

**BOARD OF COOPERATIVE EDUCATIONAL
SERVICES SECOND SUPERVISORY DISTRICT
OF MONROE AND ORLEANS COUNTIES
BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2023**



TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis (Unaudited)	4 - 11
Basic Financial Statements:	
Statement of Net Position	12
Statement of Activities and Changes in Net Position	13
Balance Sheet - Governmental Funds	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities	16
Statement of Fiduciary Net Position	17
Statement of Changes in Fiduciary Net Position	18
Notes to Financial Statements:	19 - 48
Required Supplementary Information:	
Schedule of Changes in BOCES' Total OPEB Liability and Related Ratio	49
Schedule of the BOCES' Proportionate Share of the Net Pension Liability	50
Schedule of BOCES' Contributions	51
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) And Actual - General Fund	52 - 53
Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	54
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	55
Analysis of Account A431 - School Districts	56
Schedule of Capital Projects Fund - Project Expenditures and Financing Resources	57
Schedule of Expenditures of Federal Awards	58
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	59 - 60



BUSINESS
ADVISORS
AND CPAS

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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, 2023, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, New York, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The Board of Cooperative Educational Services Second Supervisory District of Monroe and Orleans Counties, New York's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BOCES' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BOCES' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in BOCES' total OPEB liability and related ratio, schedule of the BOCES' proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 4-11 and 49-53 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Board of Cooperative Educational Services 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 Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2023 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 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.

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 11, 2023

Board of Cooperative Educational Services
Second Supervisory District of Monroe and Orleans Counties, New York
Management's Discussion and Analysis (MD&A)
June 30, 2023

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, 2023. 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 2023 are as follows:

The BOCES, governmental fund financial statements report a combined ending fund balance of (\$866,733), a decrease of \$5,834,292 over the prior year.

On the government-wide financial statements, the liabilities of the BOCES exceeded assets by \$146,833,038, a decrease of \$7,498,991 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, 2023 the BOCES liabilities exceeded the assets by \$146,833,038 at the close of the year.

Net Position

	Governmental Activities		Total Variance
	2023	2022	
<u>ASSETS:</u>			
Current and Other Assets	\$ 39,900,679	\$ 63,382,341	\$ (23,481,662)
Capital Assets	45,728,500	46,958,797	(1,230,297)
Total Assets	\$ 85,629,179	\$ 110,341,138	\$ (24,711,959)
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred Outflows of Resources	\$ 35,564,555	\$ 49,734,851	\$ (14,170,296)
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 161,298,278	\$ 203,519,748	\$ (42,221,470)
Other Liabilities	25,428,527	21,088,504	4,340,023
Total Liabilities	\$ 186,726,805	\$ 224,608,252	\$ (37,881,447)
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred Inflows of Resources	\$ 81,299,967	\$ 74,801,784	\$ 6,498,183
<u>NET POSITION:</u>			
Net Investment in Capital Assets	\$ 37,623,628	\$ 38,181,433	\$ (557,805)
<u>Restricted For:</u>			
Capital Projects	2,206,889	1,184,588	1,022,301
Capital Reserve	292,216	382,853	(90,637)
Unemployment	627,357	618,708	8,649
Retirement Contribution Reserve	9,825,651	10,166,886	(341,235)
Teacher Retirement Contribution Reserve	2,077,643	1,736,949	340,694
Liability Reserve	1,496,850	1,379,697	117,153
Insurance Reserve	300,000	-	300,000
Accrued Benefit Liability Reserve	377,234	377,234	-
Misc. Special Revenue Fund	71,427	71,928	(501)
Unrestricted	(201,731,933)	(193,434,323)	(8,297,610)
Total Net Position	\$ (146,833,038)	\$ (139,334,047)	\$ (7,498,991)

Key Variances

- Current and Other Assets decreased as a result of the NYS ERS and TRS pension systems no longer reporting a net pension asset in 2023.
- Deferred Outflows of Resources decreased as a result of changes in assumptions to be amortized decreasing for OPEB
- Long-Term Debt Obligations decreased as a result of the net difference between an increase to the net pension obligation and a decrease to the OPEB obligation.

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

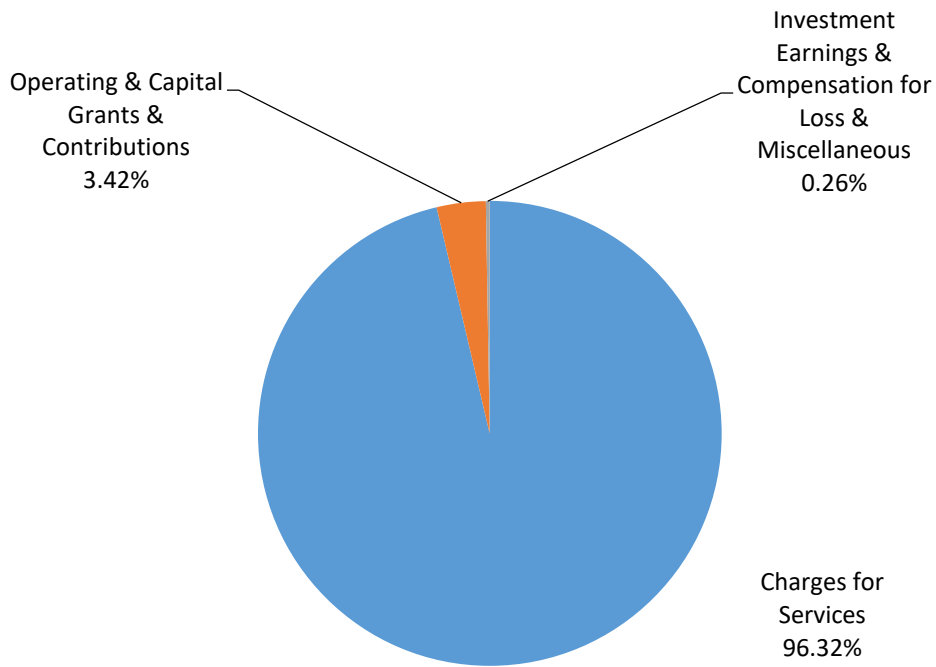
Governmental activities decreased the BOCES net position by \$7,498,991.

	Governmental Activities		Total Variance
	<u>2023</u>	<u>2022</u>	
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Service	\$ 108,852,886	\$ 105,128,928	\$ 3,723,958
Operating Grants & Contributions	3,864,266	3,114,869	749,397
Total Program	\$ 112,717,152	\$ 108,243,797	\$ 4,473,355
<u>General -</u>			
Investment Earnings	\$ 271,333	\$ 23,335	\$ 247,998
Compensation for Loss	15,146	12,520	2,626
Miscellaneous	11,788	37,835	(26,047)
Total General	\$ 298,267	\$ 73,690	\$ 224,577
TOTAL REVENUES	\$ 113,015,419	\$ 108,317,487	\$ 4,697,932
<u>EXPENSES:</u>			
Administration	\$ 11,510,384	\$ 8,865,668	\$ 2,644,716
Career and Tech Education	11,902,113	11,049,601	852,512
Instruction for the Handicapped	33,932,094	32,851,164	1,080,930
Itinerant Services	8,614,954	6,973,686	1,641,268
General Instruction	5,462,165	4,212,860	1,249,305
Instructional Support	27,134,986	20,615,918	6,519,068
Other Services	21,747,166	16,948,144	4,799,022
Interest	210,548	178,815	31,733
TOTAL EXPENSES	\$ 120,514,410	\$ 101,695,856	\$ 18,818,554
INCREASE IN NET POSITION	\$ (7,498,991)	\$ 6,621,631	
NET POSITION, BEGINNING OF YEAR	(139,334,047)	(145,955,678)	
NET POSITION, END OF YEAR	\$ (146,833,038)	\$ (139,334,047)	

