

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

FINANCIAL STATEMENTS

JUNE 30, 2020

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Board of Cooperative Educational Services
First Supervisory District of Erie County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of BOCES as of June 30, 2020, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 BOCES' basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the 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 14, 2020 on our consideration of BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BOCES' internal control over financial reporting and compliance.



October 14, 2020

Management's Discussion and Analysis

June 30, 2020

Introduction

Management's Discussion and Analysis (MD&A) of Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES) provides an overview of BOCES' financial activities and performance for the year ended June 30, 2020. The information contained in the MD&A should be considered in conjunction with the information presented as part of BOCES' financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of BOCES' financial position and results of operations. BOCES' financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) agency fund statements, (5) notes to the financial statements, and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of BOCES' finances in a manner similar to a private-sector business. The statement of net position presents information on all of BOCES' assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how BOCES' net position changed during each 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about BOCES as a whole. All of the activities of BOCES are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating BOCES' near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of BOCES' near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside BOCES. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support BOCES' programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

Condensed Statement of Net Position	2020	2019	Change	
			\$	%
Current and other assets	\$ 56,010,000	\$ 54,617,000	\$ 1,393,000	2.6%
Capital assets	73,921,000	75,865,000	(1,944,000)	(2.6%)
Total assets	129,931,000	130,482,000	(551,000)	(0.4%)
Deferred outflows of resources	32,891,000	22,159,000	10,732,000	48.4%
Long-term liabilities	61,607,000	42,212,000	19,395,000	45.9%
Other liabilities	30,631,000	29,800,000	831,000	2.8%
Total liabilities	92,238,000	72,012,000	20,226,000	28.1%
Deferred inflows of resources	6,671,000	6,467,000	204,000	3.2%
Net position				
Net investment in capital assets	56,610,000	57,281,000	(671,000)	(1.2%)
Restricted	11,134,000	11,016,000	118,000	1.1%
Unrestricted	(3,831,000)	5,865,000	(9,696,000)	(165.3%)
Total net position	\$ 63,913,000	\$ 74,162,000	\$ (10,249,000)	(13.8%)

Net position amounted to \$63,913,000 and \$74,162,000 as of June 30, 2020 and 2019, respectively. The largest portion of BOCES' net position reflects its investment in capital assets consisting of land, buildings and improvements, and technology and equipment, less related amounts owed on installment purchase agreements. BOCES uses capital assets to provide services to students at component and non-component districts; consequently, these assets are not available for future spending.

BOCES' net position includes resources that are subject to external restrictions on how they may be used. These reserves are set aside for specific purposes governed by law and regulations and include the employee benefit accrued liability reserve, which must be used to pay future accumulated sick and vacation time earned, the retirement contribution reserve, which is used for contributions to the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS), and reserves for unemployment and workers' compensation insurance.

Current and other assets increased \$1,393,000 (decrease of \$2,812,000 or 4.9% in 2019). These balances consist primarily of cash and receivables from other governments and third parties. The changes in individual account balances reflect timing of cash flows. The balance also includes the net pension asset, which represents BOCES' proportionate share of the TRS net pension position, which increased \$1,326,000 to \$4,347,000. Capital assets decreased \$1,944,000 (increase of \$1,053,000 or 1.4% in 2019) due to depreciation expense and disposals in excess of capital project costs and technology and other equipment purchases.

The increase in long-term liabilities of \$19,395,000 (increase of \$4,642,000 or 12.4% in 2019) is due to an increase of \$19,980,000 in the ERS net pension liability and a \$740,000 increase in the value of employees' accumulated sick and vacation time earned. These increases were offset by a decrease in the liability for installment purchases agreements of \$1,272,000. Other liabilities increased \$831,000 (decrease of \$5,492,000 or 15.6% in 2019) due to increases in accounts payable and the prepayment by two districts of their portions of BOCES' district-wide facilities project, which is recorded in unearned revenue. These increases were offset by decreases in State aid due to school districts of \$1,280,000 and refunds to component school districts of \$566,000.

Changes in deferred outflows and deferred inflows of resources include changes in pension activity at the State level which are required to be reflected on BOCES' financial statements. Deferred outflows of resources include contributions required to be paid by BOCES to the State pension systems after the measurement date. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. BOCES has no control or authority over these transactions.

Condensed Statement of Activities	2020	2019	Change	
			\$	%
Revenues				
Charges for services	\$ 164,904,000	\$ 163,913,000	\$ 991,000	0.6%
Operating and capital grants and contributions	10,183,000	10,471,000	(288,000)	(2.8%)
Interest	239,000	262,000	(23,000)	(8.8%)
Loss on disposal of assets	(35,000)	(11,000)	(24,000)	218.2%
Total revenues	175,291,000	174,635,000	656,000	0.4%
Expenses				
Administration	7,813,000	7,235,000	578,000	8.0%
Occupational education	23,836,000	23,448,000	388,000	1.7%
Instruction for special education	26,590,000	25,651,000	939,000	3.7%
Itinerant services	8,834,000	8,015,000	819,000	10.2%
General instruction	8,171,000	7,819,000	352,000	4.5%
Instructional support	39,313,000	40,121,000	(808,000)	(2.0%)
Other services	70,983,000	60,517,000	10,466,000	17.3%
Total expenses	185,540,000	172,806,000	12,734,000	7.4%
Change in net position	(10,249,000)	1,829,000	(12,078,000)	(660.4%)
Net position – beginning	74,162,000	72,333,000	1,829,000	2.5%
Net position – ending	\$ 63,913,000	\$ 74,162,000	\$ (10,249,000)	(13.8%)

BOCES' revenues increased by \$656,000 (3.1% or \$5,285,000 increase in 2019). Fluctuations in revenue categories are the result of districts choosing to enlist more or less services and purchase more or less equipment from BOCES. These decisions are made annually based on equipment needs and whether BOCES-provided or district-provided services are deemed to be more cost effective by each district. Operating and capital grants and contributions decreased \$288,000 (decrease of \$142,000 or 1.3% in 2019). Grants and contributions for services provided for special education instruction increased while state programs to assist with teacher training decreased. Charges for services increased \$991,000 (increase of \$5,328,000 or 3.4% in 2019) as a result of increases in general instruction, specifically Pathways in Technology and Alternative Education programs.

