u>Passed Through NYS Education Department (Child Nutrition Services) -</u> | | | | |
| <u>Child Nutrition Cluster -</u> | | | | |
| National School Lunch Program - COVID | 10.555 | N/A | 005503 | \$ 256,837 |
| National School Lunch Program-Non-Cash Assistance (Commodities) | 10.555 | N/A | 005503 | 33,947 |
| Supply Chain Assistance Funds - COVID | 10.555 | N/A | 005503 | 15,373 |
| National School Breakfast Program - COVID | 10.553 | N/A | 005503 | 138,577 |
| National School Lunch Program - Emergency Operational Costs Reimbursement | 10.555 | N/A | 005503 | 51,440 |
| Total Child Nutrition Cluster | | | | <u>\$ 496,174</u> |
| Pandemic EBT Administrative Costs | 10.649 | N/A | 005503 | 1,803 |
| Total U.S. Department of Agriculture | | | | <u>\$ 497,977</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | | <u>\$ 783,511</u> |

**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 Auditors' Report

To the Board Members
Board of Cooperative Educational Services
First Supervisory District of Monroe County, New York

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Board of Cooperative Educational Services First Supervisory District of Monroe County, New York as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated September 29, 2022.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Board of Cooperative Educational Services First Supervisory District of Monroe County, New York's 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 financial statements. 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.

Mengel, Metzger, Bar & Co. LLP

Rochester, New York
September 29, 2022