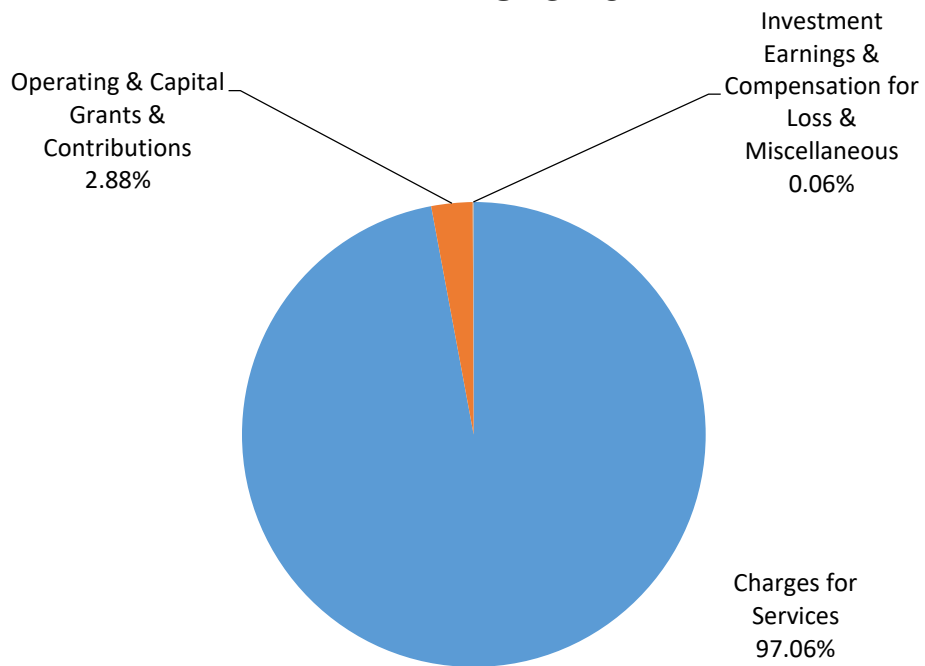
Key Variances

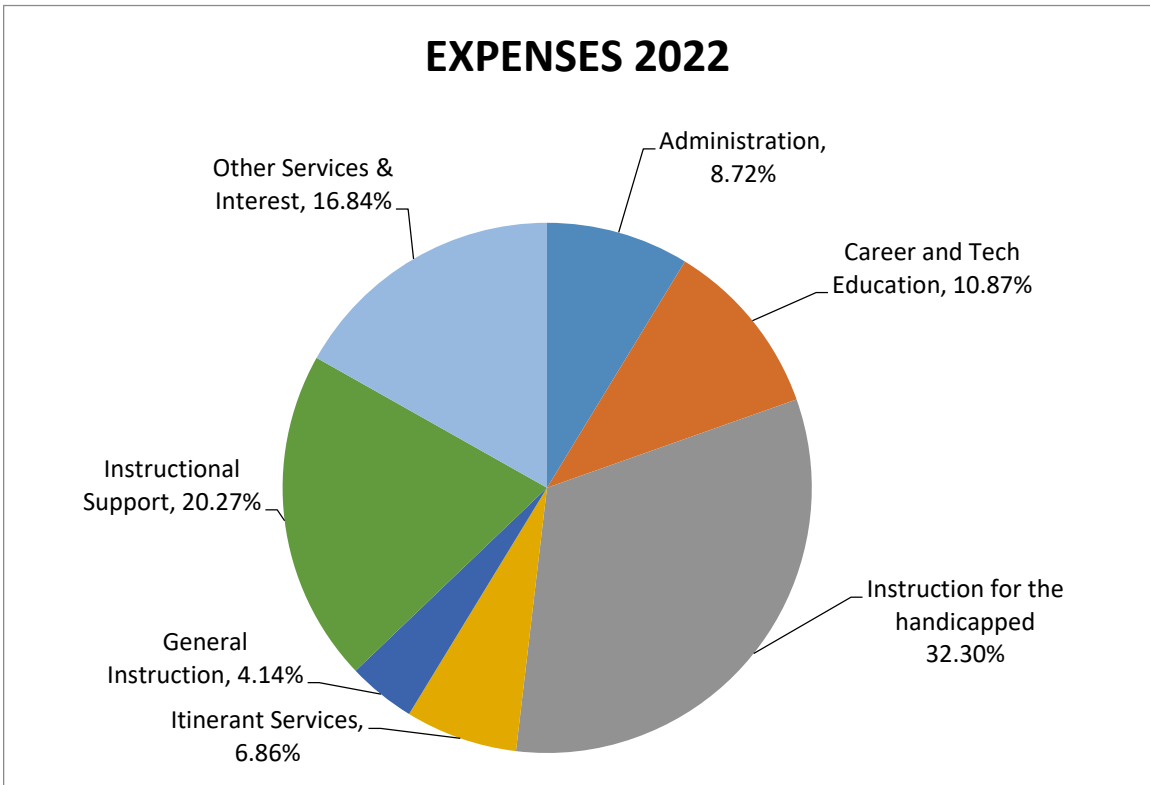
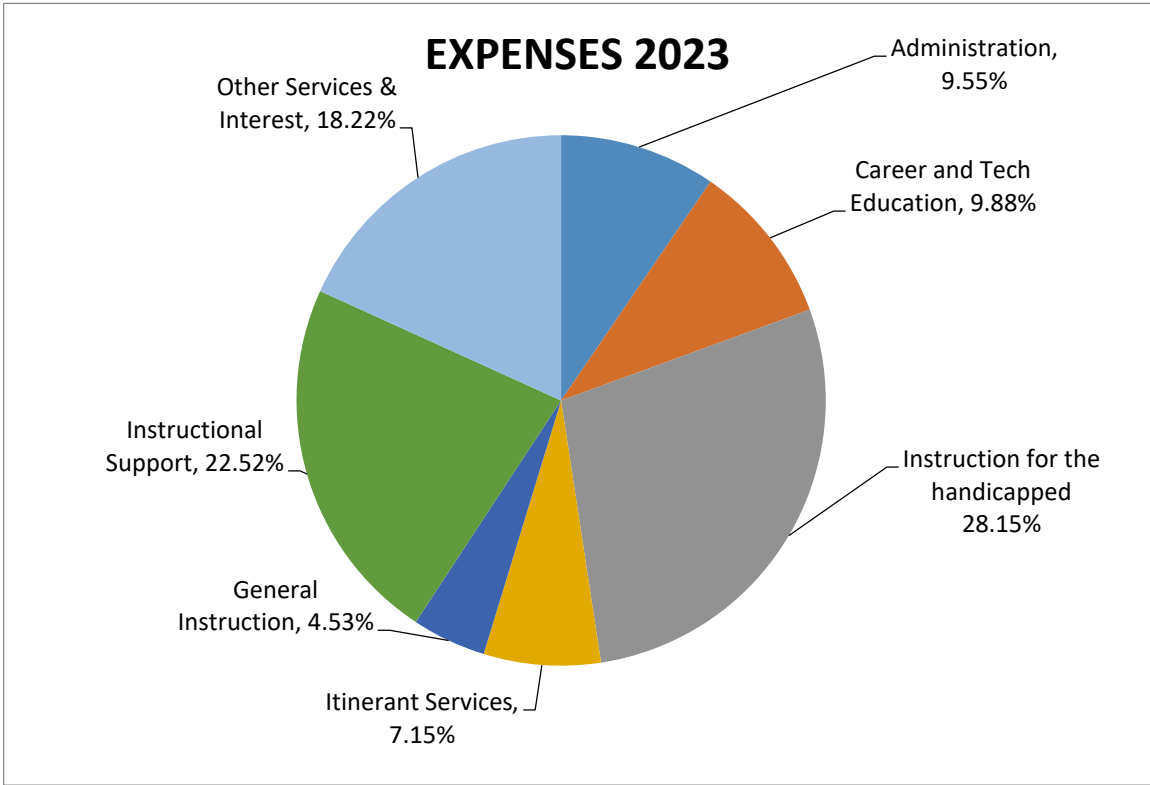
- Charges for Service revenue and Instructional Support both increased as a result of primarily technology purchases by our components.
- Other Services expense increased a result of technology services purchased through Monroe I BOCES.