Total expenses on a full accrual basis increased \$12,734,000 (increase of \$11,505,000 or 7.1% in 2019). The increase in expenses is due to increases in depreciation and employee benefit expenses, which are allocated across all expense categories. Most significantly, pension expense increased \$7,550,000 or 102.9% (\$895 or 0.01% increase in 2019) due to amortization of the impact of the decrease in the discount rate from 7.0% to 6.8%.

Financial Analysis of BOCES' Funds

Total fund balances for the governmental funds decreased from \$21,796,000 to \$21,032,000 as described below:

- BOCES' general fund revenue exceeded expenditures by \$4,130,000 in 2020 as compared to an excess of \$6,567,000 in 2019. BOCES also used reserves and reduced encumbrances by a total of \$1,110,000, resulting in a refund to component districts of \$5,240,000. In comparison, BOCES had a net funding of reserves totaling \$1,068,000 in 2019, resulting in refunds of \$5,499,000.
- Fund balance in the special aid fund increased \$417,000 or 18.3% (increase of \$171,000 or 8.1% in 2019) due to a reduction in instructional support costs.
- Payroll increased \$2,530,000 or 4.2% (increase of \$2,157,000 or 3.7% in 2019) as a result of additional hires and rate increases as stipulated by collective bargaining agreements.

General Fund Budgetary Highlights

The original revenue budget of \$134,748,000 was increased to \$169,256,000 based on changes in requested services by districts. Actual revenue totaled \$164,393,000, \$4,864,000 less than anticipated. The final general fund expenditure budget was \$177,604,000, which is \$10,223,000 or 5.8% more than actual expenditures and carryover encumbrances. The largest variances were in occupational education, instructional support, and other services. Revenue and expenditure variances to budget were more significant than normal in 2020 due to the impact of COVID-19 on the districts. Anticipated services requested by districts could not be provided.

Capital Assets

	2020	2019
Land	\$ 300,000	\$ 300,000
Construction in progress	468,000	33,000
Buildings and improvements	37,695,000	37,465,000
Technology and equipment	157,032,000	142,060,000
	<u>195,495,000</u>	179,858,000
Accumulated depreciation	<u>(121,574,000)</u>	(103,993,000)
	<u>\$ 73,921,000</u>	\$ 75,865,000

Current year additions of \$19,245,000, which consisted mainly of technology purchases, were offset by depreciation expense and disposals of \$21,189,000.

Debt

At June 30, 2020, BOCES had \$17,312,000 of outstanding installment purchase agreements, with \$7,260,000 due within one year (\$18,584,000 outstanding in 2019). Outstanding compensated absences were \$12,879,000 (\$12,139,000 in 2019) with \$1,030,000 estimated to be paid within one year.

Additional information on BOCES' long-term liabilities can be found in the notes to the financial statements.

Current Financial Issues and Concerns

The extent of the impact of COVID-19 on BOCES' operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on all school districts and BOCES and their residents, employees, and vendors, none of which can be predicted. BOCES has already experienced a 20% holdback of State aid that could become permanent. Significant reductions are expected in 2020-2021 for State aid and sales tax revenues that will impact BOCES's component districts. These uncertainties combined with declining overall district enrollment and New York State's tax levy cap create multiple challenges for New York State's public schools. As the component districts formulate annual and multi-year financial plans, the revenue streams available to them will inevitably have an effect on the level and mix of BOCES services they can purchase.

BOCES will continue to make every attempt to mitigate the impact of rising costs of education on the overall budget. The property tax levy cap's impact on our component districts further emphasizes the importance of using reserves judiciously and implementing creative cost cutting measures. These issues and concerns are exacerbated by COVID-19 requiring management to plan carefully and prudently to provide the educational resources necessary to meet student needs and the flexibility on how students are taught.

Contacting BOCES' Financial Management

This financial report is designed to provide our citizens, investors, creditors, and component districts with a general overview of BOCES' finances and to demonstrate BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Peter Ciminelli, Business Administrator, Erie 1 BOCES, 355 Harlem Road, West Seneca, New York 14224.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Statement of Net Position

June 30, 2020

(With comparative totals as of June 30, 2019)

	2020	2019
Assets		
Cash and cash equivalents	\$ 20,934,657	\$ 16,717,693
Due from school districts	9,044,302	13,754,141
Accounts receivable	1,966,906	501,500
State and federal aid receivable, net	14,523,424	15,375,047
Due from fiduciary funds	13,107	459,313
Investments	5,180,246	4,787,900
Net pension asset	4,347,338	3,021,162
Capital assets (Note 4)	195,494,829	179,858,354
Accumulated depreciation	(121,573,421)	(103,992,859)
Total assets	129,931,388	130,482,251
Deferred Outflows of Resources		
Deferred outflows of resources related to pensions	31,924,354	21,101,920
Deferred outflows of resources related to OPEB	966,368	1,056,810
Total deferred outflows of resources	32,890,722	22,158,730
Liabilities		
Accounts payable	3,842,199	3,183,575
Accrued liabilities	1,012,195	812,112
State aid due to school districts	12,369,757	13,649,399
Refunds to component school districts	6,748,847	7,314,653
Due to retirement systems	3,944,456	4,186,075
Unearned revenue	2,713,255	654,003
Long-term liabilities		
Due within one year:		
Installment purchase agreements	7,259,763	7,316,876
Compensated absences	1,030,000	971,000
Due beyond one year:		
Installment purchase agreements	10,051,931	11,267,125
Compensated absences	11,849,000	11,168,000
Net pension liability	27,276,532	7,296,297
Total OPEB liability	4,139,545	4,192,845
Total liabilities	92,237,480	72,011,960
Deferred Inflows of Resources		
Deferred inflows of resources related to pensions	6,499,475	6,416,731
Deferred inflows of resources related to OPEB	171,701	50,194
Total deferred inflows of resources	6,671,176	6,466,925
Net Position		
Net investment in capital assets	56,609,714	57,281,494
Restricted	11,134,631	11,016,084
Unrestricted	(3,830,891)	5,864,518
Total net position	\$ 63,913,454	\$ 74,162,096

See accompanying notes.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Statement of Activities

