

**BOARD OF COOPERATIVE EDUCATIONAL
SERVICES SECOND SUPERVISORY DISTRICT
OF MONROE AND ORLEANS COUNTIES
BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2021**



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Board of Cooperative Educational Services
Second Supervisory District on Monroe and Orleans Counties

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, New York, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, New York, as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the BOCES' proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 4–11 and 48–52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

As described in Note II to the financial statements, the BOCES adopted GASB Statement No. 84, *Fiduciary Activities*. As a result, the beginning net position has been restated. Our opinion is not modified with respect to this matter.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, 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 the 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 supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021 on our consideration of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, 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 the BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, New York's internal control over financial reporting and compliance.

Rochester, New York
October 13, 2021

Mengel, Metzger, Barw & Co. LLP

Board of Cooperative Educational Services
Second Supervisory District of Monroe and Orleans Counties, New York
Management's Discussion and Analysis (MD&A)

June 30, 2021

Introduction

Our discussion and analysis of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, New York's (BOCES) financial performance provides an overview of the BOCES' financial activities for the year ended June 30, 2021. It should be read in conjunction with the basic financial statements to enhance understanding of the BOCES financial performance, which immediately follows this section.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

The BOCES, governmental fund financial statements report a combined ending fund balance of \$12,038,221, a decrease of \$4,733,078 over the prior year. The decrease in fund balance is due to \$2.89M in capital outlay in CTE North and South renovation projects, and spending nearly \$2M carried over from 19-20 for computer equipment and other items purchased for component Districts.

On the government-wide financial statements, the liabilities of the BOCES exceeded assets by \$132,985,521, a decrease of \$7,412,470 over the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the BOCES' basic financial statements. The BOCES' basic financial statements are comprised of three components: government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the BOCES' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the BOCES' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BOCES is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

The *governmental activities* of the BOCES include administration, career & tech education, instruction for the handicapped, itinerant services, general instruction, instructional support, other services, and depreciation.

The government-wide financial statements can be found on the pages immediately following this section as the first two pages of the basic financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The BOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the BOCES can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the BOCES' near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The BOCES maintains five individual governmental funds; General Fund, Special Aid Fund, Special Projects Fund, Miscellaneous Special Revenue Fund, and Capital Project Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund. The BOCES reports the General Fund, Special Aid Fund, and the Capital Projects Fund as major funds and the Special Projects Fund and Miscellaneous Special Revenue Fund as non-major funds.

The BOCES adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.

The *Fiduciary Funds* are used to account for assets held by the BOCES in an agency capacity which accounts for assets held by the BOCES on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are *not* available to support the BOCES' programs.

The financial statements for the governmental and fiduciary funds can be found in the basic financial statement section of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following the basic financial statement section of the report.

Government-Wide Financial Analysis

A comparative analysis of government-wide financial analysis using the full accrual basis of accounting is provided with prior year history.

Net position may serve over time as a useful indicator of the BOCES' financial position. As of June 30, 2021 the BOCES liabilities exceeded the assets by \$132,985,521 at the close of the year.

Net Position

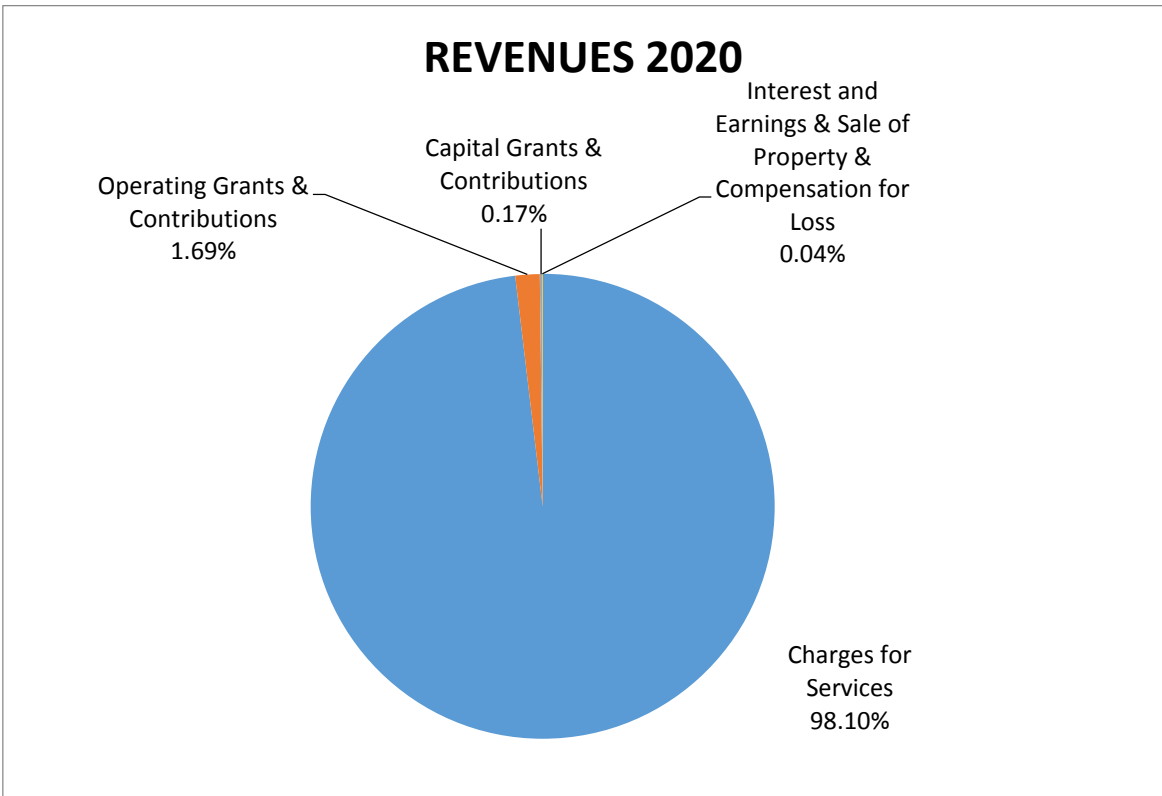
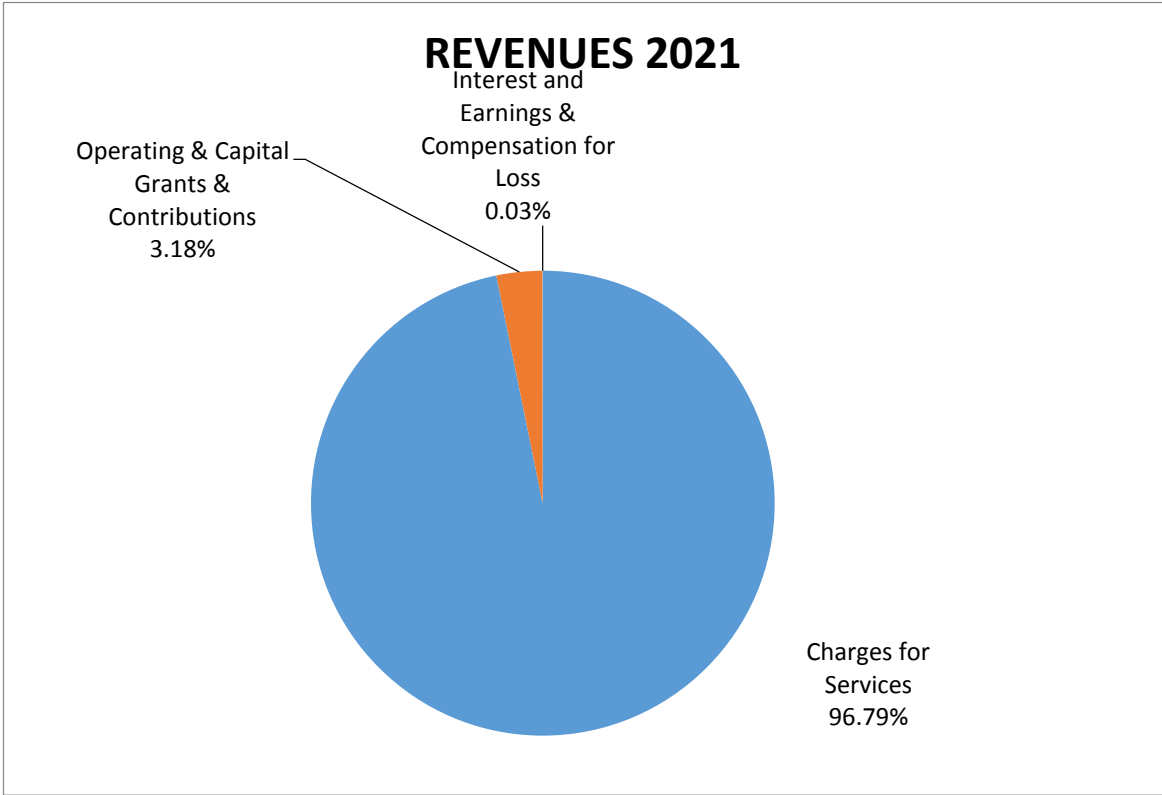
	<u>Governmental Activities</u>		<u>Total Variance</u>
	<u>2021</u>	<u>2020</u>	
<u>ASSETS:</u>			
Current and Other Assets	\$ 30,093,040	\$ 41,329,189	\$ (11,236,149)
Capital Assets	41,154,428	40,101,833	1,052,595
Total Assets	<u>\$ 71,247,468</u>	<u>\$ 81,431,022</u>	<u>\$ (10,183,554)</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources	<u>\$ 53,896,016</u>	<u>\$ 58,533,457</u>	<u>\$ (4,637,441)</u>
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 198,177,749	\$ 206,391,581	\$ (8,213,832)
Other Liabilities	17,938,824	20,956,757	(3,017,933)
Total Liabilities	<u>\$ 216,116,573</u>	<u>\$ 227,348,338</u>	<u>\$ (11,231,765)</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources	<u>\$ 42,012,432</u>	<u>\$ 38,189,192</u>	<u>\$ 3,823,240</u>
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 41,154,428	\$ 40,101,833	\$ 1,052,595
<u>Restricted For</u>			
Retirement Contributions	10,163,586	10,969,076	(805,490)
Other Purposes	4,606,374	6,577,083	(1,970,709)
Unrestricted	(188,909,909)	(183,221,043)	(5,688,866)
Total Net Position	<u><u>\$ (132,985,521)</u></u>	<u><u>\$ (125,573,051)</u></u>	<u><u>\$ (7,412,470)</u></u>