REVENUES 2023



REVENUES 2022





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 (866,773) which is less than last year's ending fund balance of \$4,967,519. A summary of the General Fund balance classifications is shown below:

<u>General Fund Balances:</u>	<u>2023</u>	<u>2022</u>	<u>Total Variance</u>
Restricted	\$ 14,996,951	\$ 14,662,327	\$ 334,624
Assigned	1,369,780	4,198,177	(2,828,397)
Unassigned	(14,228,035)	(10,718,741)	(3,509,294)
Total General Fund Balances	<u>\$ 2,138,696</u>	<u>\$ 8,141,763</u>	<u>\$ (6,003,067)</u>

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget was \$12,138,678. This change is attributable to additional requests for services by our component and non-component districts.

Capital Assets

At June 30, 2023 the BOCES has \$39,036,406, 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>2023</u>	<u>2022</u>
<u>Capital Assets</u>		
Land	\$ 118,702	\$ 118,702
Work in Progress	113,858	3,043,366
Buildings and Improvements	34,286,807	32,660,951
Machinery and Equipment	4,517,039	3,606,353
Total Capital Assets	<u>\$ 39,036,406</u>	<u>\$ 39,429,372</u>
<u>Lease Assets</u>		
Buildings	\$ 6,429,563	\$ 7,529,425
Equipment	262,531	-
Total Lease Assets	<u>\$ 6,692,094</u>	<u>\$ 7,529,425</u>

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

Long-Term Debt

At June 30, 2023, the BOCES had \$161,298,278 in other long-term debt outstanding as follows:

<u>Type</u>	<u>2023</u>	<u>2022</u>
Installment Purchase Debt	\$ 1,191,681	\$ 713,693
Lease Liability	6,913,191	8,063,671
Net Pension Liability	12,866,752	-
OPEB	139,000,650	193,410,712
Compensated Absences	1,326,004	1,331,672
Total Long-Term Obligations	\$ 161,298,278	\$ 203,519,748

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

Factors Bearing on the BOCES' Future

Inflation continues to affect all levels of purchasing and staffing. In addition, like many other organizations, we are struggling to hire and retain staff which can impact the level of services we can provide.

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, 2023

	Governmental <u>Activities</u>
ASSETS	
Cash and cash equivalents	\$ 14,268,382
Investments	3,169,063
Accounts receivable	19,006,663
Due from Districts	3,452,886
Prepaid items	3,685
Capital Assets:	
Land	118,702
Work in progress	113,858
Other capital assets (net of depreciation)	45,495,940
TOTAL ASSETS	<u>\$ 85,629,179</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources	<u>\$ 35,564,555</u>
LIABILITIES	
Accounts payable	\$ 6,241,773
Accrued liabilities	238,464
Unearned revenue	181,929
Due to other governments	3,338
State aid due to districts	14,966,887
Due to teachers' retirement system	2,532,196
Due to employees' retirement system	582,711
Overpayments and collections in advance	3,719
Other liabilities	677,510
Long-Term Obligations:	
Due in one year	1,807,170
Due in more than one year	159,491,108
TOTAL LIABILITIES	<u>\$ 186,726,805</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources	<u>\$ 81,299,967</u>
NET POSITION	
Net investment in capital assets	\$ 37,623,628
Restricted For:	
Capital projects	2,206,889
Capital reserve	292,216
Unemployment reserve	627,357
Retirement contribution reserve	9,825,651
Teacher retirement contribution reserve	2,077,643
Liability reserve	1,496,850
Insurance reserve	300,000
Accrued benefit liability reserve	377,234
Miscellaneous special revenue fund	71,427
Unrestricted	(201,731,933)
TOTAL NET POSITION	<u>\$ (146,833,038)</u>

(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, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Primary Government -				
Administration	\$ 11,510,384	\$ 10,573,860	\$ 277,308	\$ (659,216)
Career & tech education	11,902,113	10,915,253	2,577,359	1,590,499
Instruction for the handicapped	33,932,094	33,289,312	-	(642,782)
Itinerant services	8,614,954	8,037,029	272,893	(305,032)
General instruction	5,462,165	4,310,637	226,774	(924,754)
Instructional support	27,134,986	20,052,941	509,932	(6,572,113)
Other services	21,747,166	21,463,306	-	(283,860)
Interest	210,548	210,548	-	-
Total Primary Government	<u>\$ 120,514,410</u>	<u>\$ 108,852,886</u>	<u>\$ 3,864,266</u>	<u>\$ (7,797,258)</u>
General Revenues:				
Interest and Earnings				\$ 271,333
Sale of property and compensation for loss				15,146
Miscellaneous				11,788
Total General Revenues				<u>\$ 298,267</u>
Changes in Net Position				\$ (7,498,991)
Net Position, Beginning of Year				<u>(139,334,047)</u>
Net Position, End of Year				<u>\$ (146,833,038)</u>

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

**Balance Sheet
Governmental Funds
June 30, 2023**

	Major			Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Special Aid Fund	Capital Projects Fund		
ASSETS					
Cash and cash equivalents	\$ 11,794,083	\$ 491,257	\$ 1,911,615	\$ 71,427	\$ 14,268,382
Due from other funds	7,799,232	-	300,000	-	8,099,232
Receivables	16,978,869	2,027,794	-	-	19,006,663
Due from Districts	3,160,765	292,121	-	-	3,452,886
Investments	3,169,063	-	-	-	3,169,063
Prepaid items	3,685	-	-	-	3,685
TOTAL ASSETS	\$ 42,905,697	\$ 2,811,172	\$ 2,211,615	\$ 71,427	\$ 47,999,911
LIABILITIES DEFERRED INFLOWS AND FUND BALANCE					
Liabilities -					
Accounts payable	\$ 6,167,815	\$ 69,232	\$ 4,726	\$ -	\$ 6,241,773
Accrued liabilities	204,946	33,518	-	-	238,464
Due to other funds	300,000	6,989,656	-	809,576	8,099,232
Due to other governments	109	3,229	-	-	3,338
State aid due to districts	14,966,887	-	-	-	14,966,887
Due to TRS	2,532,196	-	-	-	2,532,196
Due to ERS	582,711	-	-	-	582,711
Overpayments and collections in advance	3,719	-	-	-	3,719
Other liabilities	677,510	-	-	-	677,510
Compensated Absences	89,021	18,417	-	-	107,438
Unearned revenues	10,600	171,329	-	-	181,929
TOTAL LIABILITIES	\$ 25,535,514	\$ 7,285,381	\$ 4,726	\$ 809,576	\$ 33,635,197
Deferred Inflows -					
Deferred inflows of resources	\$ 15,231,487	\$ -	\$ -	\$ -	\$ 15,231,487
Fund Balances -					
Restricted	\$ 14,996,951	\$ -	\$ 2,206,889	\$ 71,427	\$ 17,275,267
Assigned	1,369,780	-	-	-	1,369,780
Unassigned	(14,228,035)	(4,474,209)	-	(809,576)	(19,511,820)
TOTAL FUND BALANCE	\$ 2,138,696	\$ (4,474,209)	\$ 2,206,889	\$ (738,149)	\$ (866,773)
TOTAL LIABILITIES AND FUND BALANCES	\$ 42,905,697	\$ 2,811,172	\$ 2,211,615	\$ 71,427	