For the year ended June 30, 2020
(With summarized comparative totals for June 30, 2019)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
Governmental activities						
Administration	\$ 7,813,113	\$ 6,821,879	\$ -	\$ 415,000	\$ (576,234)	\$ (165,482)
Occupational education	23,835,669	16,675,506	5,045,144	-	(2,115,019)	(1,898,404)
Instruction for special education	26,589,709	20,867,948	2,653,732	-	(3,068,029)	(2,397,292)
Itinerant services	8,833,900	7,176,897	-	-	(1,657,003)	(747,783)
General instruction	8,171,435	7,312,668	-	-	(858,767)	(1,095,784)
Instructional support	39,313,364	45,858,553	2,068,892	-	8,614,081	8,989,829
Other services	70,983,077	60,190,792	-	-	(10,792,285)	(1,106,293)
	<u>\$ 185,540,267</u>	<u>\$ 164,904,243</u>	<u>\$ 9,767,768</u>	<u>\$ 415,000</u>	<u>(10,453,256)</u>	<u>1,578,791</u>
General revenues						
					239,537	262,059
					(34,923)	(11,331)
					<u>204,614</u>	<u>250,728</u>
					(10,248,642)	1,829,519
					74,162,096	72,332,577
					<u>\$ 63,913,454</u>	<u>\$ 74,162,096</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Balance Sheet - Governmental Funds

June 30, 2020

(with summarized comparative totals as of June 30, 2019)

	General	Special Aid	Capital Projects	Total Governmental Funds	
				2020	2019
Assets					
Cash and cash equivalents	\$ 18,679,420	\$ 381,199	\$ 1,874,038	\$ 20,934,657	\$ 16,717,693
Due from school districts	9,044,302	-	-	9,044,302	13,754,141
Accounts receivable	124,210	1,842,696	-	1,966,906	501,500
State and federal aid receivable, net	12,369,757	2,153,667	-	14,523,424	15,375,047
Due from other funds	256,404	-	-	256,404	703,923
Investments	5,180,246	-	-	5,180,246	4,787,900
Total assets	\$ 45,654,339	\$ 4,377,562	\$ 1,874,038	\$ 51,905,939	\$ 51,840,204
Liabilities and Fund Balances					
Accounts payable	\$ 3,408,659	\$ 433,540	\$ -	\$ 3,842,199	\$ 3,183,575
Accrued liabilities	929,698	82,497	-	1,012,195	812,112
State aid due to school districts	12,369,757	-	-	12,369,757	13,649,399
Refunds to component school districts	6,748,847	-	-	6,748,847	7,314,653
Due to retirement systems	3,944,456	-	-	3,944,456	4,186,075
Due to other funds	-	243,297	-	243,297	244,610
Unearned revenue	-	922,484	1,790,771	2,713,255	654,003
Total liabilities	27,401,417	1,681,818	1,790,771	30,874,006	30,044,427
Fund Balances					
Restricted:					
Employee benefit accrued liability	7,521,168	-	-	7,521,168	7,807,947
Workers' compensation	647,824	-	-	647,824	714,378
Retirement contribution	2,115,819	-	-	2,115,819	1,743,759
Unemployment insurance	849,820	-	-	849,820	750,000
Assigned:					
Other purposes	7,118,291	2,695,744	83,267	9,897,302	10,779,693
Total fund balances	18,252,922	2,695,744	83,267	21,031,933	21,795,777
Total liabilities and fund balances	\$ 45,654,339	\$ 4,377,562	\$ 1,874,038	\$ 51,905,939	\$ 51,840,204

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position**

June 30, 2020

Total fund balances - governmental funds \$ 21,031,933

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 73,921,408

BOCES' proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Net pension asset	4,347,338	
Deferred outflows of resources related to pensions	31,924,354	
Net pension liability	(27,276,532)	
Deferred inflows of resources related to pensions	<u>(6,499,475)</u>	2,495,685

BOCES' total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Deferred outflows of resources related to OPEB	966,368	
Total OPEB liability	(4,139,545)	
Deferred inflows of resources related to OPEB	<u>(171,701)</u>	(3,344,878)

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Installment purchase agreements	(17,311,694)	
Compensated absences	<u>(12,879,000)</u>	(30,190,694)

Net position - governmental activities \$ 63,913,454

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2020
(with summarized comparative totals for June 30, 2019)

	General	Special Aid	Capital Projects	Total Governmental Funds	
				2020	2019
Revenues					
Charges to components	\$ 89,066,410	\$ 2,558,338	\$ -	\$ 91,624,748	\$ 90,943,581
Charges to non-components and other BOCES	71,261,851	92,988	-	71,354,839	71,282,924
Charges for services	224,687	3,619,480	-	3,844,167	3,581,429
Capital contributions from components	-	-	415,000	415,000	415,000
Use of money and property	309,674	-	540	310,214	448,847
Sale of property and compensation for loss	280,011	431	-	280,442	326,851
Miscellaneous	3,250,067	526,962	-	3,777,029	3,965,418
State sources	-	7,573,869	-	7,573,869	7,874,439
Federal sources	-	1,666,937	-	1,666,937	1,633,681
Total revenues	164,392,700	16,039,005	415,540	180,847,245	180,472,170
Expenditures					
Administration	6,879,299	-	-	6,879,299	6,418,643
Occupational education	16,518,551	5,045,144	-	21,563,695	21,378,718
Instruction for special education	21,062,180	2,653,732	-	23,715,912	23,006,036
Itinerant services	7,777,615	-	-	7,777,615	7,109,976
General instruction	7,192,092	-	-	7,192,092	6,930,775
Instructional support	44,543,504	2,906,703	-	47,450,207	49,748,770
Other services	56,289,876	5,016,381	-	61,306,257	58,725,608
Capital outlay	-	-	7,592,147	7,592,147	10,500,950
Total expenditures	160,263,117	15,621,960	7,592,147	183,477,224	183,819,476
Excess revenues (expenditures)	4,129,583	417,045	(7,176,607)	(2,629,979)	(3,347,306)
Other financing sources (uses)					
Equipment from installment purchases	-	-	7,106,390	7,106,390	9,784,032
Refunds to component school districts	(5,240,255)	-	-	(5,240,255)	(5,498,773)
Total other financing sources (uses)	(5,240,255)	-	7,106,390	1,866,135	4,285,259
Net change in fund balances	(1,110,672)	417,045	(70,217)	(763,844)	937,953
Fund balances - beginning	19,363,594	2,278,699	153,484	21,795,777	20,857,824
Fund balances - ending	\$ 18,252,922	\$ 2,695,744	\$ 83,267	\$ 21,031,933	\$ 21,795,777