By far, the largest component of the BOCES' net position is reflected in its net investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The BOCES uses these capital assets to provide services to the students and consequently, these assets are not available for future spending.

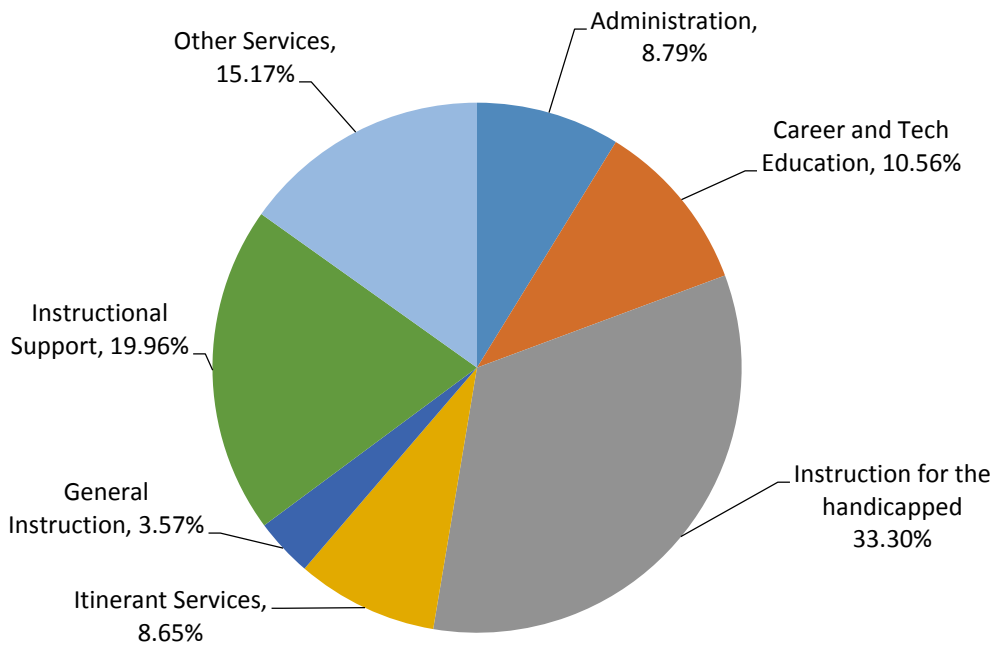
Changes in Net position:

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2021</u>	<u>2020</u>	<u>Variance</u>
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Service	\$ 99,083,350	\$ 100,663,223	\$ (1,579,873)
Operating Grants & Contributions	3,252,022	1,735,023	1,516,999
Capital Grants & Contributions	4,326	169,758	(165,432)
Total Program	\$ 102,339,698	\$ 102,568,004	\$ (228,306)
<u>General -</u>			
Investment Earnings	\$ 11,290	\$ 40,240	\$ (28,950)
Compensation for Loss	13,519	4,562	8,957
Total General	\$ 24,809	\$ 44,802	\$ (19,993)
TOTAL REVENUES	\$ 102,364,507	\$ 102,612,806	\$ (248,299)
<u>EXPENSES:</u>			
Administration	\$ 9,649,559	\$ 8,693,834	\$ 955,725
Career and Tech Education	11,592,238	10,554,390	1,037,848
Instruction for the Handicapped	36,561,715	39,635,015	(3,073,300)
Itinerant Services	9,493,682	10,587,685	(1,094,003)
General Information	3,916,151	4,602,463	(686,312)
Instructional Support	21,910,497	20,041,979	1,868,518
Other Services	16,653,135	17,604,138	(951,003)
TOTAL EXPENSES	\$ 109,776,977	\$ 111,719,504	\$ (1,942,527)
INCREASE IN NET POSITION	\$ (7,412,470)	\$ (9,106,698)	
NET POSITION, BEGINNING			
OF YEAR (restated)	(125,573,051)	(116,466,353)	
NET POSITION, END OF YEAR	\$ (132,985,521)	\$ (125,573,051)	