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

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

45,728,500

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

Leases	(6,913,191)
OPEB	(139,000,650)
Compensated absences	(1,218,566)
Installment purchase debt	(1,191,681)
Deferred Outflow of Resources - pension	19,854,726
Deferred Outflow of Resources - OPEB	15,709,829
Net Pension Liability	(12,866,752)
Deferred Inflow of Resources - pension	(1,575,092)
Deferred Inflow of Resources - OPEB	(64,493,388)
Net Position of Governmental Activities	\$ (146,833,038)

(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, 2023

	Major				
	General	Special	Capital	Nonmajor	Total
	Fund	Aid	Projects	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
REVENUES					
Charges for services	\$ 129,400	\$ 87,131	\$ -	\$ -	\$ 216,531
Charges to components	89,404,846	1,669,034	-	-	91,073,880
Charges to non-components and other BOCES	14,788,563	415,837	-	-	15,204,400
Interest and earnings	84,426	2,360	36,159	944	123,889
Sale of property and compensation for loss	14,200	2,234	-	-	16,434
Miscellaneous	2,242,278	4,307,357	-	660,000	7,209,635
Interfund revenues	-	-	1,100,000	-	1,100,000
State sources	40,300	2,393,026	-	-	2,433,326
Federal sources	277,308	1,153,632	-	-	1,430,940
TOTAL REVENUES	\$ 106,981,321	\$ 10,030,611	\$ 1,136,159	\$ 660,944	\$ 118,809,035
EXPENDITURES					
Administration	\$ 9,525,036	\$ -	\$ -	\$ -	\$ 9,525,036
Career and tech education	9,769,363	2,632,464	-	-	12,401,827
Instruction for the handicapped	31,001,115	5,751,873	-	-	36,752,988
Itinerant services	7,990,614	310,651	-	-	8,301,265
General instruction	4,296,095	1,057,617	-	-	5,353,712
Instructional support	26,242,260	553,455	-	-	26,795,715
Other services	17,349,012	-	-	1,239,021	18,588,033
Capital outlay	-	-	1,520,183	-	1,520,183
Debt service principal	2,078,817	-	-	-	2,078,817
Debt service interest	210,548	-	-	-	210,548
TOTAL EXPENDITURES	\$ 108,462,860	\$ 10,306,060	\$ 1,520,183	\$ 1,239,021	\$ 121,528,124
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,481,539)	\$ (275,449)	\$ (384,024)	\$ (578,077)	\$ (2,719,089)
OTHER FINANCING SOURCES (USES)					
Proceeds from obligations	\$ -	\$ -	\$ 1,406,325	\$ -	\$ 1,406,325
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ 1,406,325	\$ -	\$ 1,406,325
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (1,481,539)	\$ (275,449)	\$ 1,022,301	\$ (578,077)	\$ (1,312,764)
OTHER CHANGES IN FUND BALANCE					
Surplus to be distributed	(4,856,152)	-	-	-	(4,856,152)
Net unemployment reserve transactions	8,649	-	-	-	8,649
Net capital reserve transactions	(90,637)	-	-	-	(90,637)
Net retirement contribution reserve transactions	(341,235)	-	-	-	(341,235)
Net teacher's retirement reserve transactions	340,694	-	-	-	340,694
Net liability reserve transactions	117,153	-	-	-	117,153
Net insurance reserve transactions	300,000	-	-	-	300,000
FUND BALANCE, BEGINNING OF YEAR	8,141,763	(4,198,760)	1,184,588	(160,072)	4,967,519
FUND BALANCE, END OF YEAR	\$ 2,138,696	\$ (4,474,209)	\$ 2,206,889	\$ (738,149)	\$ (866,773)

(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, 2023

NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS

\$ (5,834,292)

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

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

Capital Outlay	\$ 1,520,183	
Additions to Assets, Net	1,044,173	
Depreciation and amortization	<u>(3,794,653)</u>	(1,230,297)

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

Debt Repayments	\$ 2,078,817	
Proceeds from Leases	(284,897)	
Proceeds from Installment Purchase Debt	<u>(1,121,428)</u>	672,492

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. 1,656,529

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

Teachers' Retirement System		(733,641)
Employees' Retirement System		(2,040,594)

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

Compensated Absences		<u>10,812</u>
----------------------	--	---------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (7,498,991)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 115,658,317
Accounts receivable	1,617,179
Investments	82,148,585
Prepaid Expenses	<u>6,155,400</u>
TOTAL ASSETS	<u><u>\$ 205,579,481</u></u>
 LIABILITIES	
Accounts payable	\$ 10,234,216
Accrued liabilities	58,314,730
Unearned Revenue	<u>4,101,873</u>
TOTAL LIABILITIES	<u><u>\$ 72,650,819</u></u>
 NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>\$ 132,928,662</u>
TOTAL NET POSITION	<u><u>\$ 132,928,662</u></u>

(See Accompanying notes to financial statements)

**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, 2023

	<u>Custodial Funds</u>
ADDITIONS	
Health & WC Plan Interest Earnings	\$ 2,173,186
Health & WC Plan Contributions	323,384,594
Health & WC Plan Recoveries and Rebates	21,417,145
Extraclass Donations	7,420
Extraclass Misc Revenue	<u>41,547</u>
TOTAL ADDITIONS	<u>\$ 347,023,892</u>
DEDUCTIONS	
Health & WC Plans	\$ 338,826,490
Extraclass	<u>47,552</u>
TOTAL DEDUCTIONS	<u>\$ 338,874,042</u>
Change in net position	\$ 8,149,850
NET POSITION - BEGINNING	<u>124,778,812</u>
NET POSITION - ENDING	<u><u>\$ 132,928,662</u></u>

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

Notes To The Basic Financial Statements

June 30, 2023

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.

(I.) (Continued)

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.

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.

(I.) (Continued)

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

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

D. Restricted Resources

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

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.

(I.) (Continued)

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.

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

H. Receivables

Receivables are shown net of an allowance for uncollectible accounts, when applicable.

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

I 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:

(I.) (Continued)

<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. Right To Use Assets

The BOCES-wide financial statements, right-to-use-assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is between 5 and 30 years based on the contract terms and/or estimated replacement of the assets.