See accompanying notes.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures, and Changes in Fund Balances to the Statement of Activities**

For the year ended June 30, 2020

Total net change in fund balances - governmental funds	\$ (763,844)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceed capital outlays.	(1,944,087)
Capital assets acquired through installment purchase agreements are reported as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position.	(7,106,390)
Principal payments on installment purchase agreements are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position.	8,378,697
Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balance and actuarially determined on the statement of activities. These differences are:	
2020 TRS and ERS contributions	6,914,637
2020 ERS accrued contribution	1,085,772
2019 ERS accrued contribution	(1,029,855)
2020 TRS pension expense	(5,464,681)
2020 ERS pension expense	<u>(9,420,242)</u>
	(7,914,369)
OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities.	(158,649)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds these expenditures are reported as paid.	<u>(740,000)</u>
Change in net position - governmental activities	\$ (10,248,642)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Statement of Revenues, Expenditures, and Changes in
Fund Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Charges to components	\$ 78,146,682	\$ 89,227,873	\$ 89,066,410		\$ (161,463)
Charges to non-components and other BOCES	56,020,903	79,447,897	71,261,851		(8,186,046)
Charges for services	-	-	224,687		224,687
Use of money and property	50,000	50,000	309,674		259,674
Sale of property and compensation for loss	-	-	280,011		280,011
Miscellaneous	530,685	530,685	3,250,067		2,719,382
Total revenues	134,748,270	169,256,455	164,392,700		(4,863,755)
Expenditures					
Administration	7,229,055	7,397,116	6,879,299	90,443	(427,374)
Occupational education	17,542,808	18,459,655	16,518,551	868,212	(1,072,892)
Instruction for special education	18,039,821	22,073,028	21,062,180	186,047	(824,801)
Itinerant services	7,254,998	8,187,917	7,777,615	48	(410,254)
General instruction	6,046,586	7,634,238	7,192,092	155,579	(286,567)
Instructional support	35,670,430	48,905,772	44,543,504	1,801,289	(2,560,979)
Other services	51,312,082	64,946,239	56,289,876	4,016,673	(4,639,690)
Total expenditures	143,095,780	177,603,965	160,263,117	7,118,291	(10,222,557)
Excess revenues (expenditures)	(8,347,510)	(8,347,510)	4,129,583	(7,118,291)	5,358,802
Other financing sources (uses)					
Carryover encumbrances	8,347,510	8,347,510	-		(8,347,510)
Refunds to component school districts	-	-	(5,240,255)		5,240,255
Total other financing sources (uses)	8,347,510	8,347,510	(5,240,255)		(13,587,765)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ (1,110,672)	\$ (7,118,291)	\$ (8,228,963)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Statement of Fiduciary Net Position

June 30, 2020

	<u>Agency</u>
Assets	
Cash	\$ 390,098
Liabilities	
Due to governmental funds	\$ 13,107
Extraclassroom activities balances	37,115
Agency liabilities	<u>339,876</u>
Total liabilities	<u>\$ 390,098</u>

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES) is governed by Education and other laws of the State of New York (the State). BOCES is an independent entity governed by an elected Board consisting of seven members. BOCES' Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board is responsible for and controls all activities related to public school education within BOCES. Board members have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

Boards of Cooperative Educational Services were established by 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 boards of cooperative educational services to provide vocational and special education. Boards of cooperative educational services are voluntary, cooperative associations 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 19 school districts in the State's First Supervisory District of Erie County:

Akron	Cleveland Hill	Lancaster
Alden	Depew	Lackawanna
Amherst	Frontier	Sweet Home
Cheektowaga	Grand Island	Tonawanda
Cheektowaga-Maryvale	Kenmore-Town of Tonawanda	West Seneca
Cheektowaga-Sloan	Hamburg	Williamsville
Clarence		

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

BOCES receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, BOCES is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America nor does it contain any component units. School districts maintain autonomous boards, budgets, and operations and are therefore not considered component units of BOCES.

The financial statements of 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 BOCES' accounting policies are described below.

Public Entity Risk Pools

BOCES participates in and administers the NY44 Health Benefits Plan Trust and the Erie #1 Self-Funded Workers' Compensation Consortium, which are public entity risk pools. These plans are designed to provide health insurance and workers' compensation coverage for participating entities. These activities are further discussed in Note 8.

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display financial activities of the overall BOCES, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of BOCES. Governmental activities generally are financed through state aid, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. BOCES does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of BOCES' governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of BOCES' programs, including personnel, overall administration, and finance. All indirect expenses, including employee benefits, are allocated directly to functional areas on both the government-wide and governmental fund statements.
- Program revenues include (a) charges paid primarily by component school districts for goods or services and administrative support, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) capital grants and contributions limited to the purchase or construction of specific capital assets. Revenues that are not classified as program revenues, including interest earnings and net proceeds from the sale of capital assets, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about BOCES' funds, including fiduciary funds. Separate statements for each fund category - *governmental and fiduciary* - are presented. The emphasis of the fund financial statements is on major governmental funds, each displayed in a separate column.

BOCES reports the following major fund:

- *General fund.* This is BOCES' primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

BOCES also elected to display the following as major funds:

- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted, committed, or assigned to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

BOCES reports the following fiduciary fund:

- *Agency fund.* This fund accounts for assets held by BOCES as agent for various student groups and clubs, payroll, and employee third-party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BOCES' financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Basis of Accounting and Measurement Focus

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which BOCES receives value directly without giving equal value in exchange, include grants and donations. Revenue is recognized in the period the service is rendered. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds 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. BOCES considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Equipment purchased under installment purchase agreements and refunds to component school districts are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budget Process, Amendments, and Encumbrances

§1950 §4(b) of the Education Law requires adoption of a final budget no later than May 15th of the ensuing year. BOCES administration prepares a proposed administrative, capital, and program budget, as applicable, for approval by members of BOCES' Board for the general fund.