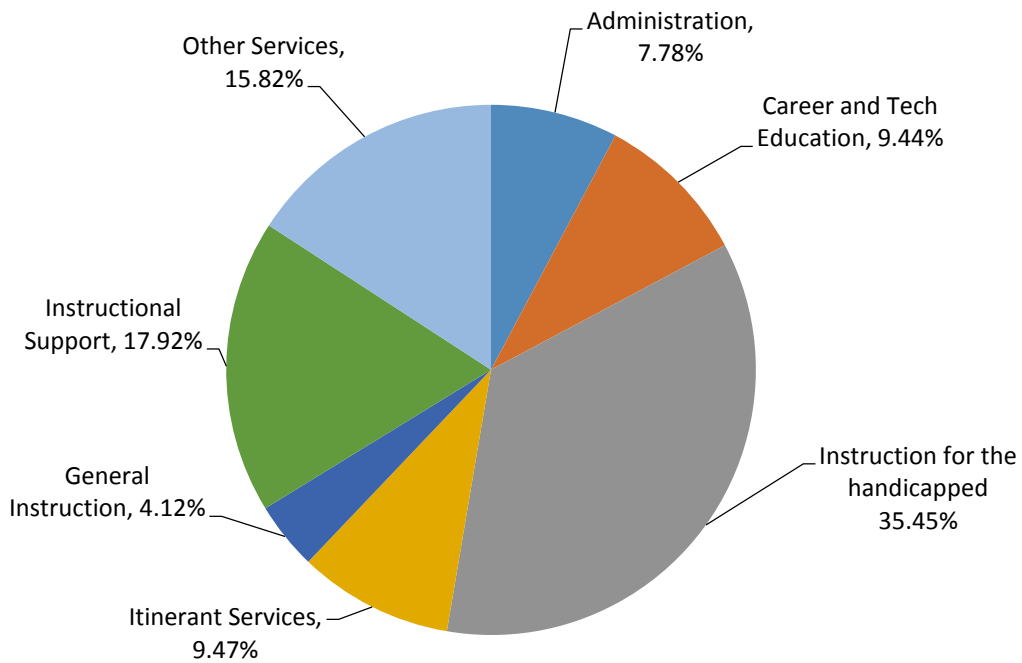
Governmental activities decreased the BOCES net position by \$7,412,470.



EXPENSES 2021



EXPENSES 2020



Financial Analysis of the BOCES' Funds

The financial performance of the BOCES as a whole is reflected in its governmental funds. As the BOCES completed the year, its governmental funds reported combined fund balances of \$12,038,221 which is less than last year's ending fund balance of \$16,771,299. A summary of the General Fund balance classifications is shown below:

<u>General Fund Balances:</u>	<u>2021</u>	<u>2020</u>	<u>Total Variance</u>
Restricted	\$ 14,110,079	\$ 14,483,779	\$ (373,700)
Assigned	1,779,231	3,370,089	(1,590,858)
Total General Fund Balances	<u>\$ 15,889,310</u>	<u>\$ 17,853,868</u>	<u>\$ (1,964,558)</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$8,868,610. This change is attributable to additional requests for services by our component and non-component districts.

Capital Assets

At June 30, 2021 the BOCES has \$41,154,428, net of accumulated depreciation invested in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment. The change in capital assets, net of accumulated depreciation, is reflected below:

	<u>2021</u>	<u>2020</u>
Land	\$ 118,702	\$ 118,702
Work in Progress	3,043,366	29,161,628
Buildings and Improvements	33,875,663	6,089,581
Machinery and Equipment	4,116,697	4,731,922
Total Capital Assets	<u>\$ 41,154,428</u>	<u>\$ 40,101,833</u>

More detailed information about the BOCES' capital assets is presented in the notes to the financial statements.

Long-Term Debt

At June 30, 2021, the BOCES had \$198,177,749 in other long-term debt outstanding as follows:

<u>Type</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability	\$ 3,574,251	\$ 13,386,832
OPEB	193,169,518	191,567,978
Compensated Absences	1,433,980	1,436,771
Total Long-Term Obligations	<u>\$ 198,177,749</u>	<u>\$ 206,391,581</u>

More detailed information about the BOCES' long-term liabilities is presented in the notes to the financial statements.

Factors Bearing on the BOCES' Future

Uncertainties remain over the impact of the COVID-19 pandemic. In addition to state aid and tax cap limitations, the amount of remote learning in our component Districts can impact the services requested.

BOCES is also in the process of negotiating its Teachers' Association Contract, which expired on June 30, 2020. The GASB 87 standard will also have a reporting impact on the BOCES due to the amount of equipment we purchase and lease to our component Districts.

Requests for Information

This financial report is designed to provide a general overview of the BOCES' finances for all those with an interest in the BOCES' finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Board of Cooperative Educational Services
Second Supervisory District of Monroe and Orleans Counties
3599 Big Ridge Road
Spencerport, New York 14559**

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

Statement of Net Position

June 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 15,777,625
Accounts receivable	14,216,627
Due from Districts	98,788
Capital Assets:	
Land	118,702
Work in progress	3,043,366
Other capital assets (net of depreciation)	37,992,360
TOTAL ASSETS	\$ 71,247,468
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources	\$ 53,896,016
LIABILITIES	
Accounts payable	\$ 1,931,618
Accrued liabilities	176,491
Unearned revenue	47,666
Due to other governments	43
State aid due to districts	11,790,393
Due to teachers' retirement system	2,341,970
Due to employees' retirement system	782,741
Overpayments and collections in advance	3,818
Other liabilities	864,084
Long-Term Obligations:	
Due in one year	115,995
Due in more than one year	198,061,754
TOTAL LIABILITIES	\$ 216,116,573
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources	\$ 42,012,432
NET POSITION	
Net investment in capital assets	\$ 41,154,428
Restricted For:	
Retirement contribution reserve	10,163,586
Other Purposes	4,606,374
Unrestricted	(188,909,909)
TOTAL NET POSITION	\$ (132,985,521)

(See accompanying notes to financial statements)

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

**Statement of Activities and Changes in Net Position
For Year Ended June 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
Primary Government -					
Administration	\$ 9,649,559	\$ 9,384,780	\$ -	\$ -	\$ (264,779)
Career & tech education	11,592,238	9,037,555	1,835,946	-	(718,737)
Instruction for the handicapped	36,561,715	35,325,174	43,531	-	(1,193,010)
Itinerant services	9,493,682	8,328,526	-	-	(1,165,156)
General instruction	3,916,151	2,753,669	856,880	-	(305,602)
Instructional support	21,910,497	18,689,853	515,665	-	(2,704,979)
Other services	16,653,135	15,563,793	-	4,326	(1,085,016)
Total Primary Government	<u>\$ 109,776,977</u>	<u>\$ 99,083,350</u>	<u>\$ 3,252,022</u>	<u>\$ 4,326</u>	<u>\$ (7,437,279)</u>
General Revenues:					
					\$ 11,290
					13,519
					<u>\$ 24,809</u>
					\$ (7,412,470)
					(125,573,051)
					<u>\$ (132,985,521)</u>

(See accompanying notes to financial statements)