L. Unearned Revenue

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

M. Deferred Outflows and Inflows of Resources

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

The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The governmental activities reports deferred inflows of resources which represents the prepayment for technology assets by Districts which is amortized over the estimated use of those assets.

N. Vested Employee Benefits

1. Compensated Absences

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

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

(I.) (Continued)

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.

O. 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.

P. Accrued Liabilities and Long-Term Obligations

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

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

Q. Equity Classifications

1. BOCES-Wide Statements

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

(I.) (Continued)

- a. **Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- b. **Restricted Net Position** - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications . The reported deficit of \$201,731,933 at year end is the result of full implementation of GASB #75 regarding retiree health obligations, the full implementation of GASB 87 regarding leases, and the New York State Pension system unfunded pension obligation.

2. **Fund Statements**

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

- a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- 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 \$90,637 during the year, and the balance at June 30, 2023, is \$292,216. This reserve is accounted for in the General Fund.

(I.) (Continued)

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.

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 may be 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.

Liability Reserve - According to General Municipal Law §1709(8)(c), must be used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater.

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.

(I.) (Continued)

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

Restricted fund balances include the following:

	<u>Total</u>
<u>General Fund -</u>	
Unemployment	\$ 627,357
Reserve for ERS	9,825,651
Reserve for TRS	2,077,643
Insurance	300,000
Liability	1,496,850
Career Education Instructional	
Equipment Reserve	292,216
Employee Benefit Accrued Liability	377,234
<u>Capital Fund -</u>	
Capital Projects	2,206,889
<u>Miscellaneous Special Revenue Fund -</u>	
Scholarships	71,427
Total Restricted Fund Balance	<u><u>\$ 17,275,267</u></u>

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the school districts highest level of decision making authority, i.e., the Board. The BOCES has no committed fund balances as of June 30, 2023.

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 \$137,000 The BOCES reports the following significant encumbrances:

<u>General Fund -</u>	
Instructional Support	\$ 780,772
Other Services	\$ 314,871

(I.) (Continued)

Assigned fund balances include the following:

	<u>Total</u>
General Fund - Encumbrances	\$ 1,369,780
Total Assigned Fund Balance	<u>\$ 1,369,780</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.

R. New Accounting Standards

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2023, the BOCES implemented the following new standards issued by GASB:

GASB has issued Statement No. 91, *Conduit Debt Obligations*.

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates, Paragraph 11b*.

GASB has issued Statement No. 96, *Subscription Based Information Technology*.

GASB has issued Statement No. 99, *Omnibus 2022 (leases, PPPs, and SBITAs)*.

S. Future Changes in Accounting Standards

GASB has issued Statement No. 100, *Accounting for Changes and Error Corrections-an Amendment of GASB Statement No. 62*, which will be effective for reporting periods beginning after June 15, 2023.

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

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

II. Changes in Accounting Principles

For the year ended June 30, 2023, the BOCES implemented GASB Statement No. 96, *Subscription Based Information Technology Arrangements (SBITA)*. The implementation of the statement changes the reporting for SBITAs. There was no financial statement impact for the implementation of the Statement.

III. Stewardship, Compliance and Accountability:

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

A. Budgetary Information

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

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

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

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

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

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

B. Deficit Fund Balance

1. Special Aid Fund

The Special Aid Fund had a deficit fund balance of \$4,474,209 as a result of operating expenditures exceeding revenues in the Preschool and Continuing Education Programs.

2. Special Projects Fund

The Special Projects Fund had a deficit fund balance of \$809,576 at June 30, 2023, which is a result of startup expenses incurred by the BOCES 4 Science project prior to the full funding of the science kits.

(III.) (Continued)

C. **Deficit Net Position**

The BOCES-wide net position had a deficit at June 30, 2023 of \$146,833,038. 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 \$139,000,650 at June 30, 2023. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

IV. **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		15,140,451
Collateralized within Trust Department or Agent		53,264,153
Total	\$	<u>68,404,604</u>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end included \$17,275,267 within the governmental funds and \$115,658,317 in the custodial funds.

V. Investments

The BOCES' investments are recorded at fair value and have been categorized based upon a fair market value.

The following table presents information about the BOCES' investments measured at fair value as of June 30, 2023:

	<u>Cost</u>	<u>Market Value</u>
Governmental-US Treasury Bill	\$ 3,169,063	\$ 3,169,063
Custodial-US Treasury Bill	\$ 82,148,585	\$ 82,148,585

VI. Receivables

Receivables at June 30, 2023 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	\$ 1,001,515	\$ 661,427	\$ 1,662,942
Lease Receivable	1,003,452	-	1,003,452
Due From State and Federal	14,973,902	1,366,367	16,340,269
Total Receivables	\$ 16,978,869	\$ 2,027,794	\$ 19,006,663

BOCES management has deemed the amounts to be fully collectible.

The BOCES has the following expected future collections for leases:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 345,715	\$ 34,312
2025	201,352	25,528
2026	175,381	17,047
2027	174,174	8,236
2028	103,728	1,147
2029-33	3,102	-
Total	\$ 1,003,452	\$ 86,270

VII. Interfund Receivables and Payables

Interfund Receivables and Payables at June 30, 2023, were as follows:

	Interfund	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 7,799,232	\$ 300,000
Special Aid Fund	-	6,989,656
Capital Projects Fund	300,000	-
Nonmajor Funds	-	809,576
Total	<u>\$ 8,099,232</u>	<u>\$ 8,099,232</u>

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

VIII. Capital Assets and Lease Assets

A summary of changes in capital assets follows:

A. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/23</u>
<u>Governmental Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 118,702	\$ -	\$ -	\$ 118,702
Work in progress	3,043,366	113,858	(3,043,366)	113,858
<i>Total Nondepreciable</i>	<u>\$ 3,162,068</u>	<u>\$ 113,858</u>	<u>\$ (3,043,366)</u>	<u>\$ 232,560</u>
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 42,398,113	\$ 3,043,465	\$ -	\$ 45,441,578
Machinery and equipment	14,052,029	2,214,032	(2,835,468)	13,430,593
<i>Total Depreciated Assets</i>	<u>\$ 56,450,142</u>	<u>\$ 5,257,497</u>	<u>\$ (2,835,468)</u>	<u>\$ 58,872,171</u>
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 9,737,162	\$ 1,417,609	\$ -	\$ 11,154,771
Machinery and equipment	10,445,676	1,254,816	(2,786,938)	8,913,554
<i>Total Accumulated Depreciation</i>	<u>\$ 20,182,838</u>	<u>\$ 2,672,425</u>	<u>\$ (2,786,938)</u>	<u>\$ 20,068,325</u>
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	<u>\$ 36,267,304</u>	<u>\$ 2,585,072</u>	<u>\$ (48,530)</u>	<u>\$ 38,803,846</u>
Total Capital Assets	<u>\$ 39,429,372</u>	<u>\$ 2,698,930</u>	<u>\$ (3,091,896)</u>	<u>\$ 39,036,406</u>

(VIII.) (Continued)