A tentative administrative budget is provided to the component districts for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority vote of component school boards.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources related to expanded services requested by component districts.

Major capital expenditures are subject to individual project budgets based on the cost of the project and charges to components rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and repurchase agreements. Investments include U.S. Treasury securities held in external investment pools recorded at amortized cost.

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Buildings and improvements	\$ 50,000	15-20
Equipment	\$ 5,000	5-25
Technology	\$ 299	5

Short-Term Debt

To meet its short-term cash flow needs, BOCES may issue revenue anticipation notes (RANs), which are short-term debt obligations secured by the future collection of revenues. These notes are recorded as a liability in the fund receiving the proceeds from the issuance of the notes. RANs represent liabilities that will be extinguished by the use of expendable, available resources of the fund.

Refunds to Component School Districts

Education Law requires that the net cost of operating a board of cooperative educational services be allocated to the component school districts in each fiscal year. Accordingly, the general fund of the fund financial statements must result in a matching of the total service expenditures and revenues charged to each school district based upon their pro-rata share of services. At the end of each fiscal year, BOCES will accrue an amount to be returned to the school districts so that the operations of the general fund break even after funding and use of reserves. This amount is included in other financing sources and uses on the accompanying statement of revenues, expenditures, and changes in fund balances – governmental funds. The net amount is accrued as a liability on the government-wide and fund statements, as it is payable with currently available financial resources.

Pensions

BOCES participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State Law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, BOCES recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense of BOCES' defined benefit healthcare plan (Note 7) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrative and employee groups which provide for the payment of accumulated sick time or the option of converting this vested amount to provide for payment of health insurance at retirement until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

Equity Classifications

Government-Wide Statements

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as component districts, federal or state laws, or provisions of enabling legislation.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the determination of net investment in capital assets or the restricted component of net position and therefore is available for general use by BOCES.

Governmental Fund Statements

BOCES considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, BOCES considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law or State Education Law as authorized for use by the Board of Education. Certain reserves may require Board action for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances, if any, are authorized by the Board of Education as recommended by BOCES' management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include amounts encumbered at year end. Additionally, the Board of Education has given BOCES' management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash.

Fund balance restrictions consist of the following reserves:

- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of an employee's services. It is 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.
- *Workers' compensation* – is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this program.
- *Retirement contribution* – is used to finance retirement contributions payable to TRS and ERS. For TRS, funding is limited to 2% annually of eligible salaries up to a maximum reserve of 10% of eligible salaries. At June 30, 2020, the retirement contribution reserve consists of \$928,000 for TRS and \$1,187,819 for ERS.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as BOCES has elected to use the benefit reimbursement method.

Interfund Balances

The operations of BOCES include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-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, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is BOCES' practice to settle these amounts at the net balances due between funds.

2. Cash, Cash Equivalents, and Investments

Cash management is governed by State laws and as established in BOCES' written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. BOCES' banking policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Custodial credit risk is the risk that, in the event of a bank failure, BOCES' deposits may not be returned to it. At June 30, 2020, BOCES' bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents or in an undivided security interest in pooled assets in BOCES' name.

Credit risk is the risk of loss attributed to the magnitude of BOCES' investment in a single issuer. BOCES' external investment pool is rated AAAM by S&P Global Ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit its exposure, BOCES' external investment pool limits the purchase of investments to a maturity date of no more than 397 days from the purchase date. The maximum dollar weighted average maturity of the pool's investments is 60 days or less.

3. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable
General	\$ 363,478	\$ 107,074
Special aid	108,478	351,775
Fiduciary	16,668	29,775
	<u>\$ 488,624</u>	<u>\$ 488,624</u>

The general fund provides cash flow to the various other funds; these amounts are repaid in the subsequent year when funds are received from the State after final expenditure reports have been submitted and approved or when payroll withholdings and retiree dental and health insurance premiums have been paid.

4. Capital Assets

	July 1, 2019	Increases	Retirements/ Reclassifications	June 30, 2020
Non-depreciable capital assets:				
Land	\$ 299,968	\$ -	\$ -	\$ 299,968
Construction in progress	33,371	434,525	-	467,896
Total non-depreciable assets	333,339	434,525	-	767,864
Depreciable capital assets:				
Buildings and improvements	37,465,495	229,628	-	37,695,123
Technology and equipment	142,059,520	18,581,019	(3,608,697)	157,031,842
Total depreciable assets	179,525,015	18,810,647	(3,608,697)	194,726,965
Less accumulated depreciation:				
Buildings and improvements	23,089,563	697,174	-	23,786,737
Technology and equipment	80,903,296	20,176,720	(3,293,332)	97,786,684
Total accumulated depreciation	103,992,859	20,873,894	(3,293,332)	121,573,421
Total depreciable assets, net	75,532,156	(2,063,247)	(315,365)	73,153,544
	\$ 75,865,495	\$ (1,628,722)	\$ (315,365)	\$ 73,921,408

Depreciation expense has been allocated to the following functions: administration \$895,999, occupational education \$2,151,892, instruction for special education \$2,743,480, itinerant services \$1,013,001, general instruction \$936,739, instructional support \$5,800,423, and other services \$7,332,360.

As of June 30, 2020, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 73,921,408
Installment purchase agreements	(17,311,694)
	<u>\$ 56,609,714</u>

5. Long-Term Liabilities

	July 1, 2019	Increases	Decreases	June 30, 2020	Amount Due in One Year
Installment purchase agreements	\$ 18,584,001	\$ 7,106,390	\$ 8,378,697	\$ 17,311,694	\$ 7,259,763
Compensated absences	12,139,000	740,000	-	12,879,000	1,030,000
	<u>\$ 30,723,001</u>	<u>\$ 7,846,390</u>	<u>\$ 8,378,697</u>	<u>\$ 30,190,694</u>	<u>\$ 8,289,763</u>

Future minimum payments for the installment purchase agreements as of June 30, 2020 are as follows:

Years ending June 30,	Principal	Interest
2021	\$ 7,259,763	\$ 357,702
2022	5,116,741	229,321
2023	3,058,651	113,046
2024	1,457,067	22,816
2025	419,472	2,293
	<u>\$ 17,311,694</u>	<u>\$ 725,178</u>

Since the use of the assets is assigned to component and non-component districts, BOCES does not keep detailed activity of the cost and accumulated depreciation applicable to these installment purchases.