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

**Balance Sheet
Governmental Funds
June 30, 2021**

	<u>Major</u>			<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>		
ASSETS					
Cash and cash equivalents	\$ 14,644,102	\$ 480,463	\$ 575,135	\$ 77,925	\$ 15,777,625
Due from other funds	6,408,881	-	9,321	-	6,418,202
Receivables	12,662,760	1,553,867	-	-	14,216,627
Due from Districts	98,788	-	-	-	98,788
TOTAL ASSETS	<u>\$ 33,814,531</u>	<u>\$ 2,034,330</u>	<u>\$ 584,456</u>	<u>\$ 77,925</u>	<u>\$ 36,511,242</u>
LIABILITIES AND FUND BALANCE					
<u>Liabilities -</u>					
Accounts payable	\$ 1,901,218	\$ 30,400	\$ -	\$ -	\$ 1,931,618
Accrued liabilities	144,966	31,525	-	-	176,491
Due to other funds	-	5,413,702	-	1,004,500	6,418,202
Due to other governments	43	-	-	-	43
State aid due to districts	11,790,393	-	-	-	11,790,393
Due to TRS	2,341,970	-	-	-	2,341,970
Due to ERS	782,741	-	-	-	782,741
Overpayments and collections in advance	3,818	-	-	-	3,818
Other liabilities	864,084	-	-	-	864,084
Compensated Absences	93,988	22,007	-	-	115,995
Unearned revenues	2,000	45,666	-	-	47,666
TOTAL LIABILITIES	<u>\$ 17,925,221</u>	<u>\$ 5,543,300</u>	<u>\$ -</u>	<u>\$ 1,004,500</u>	<u>\$ 24,473,021</u>
<u>Fund Balances -</u>					
Restricted	\$ 14,110,079	\$ -	\$ 584,456	\$ 75,425	\$ 14,769,960
Assigned	1,779,231	-	-	-	1,779,231
Unassigned	-	(3,508,970)	-	(1,002,000)	(4,510,970)
TOTAL FUND BALANCE	<u>\$ 15,889,310</u>	<u>\$ (3,508,970)</u>	<u>\$ 584,456</u>	<u>\$ (926,575)</u>	<u>\$ 12,038,221</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 33,814,531</u>	<u>\$ 2,034,330</u>	<u>\$ 584,456</u>	<u>\$ 77,925</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

41,154,428

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

OPEB

(193,169,518)

Compensated absences

(1,317,985)

Deferred Outflow of Resources - pension

23,649,481

Deferred Outflow of Resources - OPEB

30,246,535

Net Pension Liability

(3,574,251)

Deferred Inflow of Resources - pension

(16,981,415)

Deferred Inflow of Resources - OPEB

(25,031,017)

Net Position of Governmental Activities

\$ (132,985,521)

(See accompanying notes to financial statements)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2021

	<u>Major</u>			<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>		
REVENUES					
Charges for services	\$ 24,637	\$ 302,725	\$ -	\$ -	\$ 327,362
Charges to components	81,588,885	1,451,489	-	-	83,040,374
Chargest to non-components and other BOCES	14,708,934	405,654	-	-	15,114,588
Interest and earnings	6,273	-	709	60	7,042
Sale of property and compensation for loss	13,519	-	-	-	13,519
Miscellaneous	2,284,003	3,422,781	-	12,500	5,719,284
Interfund revenues	-	-	500,000	-	500,000
State sources	-	1,890,109	4,326	-	1,894,435
Federal sources	-	1,361,913	-	-	1,361,913
TOTAL REVENUES	\$ 98,626,251	\$ 8,834,671	\$ 505,035	\$ 12,560	\$ 107,978,517
EXPENDITURES					
Administration	\$ 9,379,032	\$ -	\$ -	\$ -	\$ 9,379,032
Career and tech education	8,401,643	2,686,251	-	-	11,087,894
Instruction for the handicapped	33,442,214	4,826,629	-	-	38,268,843
Itinerant services	8,225,950	45,873	-	-	8,271,823
General instruction	2,818,798	859,452	-	-	3,678,250
Instructional support	19,880,797	687,487	-	-	20,568,284
Other services	12,850,357	-	-	127,879	12,978,236
Capital outlay	-	-	2,887,215	-	2,887,215
TOTAL EXPENDITURES	\$ 94,998,791	\$ 9,105,692	\$ 2,887,215	\$ 127,879	\$ 107,119,577
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 3,627,460	\$ (271,021)	\$ (2,382,180)	\$ (115,319)	\$ 858,940
OTHER CHANGES IN FUND BALANCE					
Surplus to be distributed	(5,118,318)	-	-	-	(5,118,318)
Net unemployment reserve transactions	201,026	-	-	-	201,026
Net capital reserve transactions	(203,245)	-	-	-	(203,245)
Net retirement contribution reserve transactions	(805,490)	-	-	-	(805,490)
Net teacher's retirement reserve transactions	433,077	-	-	-	433,077
Net liability reserve transactions	932	-	-	-	932
Net assigned fund balance change	(100,000)	-	-	-	(100,000)
FUND BALANCE, BEGINNING OF YEAR (restated)	17,853,868	(3,237,949)	2,966,636	(811,256)	16,771,299
FUND BALANCE, END OF YEAR	\$ 15,889,310	\$ (3,508,970)	\$ 584,456	\$ (926,575)	\$ 12,038,221

(See accompanying notes to financial statements)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
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, 2021

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS \$ (4,733,078)

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:

	\$ 2,887,215	
Capital Outlay	633,019	
Additions to Assets, Net	(2,467,639)	
Depreciation		1,052,595

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. (2,015,141)

(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

	(2,711,723)	
Teachers' Retirement System	1,041,283	
Employees' Retirement System		

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:

	(46,406)	
Compensated Absences		

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (7,412,470)**

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 177,110,001
Accounts receivable	2,547,241
Prepaid Expenses	<u>5,761,600</u>
TOTAL ASSETS	<u><u>\$ 185,418,842</u></u>
 LIABILITIES	
Accounts payable	\$ 5,181,838
Accrued liabilities	37,581,746
Unearned Revenue	<u>1,659,559</u>
TOTAL LIABILITIES	<u><u>\$ 44,423,143</u></u>
 NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>\$ 140,995,699</u>
TOTAL NET POSITION	<u><u>\$ 140,995,699</u></u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For Year Ended June 30, 2021

	Custodial Funds
ADDITIONS	
Health & WC Plan Interest Earnings	\$ 241,799
Health & WC Plan Contributions	297,674,476
Health & WC Plan Recoveries and Rebates	17,222,972
Extraclass Donations	237
Extraclass Misc Revenue	3,173
	\$ 315,142,657
 DEDUCTIONS	
Health & WC Plans	\$ 305,811,347
Extraclass	5,208
	\$ 305,816,555
Change in net position	\$ 9,326,102
NET POSITION - BEGINNING (restated)	131,669,597
NET POSITION - ENDING	\$ 140,995,699

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

Notes To The Basic Financial Statements

June 30, 2021

I. Summary of Significant Accounting Policies:

The financial statements of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, 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 Second Supervisory District of Monroe and Orleans Counties is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board of Education consisting of nine members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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:

Brockport	Churchville-Chili	Gates Chili
Greece	Hilton	Holley
Kendall	Spencerport	Wheatland-Chili

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.

(I.) (Continued)

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.

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.

(I.) (Continued)

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.

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

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

Special Projects Fund - This fund accounts for the specific revenue sources and startup costs of the BOCES 4 Science project.

Miscellaneous Special Revenue Fund – used to account for and report those revenues that are restricted or committed to expenditures for specified purposes.

- 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, health plan consortium operations, and workers' compensation consortium operations.

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.

(I.) (Continued)

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.

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 obligations of New York State or its localities.

(I.) (Continued)

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, when applicable.

No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

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 \$5,000 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	\$ 5,000	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. 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)

L. 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.

M. 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. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

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

N. Other Benefits

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

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.

(I.) (Continued)

O. 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.

P. 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.

On the Statement of Net Position the following balances represent the restricted for other purposes:

	<u>Total</u>
Unemployment Costs	\$ 620,283
Employee Benefit Accrued Liability	377,234
Teachers' Retirement	1,305,617
Career Education Instructional	
Equipment Reserve	463,894
Capital Projects	584,456
Liability	1,179,465
Scholarships	<u>75,425</u>
Total Net Position - Restricted for	
Other Purposes	<u><u>\$ 4,606,374</u></u>

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 \$188,909,909 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.