B. Lease Assets

A summary of the lease asset activity during the year ended June 30, 2023 is as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/23</u>
<u>Lease Assets:</u>				
Buildings	\$ 10,483,856	\$ -	\$ 803,112	\$ 9,680,744
Equipment	-	284,897	-	284,897
<i>Total Lease Assets</i>	<u>\$ 10,483,856</u>	<u>\$ 284,897</u>	<u>\$ 803,112</u>	<u>\$ 9,965,641</u>
<u>Less Accumulated Amortization -</u>				
Buildings	\$ 2,954,431	\$ 1,099,862	\$ 803,112	\$ 3,251,181
Equipment	-	22,366	-	22,366
<i>Total Accumulated Amortization</i>	<u>\$ 2,954,431</u>	<u>\$ 1,122,228</u>	<u>\$ 803,112</u>	<u>\$ 3,273,547</u>
Total Lease Assets, Net	<u><u>\$ 7,529,425</u></u>	<u><u>\$ (837,331)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,692,094</u></u>

C. Other capital assets (net of depreciation and amortization):

Depreciated Capital Assets, net	\$ 38,803,846
Amortized Lease Assets, net	6,692,094
Total Other Capital Assets, net	<u><u>\$ 45,495,940</u></u>

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

<u>Governmental Activities:</u>	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
Administration	\$ 67,345	\$ 1,122,228	\$ 1,189,573
Career and Tech Education	1,348,773	-	1,348,773
Instruction for the Handicapped	353,829	-	353,829
Itinerant Services	11,759	-	11,759
General Instruction	149,389	-	149,389
Instructional Support	654,477	-	654,477
Other Services	86,853	-	86,853
Total Depreciation and Amortization Expense	<u><u>\$ 2,672,425</u></u>	<u><u>\$ 1,122,228</u></u>	<u><u>\$ 3,794,653</u></u>

IX. Long-Term Obligations

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

Governmental Activities:	Balance 7/1/22	Additions	Deletions	Balance 6/30/23	Due Within One Year
Bonds and Notes Payable -					
Installment Purchase Debt	\$ 713,693	\$ 1,121,428	\$ 643,440	\$ 1,191,681	\$ 387,097
Lease Liability	8,063,671	284,897	1,435,377	6,913,191	1,312,635
Total Bonds and Notes Payable	\$ 8,777,364	\$ 1,406,325	\$ 2,078,817	\$ 8,104,872	\$ 1,699,732
Other Liabilities -					
Net Pension Liability	\$ -	\$ 12,866,752	\$ -	\$ 12,866,752	\$ -
OPEB	193,410,712	-	54,410,062	139,000,650	-
Compensated Absences	1,331,672	-	5,668	1,326,004	107,438
Total Other Liabilities	\$ 194,742,384	\$ 12,866,752	\$ 54,415,730	\$ 153,193,406	\$ 107,438
Total Long-Term Obligations	\$ 203,519,748	\$ 14,273,077	\$ 56,494,547	\$ 161,298,278	\$ 1,807,170

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

Existing serial and statutory bond obligations:

Description	Original Amount	Issue Date	Final Maturity	Interest Rate	Amount Outstanding 6/30/2023
Leases	\$ 10,483,856	1992	2032	various	\$ 6,913,191
Total Leases					\$ 6,913,191

The following is a summary of debt service requirements:

Year	Installment Purchase Debt		Leases	
	Principal	Interest	Principal	Interest
2024	\$ 387,097	\$ 41,705	\$ 1,312,635	\$ 142,228
2025	242,474	25,528	1,287,354	107,688
2026	217,178	17,047	684,745	83,948
2027	216,313	8,236	645,052	69,775
2028	125,516	1,147	656,246	56,422
2029-32	3,103	-	2,327,159	71,044
Total	\$ 1,191,681	\$ 93,663	\$ 6,913,191	\$ 531,105

X. Deferred Inflows/Outflows of Resources

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

	Deferred Outflows	Deferred Inflows
Pension	\$ 19,854,726	\$ 1,575,092
Leases	-	15,231,487
OPEB	15,709,829	64,493,388
Total	\$ 35,564,555	\$ 81,299,967

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 NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The BOCES paid 100% of the required contributions as billed by the TRS and ERS for the current year.

(XI.) (Continued)

The BOCES' share of the required contributions, based on covered payroll paid for the BOCES' year ended June 30, 2023:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2023	\$ 1,778,320	\$ 2,532,196

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

At June 30, 2023, 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, 2023 for ERS and June 30, 2022 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, 2023	June 30, 2022
Net pension assets/(liability)	\$ (10,616,281)	\$ (2,250,471)
District's portion of the Plan's total net pension asset/(liability)	0.049507%	0.117280%

For the year ended June 30, 2023, the BOCES recognized pension expenses of \$3,830,281 for ERS and \$2,961,967 for TRS. At June 30, 2023 the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 1,130,717	\$ 2,358,209	\$ 298,145	\$ 45,096
Changes of assumptions	5,155,951	4,365,533	56,983	906,553
Net difference between projected and actual earnings on pension plan investments	-	2,907,822	62,370	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	377,763	746,279	154,766	51,179
Subtotal	\$ 6,664,431	\$ 10,377,843	\$ 572,264	\$ 1,002,828
District's contributions subsequent to the measurement date	582,711	2,229,741	-	-
Grand Total	\$ 7,247,142	\$ 12,607,584	\$ 572,264	\$ 1,002,828

(XI.) (Continued)

BOCES contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. 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>
2023	\$ -	\$ 1,819,381
2024	1,481,410	1,010,736
2025	(491,542)	(230,014)
2026	2,181,793	5,855,608
2027	2,920,506	830,777
Thereafter	-	88,527
Total	\$ 6,092,167	\$ 9,375,015

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, 2023	June 30, 2022
Actuarial valuation date	April 1, 2022	June 30, 2021
Interest rate	5.90%	6.95%
Salary scale	4.40%	5.18%-1.95%
Decrement tables	April 1, 2015- March 31, 2020	July 1, 2009- June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.90%	2.40%
COLA's	1.50%	1.30%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

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, 2023 are summarized as follows:

(XI.) (Continued)

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2023	June 30, 2022
<u>Asset Type -</u>		
Domestic equity	4.30%	6.50%
International equity	6.85%	7.20%
Global equity	0.00%	6.90%
Private equity	7.50%	9.90%
Real estate	4.60%	6.20%
Opportunistic portfolios	5.38%	0.00%
Real assets	5.84%	0.00%
Bonds and mortgages	0.00%	0.60%
Cash	0.00%	-0.30%
Private debt	0.00%	5.30%
Real estate debt	0.00%	2.40%
High-yield fixed income securities	0.00%	3.30%
Domestic fixed income securities	0.00%	1.10%
Global fixed income securities	0.00%	0.00%
Short-term	0.00%	0.00%
Credit	5.43%	0.00%

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and 2.4% for TRS.

F. Discount Rate

The discount rate used to calculate the total pension liability was 5.90% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

(XI.) (Continued)

<u>ERS</u>	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension asset (liability)	\$ (25,654,997)	\$ (10,616,281)	\$ 1,950,316

<u>TRS</u>	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension asset (liability)	\$ (20,750,399)	\$ (2,250,471)	\$ 13,307,847

H. Pension Plan Fiduciary Net Position

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

	(In Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2023	June 30, 2022
Employers' total pension liability	\$ 232,627,259	\$ 133,883,474
Plan net position	211,183,223	131,964,582
Employers' net pension asset/(liability)	<u>\$ (21,444,036)</u>	<u>\$ (1,918,892)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	90.78%	98.60%

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, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023 amounted to \$582,711.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 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, 2023 amounted to \$2,532,196.