Lease Obligations

BOCES leases property from component and non-component school districts and administrative offices from a third party under the terms of various operating leases. Rental expense for all operating leases amounted to \$1,675,751 for classrooms and \$1,680,544 for administrative offices for the year ended June 30, 2020. Future minimum rentals to be paid for all operating leases are:

Years ending June 30,	Classrooms	Administrative Offices
2021	\$ 1,945,972	\$ 1,694,169
2022	1,699,730	1,452,626
2023	1,707,639	1,455,420
2024	56,574	1,470,240
2025	-	1,485,372
2026-2029	-	3,434,424
	<u>\$ 5,409,915</u>	<u>\$ 10,992,251</u>

6. Pension Plans

Plan Descriptions

BOCES participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at www.nystrs.org.
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at www.osc.state.ny.us/retire.

Benefits: The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 8.86% for 2020. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by BOCES to the pension accumulation fund. For 2020, these rates ranged from 9.4% - 21.4%.

The amount outstanding and payable to TRS for the year ended June 30, 2020 was \$2,609,968. A liability to ERS of \$1,085,772 is accrued based on BOCES' legally required contribution for employee services rendered from April 1 through June 30, 2020.

Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2020, BOCES reported an asset of \$4,347,338 for its proportionate share of the TRS net pension position and a liability of \$27,276,532 for its proportionate share of the ERS net pension position.

The TRS net pension position was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures applied to roll forward the net pension position to June 30, 2019. BOCES' proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2019, BOCES' proportion was 0.167334%, an increase of 0.000259 from its proportion measured as of June 30, 2018.

The ERS net pension position was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. BOCES' proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, BOCES' proportion was 0.1030058%, an increase of 0.0000279 from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, BOCES recognized pension expense of \$14,884,923 on the government-wide statements (TRS expense of \$5,464,681 and ERS expense of \$9,420,242). At June 30, 2020, BOCES reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,946,080	\$ 323,277	\$ 1,605,334	\$ -
Changes of assumptions	8,212,702	2,002,489	549,220	474,242
Net difference between projected and actual earnings on pension plan investments	-	3,486,340	13,983,276	-
Changes in proportion and differences between BOCES' contributions and proportionate share of contributions	460,250	37,308	471,752	175,819
BOCES' contributions subsequent to the measurement date	2,609,968	-	1,085,772	-
	<u>\$ 14,229,000</u>	<u>\$ 5,849,414</u>	<u>\$ 17,695,354</u>	<u>\$ 650,061</u>

BOCES' contributions subsequent to the measurement date will be recognized as an addition to (a reduction of) the net pension asset (liability) in the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	TRS	ERS
2021	\$ 2,058,585	\$ 2,730,932
2022	216,587	3,959,537
2023	2,051,457	5,148,610
2024	1,399,040	4,120,442
2025	188,576	-
Thereafter	(144,627)	-
	<u>\$ 5,769,618</u>	<u>\$ 15,959,521</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2018 valuation, with update procedures used to roll forward the total pension liability to June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

Inflation – 2.2%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%

Projected Cost of Living Adjustments (COLA) – 1.3% compounded annually

Investment rate of return – 7.1% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis

Discount rate – 7.1%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation, with update procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Inflation – 2.5%

Salary increases – 4.2%

COLA – 1.3% annually

Investment rate of return – 6.8% compounded annually, net of investment expense, including inflation

Mortality – Society of Actuaries' Scale MP-2018

Discount rate – 6.8%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses 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.

Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	6.3%	36%	4.1%
Global and international equities	20%	7.2%-7.8%	14%	6.2%
Private equities	8%	9.9%	10%	6.8%
Real estate	11%	4.6%	10%	5.0%
Inflation-indexed bonds	-	-	4%	0.5%
Domestic fixed income securities	16%	1.3%	-	-
Global fixed income securities	2%	0.9%	-	-
Bonds and mortgages	7%	2.9%	17%	0.8%
Short-term	1%	0.3%	1%	-
Other	2%	3.6%-6.5%	8%	3.3%-6.0%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those 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.

The following presents BOCES’ proportionate share of its net pension position calculated using the discount rate of 7.1% (TRS) and 6.8% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
BOCES’ proportionate share of the TRS net pension asset (liability)	\$ (19,623,428)	\$ 4,347,338	\$ 24,456,105
BOCES’ proportionate share of the ERS net pension asset (liability)	\$ (50,060,138)	\$ (27,276,532)	\$ (6,292,735)

7. OPEB

Plan Description

BOCES maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance benefits for retired District Superintendents and their spouses. The Plan is also open to all eligible employees and provides continued insurance through the conversion of sick time or by payment of monthly premiums by retirees through participation in BOCES’ policies. BOCES thereby provides an implicit rate subsidy on behalf of eligible employees. Eligibility for benefits is based on covered employees who retire from BOCES at age 55 or older and have met vesting requirements. The Plan has no assets, does not issue financial statements, and is not a trust.

At April 1, 2019, employees covered by the Plan include:

Active employees	838
Inactive employees or beneficiaries currently receiving benefits	208
Inactive employees entitled to but not yet receiving benefits	-
	<u>1,046</u>

Total OPEB Liability

BOCES’ total OPEB liability of \$4,139,545 was measured as of March 31, 2020 and was determined by an actuarial valuation as of June 30, 2019, rolled forward through an interim valuation to June 30, 2020.