(I.) (Continued)

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.
- 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 was depleted \$203,246 during the year, and the balance at June 30, 2021, is \$463,894. 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.

Teachers' Retirement Reserve – General Municipal Law §6r was amended to include a Teachers' Retirement Reserve (TRS) sub-fund. The reserve has an annual funding limit of 2% of the prior year TRS salaries and a maximum cumulative total balance of 10% of the previous year's TRS salary.

(I.) (Continued)

Insurance Reserve - as allowed by General Municipal Law Section 6-n, is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve maybe established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriation, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the General Fund.

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.

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.

Restricted fund balances include the following:

	<u>Total</u>
<u>General Fund -</u>	
Unemployment	\$ 620,283
Reserve for ERS	10,163,586
Reserve for TRS	1,305,617
Insurance	1,179,465
Career Education Instructional	
Equipment Reserve	463,894
Employee Benefit Accrued Liability	377,234
<u>Capital Fund -</u>	
Capital Projects	584,456
<u>Miscellaneous Special Revenue Fund -</u>	
Scholarships	75,425
Total Restricted Fund Balance	<u><u>\$ 14,769,960</u></u>

(I.) (Continued)

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, 2021.

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 \$128,000. The BOCES reports the following significant encumbrances:

<u>General Fund -</u>	
Instructional Support	\$ 1,385,198
Other Services	325,752
Total General Fund Significant Encumbrances	<u><u>\$ 1,710,950</u></u>

Assigned fund balances include the following:

	<u>Total</u>
General Fund - Encumbrances	\$ 1,779,231
Total Assigned Fund Balance	<u><u>\$ 1,779,231</u></u>

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.

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

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

Q. **New Accounting Standards**

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2021, the BOCES implemented the following new standards issued by GASB:

GASB has issued Statement 84, *Fiduciary Activities*.

(I.) (Continued)

GASB has issued Statement No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, which will be effective for reporting periods beginning after December 15, 2019.

R. Future Changes in Accounting Standards

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after June 15, 2021.

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2020.

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.

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. 93, *Replacement of Interbank Offered Rates, Paragraphs 13 and 14*, which will be effective for reporting periods beginning after June 15, 2021.

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates, Paragraphs 11b*, which will be effective for reporting periods beginning after December 15, 2021.

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.

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, 2021, the BOCES implemented GASB Statement No. 84, *Fiduciary Activities*. The BOCES's net position has been restated as follows:

	Government-Wide Statements	Governmental Funds	Fiduciary Funds
Net position beginning of year, as previously stated	\$ (125,668,795)	\$ 16,675,555	\$ 95,744
Adjustments for activities previously recorded in Agency Fund:			
Health & WC Plans	-	-	131,663,391
Student Activity Balance	-	-	6,206
Adjustments for activities previously recorded in Private Purpose Trust:			
Scholarships	95,744	95,744	(95,744)
Net position beginning of year, as restated	<u>\$ (125,573,051)</u>	<u>\$ 16,771,299</u>	<u>\$ 131,669,597</u>

III. Changes in Accounting Principles

For the year ended June 30, 2021, the BOCES implemented GASB Statement No. 84, *Fiduciary Activity*. The implementation of the statement changes the reporting for certain activity previously reported in the Fiduciary Fund. The BOCES is now required to report some or all of that activity in the Governmental funds. 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.

(IV.) (Continued)

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

B. Deficit Fund Balance

1. Special Aid Fund

The Special Aid Fund had a deficit fund balance of \$3,508,970 as a result of operating expenditures exceeding revenues in the Continuing Education Programs.

2. Special Projects Fund

The Special Projects Fund had a deficit fund balance of \$1,002,000 at June 30, 2021, which is a result of startup expenses incurred by the BOCES 4 Science project prior to the completion of the science kits.

C. Deficit Net Position

The BOCES-wide net position had a deficit at June 30, 2021 of \$132,985,521. 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 \$193,169,518 at June 30, 2021. 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		156,130,390
Collateralized within Trust Department or Agent		45,036,483
Total	\$	<u>201,166,873</u>

(V.) (Continued)

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 \$14,769,960 within the governmental funds.

VI. Receivables

Receivables at June 30, 2021 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>General Fund</u>	<u>Special Aid Fund</u>	<u>Total</u>
Accounts Receivable	\$ 664,835	\$ 459,769	\$ 1,124,604
Due From State and Federal	11,997,925	1,094,098	13,092,023
Total Receivables	\$ 12,662,760	\$ 1,553,867	\$ 14,216,627

BOCES management has deemed the amounts to be fully collectible.

VII. Interfund Receivables and Payables

Interfund Receivables and Payables at June 30, 2021, were as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 6,408,881	\$ -
Special Aid Fund	-	5,413,702
Nonmajor Funds	-	1,004,500
Capital Projects Fund	9,321	-
Total	\$ 6,418,202	\$ 6,418,202

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.

Transfers are used to finance certain special aid programs and support capital project expenditures.

VIII. Changes In Capital Assets

A summary of changes in capital assets follows:

<u>Type</u>	<u>Balance 7/1/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/21</u>
<u>Governmental Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 118,702	\$ -	\$ -	\$ 118,702
Work in progress	29,161,628	2,887,215	(29,005,477)	3,043,366
Total Nondepreciable	\$ 29,280,330	\$ 2,887,215	\$ (29,005,477)	\$ 3,162,068
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 13,392,636	\$ 29,005,477	\$ -	\$ 42,398,113
Machinery and equipment	14,489,091	697,604	(1,548,848)	13,637,847
Total Depreciated Assets	\$ 27,881,727	\$ 29,703,081	\$ (1,548,848)	\$ 56,035,960
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 7,303,055	\$ 1,219,395	\$ -	\$ 8,522,450
Machinery and equipment	9,757,169	1,248,244	(1,484,263)	9,521,150
Total Accumulated Depreciation	\$ 17,060,224	\$ 2,467,639	\$ (1,484,263)	\$ 18,043,600
Total Capital Assets Depreciated, Net of Accumulated Depreciation	\$ 10,821,503	\$ 27,235,442	\$ (64,585)	\$ 37,992,360
Total Capital Assets	\$ 40,101,833	\$ 30,122,657	\$ (29,070,062)	\$ 41,154,428

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

<u>Governmental Activities:</u>	
Administration	\$ 68,789
Career and Tech Education	738,265
Instruction for the Handicapped	190,431
Itinerant Services	27,302
General Instruction	51,289
Instructional Support	830,360
Other Services	561,203
Total Depreciation Expense	\$ 2,467,639

IX. Long-Term Obligations

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

<u>Governmental Activities:</u>	<u>Balance 7/1/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/21</u>	<u>Due Within One Year</u>
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 13,386,832	\$ -	\$ 9,812,581	\$ 3,574,251	\$ -
OPEB	191,567,978	1,601,540	-	193,169,518	-
Compensated Absences	1,436,771	-	2,791	1,433,980	115,995
Total Other Liabilities	\$ 206,391,581	\$ 1,601,540	\$ 9,815,372	\$ 198,177,749	\$ 115,995
Total Long-Term Obligations	\$ 206,391,581	\$ 1,601,540	\$ 9,815,372	\$ 198,177,749	\$ 115,995

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences.

X. Deferred Inflows/Outflows of Resources

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

	Deferred Outflows	Deferred Inflows
Pension	\$ 23,649,481	\$ 16,981,415
OPEB	30,246,535	25,031,017
Total	\$ 53,896,016	\$ 42,012,432

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.

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.