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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	805
Active Employees	<u>669</u>
Total	<u><u>1,474</u></u>

B. Total OPEB Liability

The BOCES’ total OPEB liability of \$139,000,650 was measured as of March 31, 2023, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.53%
Salary Increases	3.53% average including inflation
Discount Rate	3.78%
Healthcare Cost Trend Rates	5.50% for 2023, increasing to an ultimate rate of 4.00% 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-2021, as appropriate, with adjustments for mortality improvements based on Scale AA.

(XII.) (Continued)

C. **Changes in the Total OPEB Liability**

Balance at June 30, 2022	<u>\$ 193,410,712</u>
<u>Changes for the Year -</u>	
Service cost	\$ 5,321,874
Interest	5,472,600
Changes of benefit terms	(68,662)
Differences between expected and actual experience	(34,188,672)
Changes in assumptions or other inputs	(25,592,722)
Benefit payments	<u>(5,354,480)</u>
Net Changes	<u>\$ (54,410,062)</u>
Balance at June 30, 2023	<u><u>\$ 139,000,650</u></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 2.83 percent in 2022 to 3.78 percent in 2023.

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 (2.78 percent) or 1-percentage-point higher (4.78 percent) than the current discount rate:

	1% Decrease (2.78%)	Discount Rate (3.78%)	1% Increase (4.78%)
Total OPEB Liability	\$ 160,066,858	\$ 139,000,650	\$ 122,012,764

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 (3.00 percent) or 1-percentage-point higher (5.00 percent) than the current healthcare cost trend rate:

	1% Decrease (4.50% Decreasing to 3.00%)	Healthcare Cost Trend Rates (5.50% Decreasing to 4.00%)	1% Increase (6.50% Decreasing to 5.00%)
Total OPEB Liability	\$ 120,562,440	\$ 139,000,650	\$ 162,175,016

(XII.) (Continued)

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

For the year ended June 30, 2023, the BOCES recognized OPEB expense of \$3,769,264. At June 30, 2023, 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	\$ 13,557,096	\$ 30,239,690
Changes of assumptions	814,113	34,253,698
Contributions after measurement date	1,338,620	-
Total	<u>\$ 15,709,829</u>	<u>\$ 64,493,388</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>	
2024	\$ (9,965,434)
2025	(9,354,820)
2026	(8,329,604)
2027	(8,676,617)
2028	(9,197,138)
Thereafter	(4,598,566)
Total	<u>\$ (50,122,179)</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, 2023, the BOCES incurred premiums or contribution expenditures totaling \$1,266,385.

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, 2022, 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.

(XIII.) (Continued)

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

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

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

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. Such claims estimates are based on the ultimate cost of claims that have been reported but not settled and claims that have been incurred but not reported.

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, 2022, revealed that the Plan was fully funded.

During the year ended June 30, 2023, the BOCES incurred premiums or contribution expenditures totaling \$13,946,088.

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.

(XIII.) (Continued)

Plan membership is currently comprised of seventeen districts and two BOCES. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

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

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

Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2023, the BOCES incurred premiums or contribution expenditures totaling \$354,952.

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, 2022, revealed that the Plan was fully funded.

D. Dental Coverage

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

A reconciliation of the claims recorded for 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Beginning liabilities	\$ 394,874	\$ 460,773
Premiums collected	767,331	758,949
Interest	359	29
Claims payments	(829,824)	(781,294)
Administrative fee payments	(43,301)	(43,583)
Ending liabilities	<u>\$ 289,439</u>	<u>\$ 394,874</u>

(XIII.) (Continued)

The following statistical information is presented:

<u>Year</u>	<u>Net</u>	
	<u>Contribution</u> <u>Revenue</u>	<u>Actual Claim</u> <u>Expense</u>
2023	\$ 724,389	\$ 829,824
2022	\$ 715,395	\$ 781,294
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

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 claim and judgment expenditures of this program for the 2022-23 fiscal year were \$15,814. The balance of the fund at June 30, 2023 was \$627,357 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2023, 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. 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. 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, 2022, and is on file at the administrative offices of the BOCES.

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, 2023

TOTAL OPEB LIABILITY							
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 5,321,874	\$ 5,932,617	\$ 5,357,208	\$ 4,864,538	\$ 4,436,006	\$ 4,281,598	\$ 4,020,103
Interest	5,472,600	4,404,547	4,756,970	5,929,221	6,881,674	6,743,035	5,473,843
Changes in benefit terms	(68,662)	(584,140)	(1,248,368)	-	(138,678)	(241,040)	-
Differences between expected and actual experiences	(34,188,672)	13,174,836	(5,680,200)	(18,006,167)	(23,581,974)	2,727,419	21,019,166
Changes of assumptions or other inputs	(25,592,722)	(17,617,439)	3,527,823	31,283,837	(1,502,693)	4,647,256	(11,823,305)
Benefit payments	(5,354,480)	(5,069,227)	(5,111,893)	(4,789,860)	(5,132,895)	(4,901,316)	(4,408,606)
Net Change in Total OPEB Liability	\$ (54,410,062)	\$ 241,194	\$ 1,601,540	\$ 19,281,569	\$ (19,038,560)	\$ 13,256,952	\$ 14,281,201
Total OPEB Liability - Beginning	\$ 193,410,712	\$ 193,169,518	\$ 191,567,978	\$ 172,286,409	\$ 191,324,969	\$ 178,068,017	\$ 163,786,816
Total OPEB Liability - Ending	\$ 139,000,650	\$ 193,410,712	\$ 193,169,518	\$ 191,567,978	\$ 172,286,409	\$ 191,324,969	\$ 178,068,017
Covered Employee Payroll	\$ 33,424,936	\$ 36,309,203	\$ 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	415.86%	532.68%	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, 2023

NYSERS Pension Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0495%	0.0492%	0.0516%	0.0506%	0.0517%	0.0526%	0.0483%	0.0519%	0.0519%
Proportionate share of the net pension liability (assets)	\$ 10,616,281	\$ (4,020,027)	\$ 51,423	\$ 13,386,832	\$ 3,660,889	\$ 1,696,776	\$ 4,534,710	\$ 8,335,144	\$ 1,754,768
Covered-employee payroll	\$ 16,407,772	\$ 15,721,332	\$ 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	64.703%	-25.571%	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	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

NYSTRS Pension Plan

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.1173%	0.1269%	0.1275%	0.1323%	0.1323%	0.1334%	0.1372%	0.1327%	0.1248%
Proportionate share of the net pension liability (assets)	\$ 2,250,471	\$ (21,995,783)	\$ 3,522,828	\$ (3,435,940)	\$ (2,392,527)	\$ (1,014,145)	\$ 1,469,668	\$ (13,779,918)	\$ (13,903,062)
Covered-employee payroll	\$ 21,553,351	\$ 20,803,246	\$ 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	10.441%	-105.732%	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	98.60%	113.20%	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.

(See Independent Auditors' Report)

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, 2023

NYSERS Pension Plan									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,778,320	\$ 2,372,510	\$ 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>(1,778,320)</u>	<u>(2,372,510)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 16,407,772	\$ 15,721,332	\$ 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	10.84%	15.09%	13.61%	13.70%	14.03%	14.50%	14.99%	17.78%	19.38%
NYSTRS Pension Plan									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 2,532,196	\$ 2,317,837	\$ 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>(2,532,196)</u>	<u>(2,317,837)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 21,553,351	\$ 20,803,246	\$ 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	11.75%	11.14%	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, 2023

<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	\$ 11,879,832	\$ 11,258,751	\$ 11,597,064	\$ 338,313
Career and Tech Education 100-199	9,741,625	9,988,767	9,888,261	(100,506)
Instruction for Handicapped 200-299	32,808,639	32,437,195	31,708,928	(728,267)
Itinerant 300-399	10,949,039	10,671,575	8,386,279	(2,285,296)
General Instruction 400-499	3,532,813	4,751,624	4,611,512	(140,112)
Instructional Support 500-599	21,357,606	28,277,507	21,552,665	(6,724,842)
Other Services 600-699	14,501,350	19,524,163	19,236,612	(287,551)
TOTAL REVENUES	<u>\$ 104,770,904</u>	<u>\$ 116,909,582</u>	<u>\$ 106,981,321</u>	<u>\$ (9,928,261)</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, 2023

<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	\$ 11,879,832	\$ 11,258,751	\$ 11,131,522	\$ 15,300	\$ 111,929
Career and Tech Education 100-199	9,741,625	9,988,767	9,769,363	189,593	29,811
Instruction for Handicapped 200-299	32,808,639	32,437,195	31,001,115	46,813	1,389,267
Itinerant 300-399	10,949,039	10,671,575	7,990,614	100	2,680,861
General Instruction 400-499	3,532,813	4,751,624	4,296,095	22,331	433,198
Instructional Support 500-599	21,357,606	28,277,507	26,242,260	780,772	1,254,475
Other Services 600-699	<u>14,501,350</u>	<u>19,524,163</u>	<u>18,031,891</u>	<u>314,871</u>	<u>1,177,401</u>
TOTAL EXPENDITURES	<u>\$ 104,770,904</u>	<u>\$ 116,909,582</u>	<u>\$ 108,462,860</u>	<u>\$ 1,369,780</u>	<u>\$ 7,076,942</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,481,539)</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, 2023

	Special Revenue Funds		
	Special Projects Fund	Miscellaneous Special Revenue Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ -	\$ 71,427	\$ 71,427
TOTAL ASSETS	\$ -	\$ 71,427	\$ 71,427
 LIABILITIES AND FUND BALANCE			
<u>Liabilities</u> -			
Due to other funds	\$ 809,576	\$ -	\$ 809,576
TOTAL LIABILITIES	\$ 809,576	\$ -	\$ 809,576
<u>Fund Balances</u> -			
Restricted	\$ -	\$ 71,427	\$ 71,427
Unassigned	(809,576)	-	(809,576)
TOTAL FUND BALANCE	\$ (809,576)	\$ 71,427	\$ (738,149)
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 71,427	\$ 71,427

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2023

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	Special Projects Fund	Miscellaneous Special Revenue Fund	
REVENUES			
Interest and earnings	\$ -	\$ 944	\$ 944
Miscellaneous	655,000	5,000	660,000
TOTAL REVENUES	\$ 655,000	\$ 5,944	\$ 660,944
EXPENDITURES			
Other services	\$ 1,232,576	\$ 6,445	\$ 1,239,021
TOTAL EXPENDITURES	\$ 1,232,576	\$ 6,445	\$ 1,239,021
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (577,576)	\$ (501)	\$ (578,077)
FUND BALANCE, BEGINNING OF YEAR	(232,000)	71,928	(160,072)
FUND BALANCE, END OF YEAR	\$ (809,576)	\$ 71,427	\$ (738,149)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF MONROE AND ORLEANS COUNTIES
Analysis of Account A431 - School Districts
For Year Ended June 30, 2023

	2023
July 1, 2022 - DEBIT (CREDIT) BALANCE	\$ 1,205,967
 DEBITS:	
Billings to school districts	\$ 107,702,703
Refund of balances made to school districts	5,734,297
Encumbrances - June 30, 2023	1,369,780
Total Debits	\$ 114,806,780
TOTAL	\$ 116,012,747
 CREDITS:	
Collections from school districts	\$ 106,626,050
Adjustment - credits to school districts - revenues in excess of expenditures	(1,481,539)
Change in deferred inflows for leases	3,509,294
Encumbrances - June 30, 2022	4,198,177
Total Credits	\$ 112,851,982
June 30, 2023 - DEBIT (CREDIT) BALANCE	\$ 3,160,765

**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, 2023**

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>		<u>Obligations</u>	<u>Local Sources</u>	<u>Total</u>	
We-Mo-Co Bldg North	\$ 210,000	\$ 210,000	\$ -	\$ 113,858	\$ 113,858	\$ 96,142	\$ -	\$ 210,000	\$ 210,000	\$ 96,142
Unassigned	-	-	-	-	-	-	-	2,110,747	2,110,747	2,110,747
Leases	284,897	284,897	-	284,897	284,897	-	284,897	-	284,897	-
Installment debt	<u>1,121,428</u>	<u>1,121,428</u>	<u>-</u>	<u>1,121,428</u>	<u>1,121,428</u>	<u>-</u>	<u>1,121,428</u>	<u>-</u>	<u>1,121,428</u>	<u>-</u>
TOTAL	<u>\$ 1,616,325</u>	<u>\$ 1,616,325</u>	<u>\$ -</u>	<u>\$ 1,520,183</u>	<u>\$ 1,520,183</u>	<u>\$ 96,142</u>	<u>\$ 1,406,325</u>	<u>\$ 2,320,747</u>	<u>\$ 3,727,072</u>	<u>\$ 2,206,889</u>

(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, 2023

<u>Grantor / Pass - Through Agency</u>	Assistance <u>Listing</u>	Pass-Through <u>Agency</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
<u>U.S. Department of Education:</u>			
<u>Student Financial Assistance Program Cluster -</u>			
Federal Pell Grant Program	84.063	N/A	\$ 52,308
Federal Direct Student Loans	84.268	N/A	57,541
<i>Total Student Financial Assistance Program Cluster</i>			<u>\$ 109,849</u>
<u>Passed Through NYS Education Department -</u>			
VATEA II - Perkins Grant	84.048	8000-23-0044	\$ 319,540
WIOA, Title II Adult Education & Literacy	84.002	2338-23-6100	452,020
WIOA, Title II, ESOL Civics	84.002	0040-23-3018	181,994
Total U.S. Department of Education			<u>\$ 1,063,403</u>
<u>National Endowment for the Humanities:</u>			
<u>Passed Through Rochester Regional Library Council -</u>			
ARPA Library Program 2021-2022	45.310	5855-22-0006	\$ 51
Total National Endowment for the Humanities			<u>\$ 51</u>
<u>U.S. Department of Labor:</u>			
<u>Passed through Rochester Works -</u>			
WIOA, Youth Activities	17.259	22-795	\$ 29,516
Total U.S. Department of Labor			<u>\$ 29,516</u>
<u>U.S. Department of Homeland Security:</u>			
<u>Passed through New York State Department of Homeland Security and Emergency Services -</u>			
Federal Emergency Disaster Assistance	97.036	055-UG01N-00	\$ 277,308
Total U.S. Department of Homeland Security			<u>\$ 277,308</u>
<u>U.S. Department of Health and Human Services:</u>			
<u>Passed through Rochester Works -</u>			
TANF Youth Program	93.558	22-789	\$ 60,662
Total U.S. Department of Health and Human Services			<u>\$ 60,662</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,430,940</u>



BUSINESS
ADVISORS
AND CPAS

**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 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, 2023, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated October 11, 2023.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mengel, Metzger, Barw & Co. LLP

Rochester, New York
October 11, 2023