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

Healthcare cost trend rates – based on the National Health Expenditure Projections 2011-2027 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2020 for long-term rates, initially 5.20% in 2020, with an ultimate rate of 4.18% after 2070

Salary increases – 3.22%

Mortality – Pub-2010 Public Retirement Plans Mortality Tables, headcount-weighted, without separate contingent survivor mortality, fully generational using scale MP-2019

Discount rate – 2.48% based on the Fidelity Municipal General Obligation AA 20-Year Bond rate as of the measurement date

Inflation rate – 2.22%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 4,192,845
Changes for the year:	
Service cost	113,738
Interest	134,304
Changes of benefit terms	-
Differences between expected and actual experience	(179,247)
Changes of assumptions or other inputs	280,315
Benefit payments	(402,410)
Net changes	(53,300)
Balance at June 30, 2020	\$ 4,139,545

The following presents the sensitivity of BOCES’ total OPEB liability to changes in the discount rate, including what BOCES’ total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (1.48%)	Discount Rate (2.48%)	1.0% Increase (3.48%)
Total OPEB liability	\$ (4,440,864)	\$ (4,139,545)	\$ (3,867,635)

The following presents the sensitivity of BOCES’ total OPEB liability to changes in the healthcare cost trend rates, including what BOCES’ total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

	1.0% Decrease (4.20% to 3.18%)	Healthcare Cost Trend Rate (5.20% to 4.18%)	1.0% Increase (6.20% to 5.18%)
Total OPEB liability	\$ (3,808,572)	\$ (4,139,545)	\$ (4,520,502)

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2020, BOCES recognized OPEB expense of \$584,365. At June 30, 2020, BOCES reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 652,810	\$ 130,802
Changes of assumptions or other inputs	213,231	40,899
Benefit payments subsequent to the measurement date	100,327	-
	\$ 966,368	\$ 171,701

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2021	\$ 329,613
2022	241,034
2023	62,691
2024	43,571
2025	17,431
	\$ 694,340

8. Risk Management

General Liability

BOCES purchases commercial insurance for various risk of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Health Insurance

BOCES administers and participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 37 participating members as of June 30, 2019 (the most recent information available).

BOCES has transferred all risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than the annual premium equivalent. If the Plan's assets were to be exhausted, members would be equally responsible for the remaining liabilities.

The Plan has published its own financial report for the year ended June 30, 2019, which can be obtained from BOCES' administrative offices.

Workers' Compensation

BOCES also administers and participates in the Erie #1 Self-Funded Workers' Compensation Consortium (the Plan). The Plan administers a workers' compensation insurance fund pursuant to Article 5 of the Workers' Compensation Law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. The Plan includes eight participating members as of June 30, 2019 (the most recent information available).

BOCES and the participating school districts have transferred partial risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the plan's assets are not adequate to meet claims. No such supplemental assessments have been required in the previous three years.

The Plan has published its own financial report for the year ended June 30, 2019, which can be obtained from BOCES' administrative offices.

9. Commitments and Contingencies

Grants

BOCES receives financial assistance from federal and state agencies in the form of grants. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of BOCES. Based on prior experience, management expects such amounts to be immaterial.

Litigation

BOCES is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of BOCES.

Encumbrances

Significant outstanding encumbrances in the general fund as of June 30, 2020 include \$5,354,000 for technology services and equipment.

Construction Commitments

BOCES is in the process of entering into contracts with various construction companies for its capital improvements project expected to cost \$21,156,000. As of June 30, 2020, \$468,000 has been expended.

10. Subsequent Events

In August 2020, BOCES issued \$8,000,000 in revenue anticipation notes with interest at 1.25%, maturing in April 2021.

11. Risks and Uncertainties

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools and BOCES, resulting in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on BOCES' operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts and BOCES, including their residents, employees, and vendors, none of which can be predicted.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Required Supplementary Information
Schedule of BOCES' Proportionate Share of the Net Pension Position
New York State Teachers' Retirement System

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014	2013
BOCES' proportion of the net pension position	0.167334%	0.167075%	0.168309%	0.171915%	0.171213%	0.185514%	0.192114%
BOCES' proportionate share of the net pension asset (liability)	\$ 4,347,338	\$ 3,021,162	\$ 1,279,317	\$ (1,841,283)	\$ 17,783,588	\$ 20,665,137	\$ 1,264,599
BOCES' covered payroll	\$ 27,930,697	\$ 27,214,684	\$ 26,671,468	\$ 26,528,228	\$ 25,715,118	\$ 27,396,758	\$ 28,140,574
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	15.56%	11.10%	4.80%	6.94%	69.16%	75.43%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
The following is a summary of changes of assumptions:							
Inflation	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%	1.625%
Investment rate of return	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Discount rate	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA	AA

Data prior to 2013 is not available.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Required Supplementary Information
Schedule of BOCES' Contributions
New York State Teachers' Retirement System

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,609,968	\$ 2,966,240	\$ 2,667,039	\$ 3,125,896	\$ 3,517,643	\$ 4,507,860	\$ 4,451,973	\$ 3,331,844
Contribution in relation to the contractually required contribution	(2,609,968)	(2,966,240)	(2,667,039)	(3,125,896)	(3,517,643)	(4,507,860)	(4,451,973)	(3,331,844)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 29,457,878	\$ 27,930,697	\$ 27,214,684	\$ 26,671,468	\$ 26,528,228	\$ 25,715,118	\$ 27,396,758	\$ 28,140,574
Contributions as a percentage of covered payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

Data prior to 2013 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Required Supplementary Information
Schedule of BOCES' Proportionate Share of the Net Pension Position
New York State and Local Employees' Retirement System

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015
BOCES' proportion of the net pension position	0.1030058%	0.1029779%	0.1014298%	0.1094205%	0.1036747%	0.1027231%
BOCES' proportionate share of the net pension liability	\$ (27,276,532)	\$ (7,296,297)	\$ (3,273,591)	\$ (10,281,395)	\$ (16,640,085)	\$ (3,470,238)
BOCES' covered payroll	\$ 29,382,450	\$ 28,293,624	\$ 27,270,071	\$ 28,854,972	\$ 25,915,969	\$ 26,669,954
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	92.83%	25.79%	12.00%	35.63%	64.21%	13.01%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

The following is a summary of changes of assumptions:

Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Required Supplementary Information
 Schedule of BOCES' Contributions
 New York State and Local Employees' Retirement System**

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 4,304,669	\$ 4,171,734	\$ 4,093,560	\$ 4,442,749	\$ 4,761,288	\$ 5,074,862	\$ 5,227,193	\$ 4,622,786
Contribution in relation to the contractually required contribution	(4,304,669)	(4,171,734)	(4,093,560)	(4,442,749)	(4,761,288)	(5,074,862)	(5,227,193)	(4,622,786)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 29,382,450	\$ 28,293,624	\$ 27,270,071	\$ 28,854,972	\$ 25,915,969	\$ 26,669,954	\$ 25,668,478	\$ 24,880,829
Contributions as a percentage of covered payroll	14.65%	14.74%	15.01%	15.40%	18.37%	19.03%	20.36%	18.58%