(XI.) (Continued)

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, 2021:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2021	\$ 2,272,926	\$ 2,341,970

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

At June 30, 2021, 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, 2021 for ERS and June 30, 2020 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, 2021	June 30, 2020
Net pension assets/(liability)	\$ (51,423)	\$ (3,522,828)
District's portion of the Plan's total net pension asset/(liability)	0.051643%	0.127488%

For the year ended June 30, 2021, the BOCES recognized pension expenses of \$1,386,027 for ERS and \$4,765,830 for TRS. At June 30, 2021 the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(XI.) (Continued)

	<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	\$ 628,019	\$ 3,086,702	\$ -	\$ 180,538
Changes of assumptions	9,455,103	4,455,557	178,326	1,588,173
Net difference between projected and actual earnings on pension plan investments	-	2,300,715	14,771,825	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	484,627	402,862	61,243	201,310
Subtotal	<u>\$ 10,567,749</u>	<u>\$ 10,245,836</u>	<u>\$ 15,011,394</u>	<u>\$ 1,970,021</u>
District's contributions subsequent to the measurement date	<u>782,741</u>	<u>2,053,155</u>	<u>-</u>	<u>-</u>
Grand Total	<u>\$ 11,350,490</u>	<u>\$ 12,298,991</u>	<u>\$ 15,011,394</u>	<u>\$ 1,970,021</u>

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, 2021. 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>
2021	\$ -	\$ 1,395,199
2022	699,183	2,793,145
2023	219,212	2,328,985
2024	733,977	1,450,506
2025	2,791,273	101,939
Thereafter	-	206,041
Total	<u>\$ 4,443,645</u>	<u>\$ 8,275,815</u>

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, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.90%	7.10%
Salary scale	4.40%	4.72%-1.90%
Decrement tables	April 1, 2015- March 31, 2020	July 1, 2009- June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.70%	2.20%
COLA's	1.40%	1.30%

(XI.) (Continued)

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, 2021 are summarized as follows:

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
<u>Asset Type -</u>		
Domestic equity	4.05%	7.10%
International equity	6.30%	7.70%
Global equity	0.00%	7.40%
Private equity	6.75%	10.40%
Real estate	4.95%	6.80%
Absolute return strategies *	4.50%	0.00%
Opportunistic portfolios	4.50%	0.00%
Real assets	5.95%	0.00%
Bonds and mortgages	0.00%	0.00%
Cash	0.50%	0.00%
Inflation-indexed bonds	0.50%	0.00%
Private debt	0.00%	5.20%
Real estate debt	0.00%	3.60%
High-yield fixed income securities	0.00%	3.90%
Domestic fixed income securities	0.00%	1.80%
Global fixed income securities	0.00%	1.00%
Short-term	0.00%	0.70%
Credit	3.63%	0.00%

The real rate of return is net of the long-term inflation assumption of 2% for ERS and 2.2% 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 7.10% 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.

(XI.) (Continued)

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 7.10% 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 6.10% for TRS) or 1-percentage-point higher (6.90% for ERS and 8.10% for TRS) than the current assumption :

	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
ERS			
Employer's proportionate share of the net pension asset (liability)	\$ (14,273,143)	\$ (51,423)	\$ 13,064,331
	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
TRS			
Employer's proportionate share of the net pension asset (liability)	\$ (22,252,490)	\$ (3,522,828)	\$ 12,196,105

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)	
	ERS	TRS
Measurement date	March 31, 2021	June 30, 2019
Employers' total pension liability	\$ 220,680,157	\$ 123,242,776
Plan net position	220,580,583	120,479,505
Employers' net pension asset/(liability)	<u>\$ (99,574)</u>	<u>\$ (2,763,271)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	99.95%	97.80%

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, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$782,741.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 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, 2021 amounted to \$2,341,970.

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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	699
Active Employees	<u>736</u>
Total	<u><u>1,435</u></u>

B. Total OPEB Liability

The BOCES’ total OPEB liability of \$193,169,518 was measured as of March 31, 2021, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.11%
Salary Increases	3.11% average including inflation
Discount Rate	2.27%
Healthcare Cost Trend Rates	4.00% for 2021, increasing to an ultimate rate of 4.08% after 2070
Retirees' Share of Benefit-Related Costs	Between 3%-35% of health insurance premiums dependent on hire date and bargaining unit

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, 2020	\$ 191,567,978
<u>Changes for the Year -</u>	
Service cost	\$ 5,357,208
Interest	4,756,970
Changes of benefit terms	(1,248,368)
Differences between expected and actual experience	(5,680,200)
Changes in assumptions or other inputs	3,527,823
Benefit payments	(5,111,893)
Net Changes	<u>\$ 1,601,540</u>
Balance at June 30, 2021	<u>\$ 193,169,518</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 2.48 percent in 2020 to 2.27 percent in 2021.

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 (1.27 percent) or 1-percentage-point higher (3.27 percent) than the current discount rate:

	1% Decrease	Discount	1% Increase
	<u>(1.27%)</u>	<u>Rate</u>	<u>(2.27%)</u>
		<u>(2.27%)</u>	<u>(3.27%)</u>
Total OPEB Liability	\$ 230,091,070	\$ 193,169,518	\$ 164,284,329

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the BOCES, as well as what the BOCES’ total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (3.08 percent) or 1-percentage-point higher (5.08 percent) than the current healthcare cost trend rate:

	1% Decrease	Healthcare	1% Increase
	<u>(3.00%</u>	<u>Cost Trend Rates</u>	<u>(5.00%</u>
	<u>Increasing</u>	<u>(4.00%</u>	<u>Increasing</u>
	<u>to 3.08%</u>	<u>Increasing</u>	<u>Increasing</u>
		<u>to 4.08%</u>	<u>to 5.08%</u>
Total OPEB Liability	\$ 161,837,614	\$ 193,169,518	\$ 233,973,955

(XII.) (Continued)

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

For the year ended June 30, 2021, the BOCES recognized OPEB expense of \$7,207,542. At June 30, 2021, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 11,104,466	\$ 18,437,967
Changes of assumptions	17,864,096	6,593,050
Contributions after measurement date	1,277,973	-
Total	<u>\$ 30,246,535</u>	<u>\$ 25,031,017</u>

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

<u>Year</u>	
2022	\$ (2,068,596)
2023	3,379,719
2024	370,833
2025	867,534
2026	867,534
Thereafter	520,521
Total	<u>\$ 3,937,545</u>

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, Second Supervisory District of Monroe and Orleans Counties and its component districts.

(XIII.) (Continued)

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.

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, 2021, the BOCES incurred premiums or contribution expenditures totaling \$1,168,264.

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, 2020, 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, Second Supervisory District of Monroe and Orleans Counties (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.

(XIII.) (Continued)

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.

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, 2020, revealed that the Plan was fully funded.

During the year ended June 30, 2021, the BOCES incurred premiums or contribution expenditures totaling \$13,756,757.

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, Second Supervisory District of Monroe and Orleans Counties and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any component district of the Monroe #1 and Monroe #2 BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of 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.

(XIII.) (Continued)

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, 2021, the BOCES incurred premiums or contribution expenditures totaling \$484,881.

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, 2020, revealed that the Plan was underfunded.

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 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Beginning liabilities	\$ 560,013	\$ 477,060
Premiums collected	765,781	812,175
Claims payments	(822,018)	(684,779)
Administrative fee payments	(43,003)	(44,443)
Ending liabilities	<u>\$ 460,773</u>	<u>\$ 560,013</u>

(XIII.) (Continued)

The following statistical information is presented:

<u>Year</u>	Net	
	<u>Contribution</u> <u>Revenue</u>	<u>Actual Claim</u> <u>Expense</u>
2021	\$ 722,778	\$ 822,018
2020	\$ 767,732	\$ 684,779
2019	\$ 766,396	\$ 744,780
2018	\$ 784,723	\$ 753,383
2017	\$ 733,051	\$ 712,141
2016	\$ 777,695	\$ 675,902
2015	\$ 728,800	\$ 657,673
2014	\$ 665,797	\$ 625,531
2013	\$ 596,346	\$ 601,237
2012	\$ 630,103	\$ 718,199

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 2020-21 fiscal year. The balance of the fund at June 30, 2021 was \$620,283 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2021, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XIV. Commitments and Contingencies

A. Litigation

BOCES is a party to several cases involving former employees, and a vendor. The outcomes of these cases cannot reasonably be determined as of the date of this report.

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. Lease Commitments and Leased Assets

A. The BOCES leases various property and equipment under the terms of various non-cancelable leases. Rental expense for the various property and equipment was \$115,649.

(XV.) (Continued)

Minimum annual rentals for each of the remaining years of the lease are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2022	\$ 115,347
2023	13,475
2024	4,962
2025	404
Total	<u><u>\$ 134,188</u></u>

- B. The BOCES leases space under the terms of various non-cancelable leases. Rental expense for this space was \$2,161,740. The BOCES renewed a lease space in July 2021 at an annual rate of \$227,700 through 6/30/2030.

Minimum annual rentals for each of the remaining years of the lease are as follows:

Year Ending	
<u>June 30,</u>	<u>Amount</u>
2022	\$ 1,442,965
2023	1,207,914
2024	983,621
2025	983,621
2026-30	2,185,030
Total	<u><u>\$ 6,803,151</u></u>

XVI. Related Parties-Foundation

The Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties has a relationship with the Monroe 2- Orleans Educational Foundation, Inc. whose purpose is to provide financial support for the educational programs of the Monroe 2- Orleans Board of Cooperative Educational Services including, but not limited to (1) non-budgetary funding acceptable to the BOCES and (2) educational and enrichment activities of the BOCES. The Board shall consist of not less than three or more than twenty-one directors representative from the following: (1) Board of Education member from a component district, (2) Alumni of Monroe 2 – Orleans BOCES, (3) Individuals interested in supporting the objectives of the Foundation, (4) Individuals representative of the communities served by Monroe 2 – Orleans BOCES and (5) parents.

The Foundation does have an annual audit. The last audit completed was for the year ended June 30, 2020, and is on file at the administrative offices of the BOCES.

XVII. 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 School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The BOCES was awarded three different stimulus packages known as Coronavirus Aid, Relief and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan Act (ARPA). These funds are reported in the special aid fund.

The BOCES reported \$598,441 in CARES revenues and expenditures during the 2021 fiscal year and has submitted the CRRSA and ARPA funding applications to the New York State Education Department for approval. All three stimulus funds may be used for pre-award costs dating back to March 13, 2020, when the national emergency was declared.

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Schedule of Changes in BOCES' Total OPEB Liability and Related Ratio
For Year Ended June 30, 2021

	TOTAL OPEB LIABILITY				
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 5,357,208	\$ 4,864,538	\$ 4,436,006	\$ 4,281,598	\$ 4,020,103
Interest	4,756,970	5,929,221	6,881,674	6,743,035	5,473,843
Changes in benefit terms	(1,248,368)	-	(138,678)	(241,040)	-
Differences between expected and actual experiences	(5,680,200)	(18,006,167)	(23,581,974)	2,727,419	21,019,166
Changes of assumptions or other inputs	3,527,823	31,283,837	(1,502,693)	4,647,256	(11,823,305)
Benefit payments	<u>(5,111,893)</u>	<u>(4,789,860)</u>	<u>(5,132,895)</u>	<u>(4,901,316)</u>	<u>(4,408,606)</u>
Net Change in Total OPEB Liability	\$ 1,601,540	\$ 19,281,569	\$ (19,038,560)	\$ 13,256,952	\$ 14,281,201
Total OPEB Liability - Beginning	\$ 191,567,978	\$ 172,286,409	\$ 191,324,969	\$ 178,068,017	\$ 163,786,816
Total OPEB Liability - Ending	\$ 193,169,518	\$ 191,567,978	\$ 172,286,409	\$ 191,324,969	\$ 178,068,017
 Covered Employee Payroll	 \$ 35,101,704	 \$ 42,172,137	 \$ 40,856,553	 \$ 31,415,006	 \$ 31,415,006
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 550.31%	 454.25%	 421.69%	 609.02%	 566.82%

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
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Schedule of the BOCES' Proportionate Share of the Net Pension Liability
For Year Ended June 30, 2021

NYSERS Pension Plan

	<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)	0.0516%	0.0506%	0.0517%	0.0526%	0.0483%	0.0519%	0.0519%
Proportionate share of the net pension liability (assets)	\$ 51,423	\$ 13,386,832	\$ 3,660,889	\$ 1,696,776	\$ 4,534,710	\$ 8,335,144	\$ 1,754,768
Covered-employee payroll	\$ 16,702,581	\$ 15,643,098	\$ 15,543,200	\$ 15,476,552	\$ 13,996,062	\$ 13,907,066	\$ 13,850,711
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	0.308%	85.577%	23.553%	10.964%	32.400%	59.935%	12.669%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

NYSTRS Pension Plan

	<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)	0.1275%	0.1323%	0.1323%	0.1334%	0.1372%	0.1327%	0.1248%
Proportionate share of the net pension liability (assets)	\$ 3,522,828	\$ (3,435,940)	\$ (2,392,527)	\$ (1,014,145)	\$ 1,469,668	\$ (13,779,918)	\$ (13,903,062)
Covered-employee payroll	\$ 21,544,124	\$ 21,640,395	\$ 22,075,169	\$ 21,900,858	\$ 21,503,618	\$ 21,174,208	\$ 19,928,448
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	16.352%	-15.877%	-10.838%	-4.631%	6.835%	-65.079%	-69.765%
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

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
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Schedule of BOCES Contributions
For Year Ended June 30, 2021

NYSERS Pension Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,272,926	\$ 2,142,818	\$ 2,181,133	\$ 2,243,659	\$ 2,098,702	\$ 2,472,280	\$ 2,684,230
Contributions in relation to the contractually required contribution	<u>(2,272,926)</u>	<u>(2,142,818)</u>	<u>(2,181,133)</u>	<u>(2,243,659)</u>	<u>(2,098,702)</u>	<u>(2,472,280)</u>	<u>(2,684,230)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 16,702,581	\$ 15,643,098	\$ 15,543,200	\$ 15,476,552	\$ 13,996,062	\$ 13,907,066	\$ 13,850,711
Contributions as a percentage of covered-employee payroll	13.61%	13.70%	14.03%	14.50%	14.99%	17.78%	19.38%

NYSTRS Pension Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,341,970	\$ 2,197,194	\$ 2,641,736	\$ 2,184,058	\$ 2,807,700	\$ 3,493,457	\$ 2,995,913
Contributions in relation to the contractually required contribution	<u>(2,341,970)</u>	<u>(2,197,194)</u>	<u>(2,641,736)</u>	<u>(2,184,058)</u>	<u>(2,807,700)</u>	<u>(3,493,457)</u>	<u>(2,995,913)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 21,544,124	\$ 21,640,395	\$ 22,075,169	\$ 21,900,858	\$ 21,503,618	\$ 21,174,208	\$ 19,928,448
Contributions as a percentage of covered-employee payroll	10.87%	10.15%	11.97%	9.97%	13.06%	16.50%	15.03%

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
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For Year Ended June 30, 2021

<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	\$ 10,871,023	\$ 10,240,736	\$ 10,341,315	\$ 100,579
Career and Tech Education 100-199	8,396,971	8,622,186	8,442,441	(179,745)
Instruction for Handicapped 200-299	34,466,521	36,928,388	34,169,383	(2,759,005)
Itinerant 300-399	8,974,143	9,375,212	8,995,483	(379,729)
General Instruction 400-499	3,693,990	3,921,737	2,963,045	(958,692)
Instructional Support 500-599	19,407,606	23,387,753	19,501,807	(3,885,946)
Other Services 600-699	<u>12,085,639</u>	<u>14,288,491</u>	<u>14,212,777</u>	<u>(75,714)</u>
TOTAL REVENUES	<u>\$ 97,895,893</u>	<u>\$ 106,764,503</u>	<u>\$ 98,626,251</u>	<u>\$ (8,138,252)</u>

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For Year Ended June 30, 2021

<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	\$ 10,871,023	\$ 10,240,737	\$ 9,379,032	\$ 22,998	\$ 838,707
Career and Tech Education 100-199	8,396,971	8,622,186	8,401,643	23,797	196,746
Instruction for Handicapped 200-299	34,466,521	36,928,388	33,442,214	20,245	3,465,929
Itinerant 300-399	8,974,143	9,375,212	8,225,950	-	1,149,262
General Instruction 400-499	3,693,990	3,921,737	2,818,798	1,241	1,101,698
Instructional Support 500-599	19,407,606	23,387,752	19,880,797	1,385,198	2,121,757
Other Services 600-699	<u>12,085,639</u>	<u>14,288,491</u>	<u>12,850,357</u>	<u>325,752</u>	<u>1,112,382</u>
TOTAL EXPENDITURES	<u>\$ 97,895,893</u>	<u>\$ 106,764,503</u>	<u>\$ 94,998,791</u>	<u>\$ 1,779,231</u>	<u>\$ 9,986,481</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,627,460</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
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021

	Special Revenue Funds		
	Special	Miscellaneous	Total Nonmajor
	Projects	Special Revenue	Governmental
ASSETS	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>
Cash and cash equivalents	\$ -	\$ 77,925	\$ 77,925
TOTAL ASSETS	\$ -	\$ 77,925	\$ 77,925
 LIABILITIES AND FUND BALANCE			
<u>Liabilities</u> -			
Due to other funds	\$ 1,002,000	\$ 2,500	\$ 1,004,500
TOTAL LIABILITIES	\$ 1,002,000	\$ 2,500	\$ 1,004,500
 <u>Fund Balances</u> -			
Restricted	\$ -	\$ 75,425	\$ 75,425
Unassigned	(1,002,000)	-	(1,002,000)
TOTAL FUND BALANCE	\$ (1,002,000)	\$ 75,425	\$ (926,575)
TOTAL LIABILITIES AND			
FUND BALANCES	\$ -	\$ 77,925	\$ 77,925

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2021

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Special Projects Fund	Miscellaneous Special Revenue Fund	
REVENUES			
Interest and earnings	\$ -	\$ 60	\$ 60
Miscellaneous	-	12,500	12,500
TOTAL REVENUES	\$ -	\$ 12,560	\$ 12,560
EXPENDITURES			
Other services	\$ 95,000	\$ 32,879	\$ 127,879
TOTAL EXPENDITURES	\$ 95,000	\$ 32,879	\$ 127,879
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (95,000)	\$ (20,319)	\$ (115,319)
FUND BALANCE, BEGINNING OF YEAR (restated)	(907,000)	95,744	(811,256)
FUND BALANCE, END OF YEAR	\$ (1,002,000)	\$ 75,425	\$ (926,575)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
 Analysis of Account A431 - School Districts
 For Year Ended June 30, 2021**

	2021
July 1, 2020 - DEBIT (CREDIT) BALANCE	\$ 464,745
 DEBITS:	
Billings to school districts	\$ 96,297,819
Refund of balances made to school districts	5,242,640
Encumbrances - June 30, 2021	1,779,231
Total Debits	\$ 103,319,690
TOTAL	\$ 103,784,435
 CREDITS:	
Collections from school districts	\$ 96,788,098
Adjustment - credits to school districts - revenues in excess of expenditures	3,627,460
Encumbrances - June 30, 2020	3,270,089
Total Credits	\$ 103,685,647
June 30, 2021 - DEBIT (CREDIT) BALANCE	\$ 98,788

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
SCHEDULE OF CAPITAL PROJECTS FUND
PROJECT EXPENDITURES AND FINANCING RESOURCES
For Year Ended June 30, 2021**

Project Title	Expenditures					Methods of Financing					Fund Balance	
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Local Sources	District Billings	State Sources	Transfers		Total
CTE-North Renovation-2015-16	\$ 12,984,000	\$ 16,959,121	\$ 16,733,497	\$ -	\$ 16,733,497	\$ 225,624	\$ -	\$ 16,959,122	\$ 174,083	\$ (399,708)	\$ 16,733,497	\$ -
CTE-North Renovation-2019-20	3,047,057	2,534,484	156,153	2,321,699	2,477,852	56,632	400,000	-	-	2,134,484	2,534,484	56,632
CTE-South Renovation-2019-20	565,516	565,516	-	565,516	565,516	-	500,000	-	-	65,516	565,516	-
Unassigned	-	-	-	-	-	-	1,859,649	-	-	(1,331,825)	527,824	527,824
TOTAL	\$ 16,596,573	\$ 20,059,121	\$ 16,889,650	\$ 2,887,215	\$ 19,776,865	\$ 282,256	\$ 2,759,649	\$ 16,959,122	\$ 174,083	\$ 468,467	\$ 20,361,321	\$ 584,456

(See Independent Auditors' Report)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2021**

<u>Grantor / Pass - Through Agency</u>	<u>Assistance Listing Number</u>	<u>Grantor Number</u>	<u>Pass-Through Agency Number</u>	<u>Total Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Direct Programs:</u>				
<u>Student Financial Assistance Program Cluster -</u>				
Federal Pell Grant Program	84.063	N/A	P063P206347	\$ 173,750
Federal Direct Student Loans	84.268	N/A	P268K216347	235,406
Total Student Financial Assistance Program Cluster				\$ 409,156
COVID-19 HEERF-Student Portion	84.425E	P425E204497	N/A	46,043
COVID-19 HEERF-Institutional Student Portion	84.425F	P425F203608	N/A	144,483
COVID-19 HEERF-FIPSE-institutional Portion	84.425N	P425N200467	N/A	407,915
Total Direct Programs				\$ 1,007,597
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
VATEA II - Perkins Grant	84.048	N/A	8000-21-0044	\$ 127,989
WIOA, Title II, ESOL Civics	84.002	N/A	0040-21-3018	111,597
Total Indirect Programs				\$ 239,586
Total U.S. Department of Education				\$ 1,247,183
<u>U.S. Department of Labor:</u>				
<u>Indirect Programs:</u>				
Passed through Rochester Works:				
WIOA, Youth Activities	17.259	N/A	N/A	\$ 114,730
Total U.S. Department of Labor				\$ 114,730
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 1,361,913

**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
Second Supervisory District of Monroe and Orleans Counties, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans, Counties, New York, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans, Counties, New York's basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans, Counties, New York's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans, Counties, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans, Counties, New York's 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 BOCES 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 the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rochester, New York
October 13, 2021

Mengel, Metzger, Baw & Co. LLP