Data prior to 2013 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Required Supplementary Information
Schedule of Changes in BOCES'
Total OPEB Liability and Related Ratios**

June 30,	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 4,192,845	\$ 3,133,435	\$ 3,181,640	\$ 2,977,034
Changes for the year:				
Service cost	113,738	63,842	64,763	60,067
Interest	134,304	104,300	110,883	91,267
Changes of benefit terms	-	300,011	21,797	-
Differences between expected and actual experience	(179,247)	893,137	51,985	444,078
Changes of assumptions or other inputs	280,315	6,202	30,793	(78,079)
Benefit payments	(402,410)	(308,082)	(328,426)	(312,727)
Net change in total OPEB liability	(53,300)	1,059,410	(48,205)	204,606
Total OPEB liability - ending	\$ 4,139,545	\$ 4,192,845	\$ 3,133,435	\$ 3,181,640
Covered-employee payroll	\$ 47,830,746	\$ 46,338,642	\$ 44,853,975	\$ 44,853,975
Total OPEB liability as a percentage of covered-employee payroll	8.7%	9.0%	7.0%	7.1%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes of benefit terms for 2019 include addition of life insurance benefits for one former Superintendent. Differences between expected and actual experience generally reflect differences due to changes in healthcare trend rates. For 2020, such amounts also include the repeal of the Cadillac Tax as part of the Further Consolidated Appropriations Act of 2020.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	5.20% - 4.18%	5.20% - 4.32%	5.30% - 4.17%	5.30% - 4.17%
Inflation	2.22%	2.36%	2.31%	2.31%
Salary increases	3.22%	3.36%	3.31%	3.31%
Discount rate	2.48%	3.44%	3.61%	3.80%
Society of Actuaries' mortality scale	MP-2019	MP-2018	MP-2017	MP-2016

Data prior to 2017 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Supplementary Information
Analysis of General Fund Account A431 - School Districts (Fund Basis)

For the year ended June 30, 2020

July 1, 2019 - net debit balance	\$ 6,439,488
Debits:	
Billings to school districts	160,328,261
Refund of balances due to school districts	5,498,773
Encumbrances - June 30, 2020	7,118,291
E-rate - June 30, 2019 portion paid subsequent to year end	1,815,880
E-rate - June 30, 2020 portion paid prior to year end	454,883
Net funding of reserves	118,547
Total debits	<u>175,334,635</u>
Credits:	
Collections from school districts	165,038,100
Adjustment - credits to school districts - revenues in excess of expenditures	4,129,583
Encumbrances - June 30, 2019	8,347,510
E-rate - June 30, 2020	1,963,475
Total credits	<u>179,478,668</u>
June 30, 2020 - net debit balance	<u>\$ 2,295,455</u>
Balance represented by:	
Due from school districts	\$ 9,044,302
Refunds to component school districts	<u>(6,748,847)</u>
	<u>\$ 2,295,455</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2020

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Harkness Masonry - 2014	\$ 62,350	\$ 166,525	\$ 141,115	\$ 19,743	\$ 160,858	\$ 5,667
Kenton Windows - 2018	360,000	621,482	589,993	31,489	621,482	-
District-Wide Facilities Project	21,156,378	21,156,378	33,371	434,525	467,896	20,688,482
	<u>\$ 21,578,728</u>	<u>\$ 21,944,385</u>	<u>\$ 764,479</u>	<u>\$ 485,757</u>	<u>\$ 1,250,236</u>	<u>\$ 20,694,149</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Expenditures
<u>U.S. Department of Education:</u>			
Direct Program:			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	n/a	\$ 975,019
Federal Direct Student Loans	84.268	n/a	<u>1,578,583</u>
Total Student Financial Assistance Cluster			<u>2,553,602</u>
Passed Through New York State Education Department:			
Career and Technical Education -- Basic Grants to States	84.048	8000-19-0065	153
Career and Technical Education -- Basic Grants to States	84.048	8000-20-0065	430,406
Career and Technical Education -- Basic Grants to States	84.048	8000-20-9005	127,344
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	C014005	31,360
English Language Acquisition State Grants	84.365	0293-19-3009	42,953
English Language Acquisition State Grants	84.365	0293-20-3009	<u>44,452</u>
Total U.S. Department of Education			<u>3,230,270</u>
<u>U.S. Department of Agriculture:</u>			
Passed Through New York State Office of Temporary and Disability Assistance:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C00271	<u>15,250</u>
Total Expenditures of Federal Awards			<u>\$ 3,245,520</u>

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by the Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES), an entity as defined in Note 1 to BOCES' basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

Basis of Accounting

BOCES uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable programs and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program, which are periodically reconciled with BOCES' financial reporting system.

Indirect Costs

BOCES does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

2. Federal Direct Student Loans

Total student loans guaranteed by the U.S. Department of Education issued through BOCES under CFDA Number 84.268 (Federal Direct Student Loans) for the year ended June 30, 2020 were:

Federal Direct Loans	\$	467,841
Unsubsidized Federal Direct Loans		1,054,765
Federal Direct PLUS Loans		55,977
	\$	<u>1,578,583</u>

INDEPENDENT AUDITORS' 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*

The Board of Education
Board of Cooperative Educational Services
First Supervisory District of Erie County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements, and have issued our report thereon dated October 14, 2020.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of 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 BOCES' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 14, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Education
Board of Cooperative Educational Services
First Supervisory District of Erie County

Report on Compliance for Each Major Federal Program

We have audited Board of Cooperative Educational Services First Supervisory District of Erie County's (BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of BOCES' major federal programs for the year ended June 30, 2020. BOCES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of BOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of BOCES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BOCES' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 14, 2020

Schedule of Findings and Questioned Costs

For the year ended June 30, 2020

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Student Financial Assistance Cluster:		
Federal Pell Grant Program	84.063	\$ 975,019
Federal Direct Student Loans	84.268	1,578,583
		\$ 2,553,602

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported