

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL
SERVICES

BASIC FINANCIAL STATEMENTS

For Year Ended June 30, 2021



MENGEL METZGER BARR & CO. LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board Members
Oswego County
Board of Cooperative Educational Services, New York

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Oswego County Board of Cooperative Educational Services, New York, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the BOCES' proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 4–14 and 49–53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021 on our consideration of the Oswego County Board of Cooperative Educational Services, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oswego County Board of Cooperative Educational Services, New York's internal control over financial reporting and compliance.

Rochester, New York
October 13, 2021

Mengel, Metzger, Barw & Co. LLP

**OSWEGO COUNTY BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MEXICO, NEW YORK**

Management's Discussion and Analysis (MD&A)

For the Fiscal Year Ended June 30, 2021

This following is a discussion and analysis of the Oswego County Board of Cooperative Educational Services' (BOCES) financial performance for the fiscal year ended June 30, 2021. This section is a summary of the BOCES financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the BOCES financial performance.

Financial Highlights

Key financial highlights for fiscal year 2021 are as follows:

On the government-wide financial statements at the close of the fiscal year, the total liabilities plus deferred inflows (what the district owes) exceeded its total assets plus deferred outflows (what the district owns) by \$106,159,802 (net position) a decrease of \$4,568,076 from the prior year. The large difference between assets plus deferred outflows and liabilities plus deferred inflows is attributed to adjustments required by GASB-75 to illustrate the actuarially determined liability for post-employment health insurance benefits in the financial statements in their entirety. The full calculation for this liability totals (\$167,202,383) representing a decrease of \$481,222 from the prior year liability of (\$167,683,605). Two main factors contributed to this decrease: (a) changes in the actuarial factors for mortality improvement, health care trend rates and salary scale, termination, and retirement rates. These factors are determined by external sources and required as part of the actuarial analysis; and (b) results of contractual negotiations resulting in increased premium contributions for active employees, which will carry into retirement.

The BOCES governmental fund financial statements report a combined ending fund balance of \$6,118,492, as of the close of the fiscal year, representing a decrease of \$334,577 from the prior year. The fund balance is comprised of: \$813,859 reserved in the General Fund for purposes of paying prior year obligations along with \$4,814,125 reserved for purposes of aiding the BOCES in long-term planning; \$1,579,358 held in the Capital Fund for construction and renovation; \$66,832 held in a fiduciary capacity for scholarships; \$132,578 held for prepaid expenses; and (\$1,288,260) in the Special Aid Fund largely representing net shortfalls as a result of the faulty and insufficient reimbursement structure prescribed by New York State for preschool programs (note: the BOCES discontinued the operation of these programs as a result). The changes in the balances of each fund are as follows: General fund decreased by \$187,178 due mainly to decreases in carry forward encumbrances needed to closeout prior fiscal year purchases; Special Aid fund increased by \$116,561 due mainly to receipt of federal stimulus funds to assist BOCES adult education programs weather the COVID-19 pandemic; and the Capital fund decreased by \$206,555 due to prior year funding of the boiler replacement project being expended in the current year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the BOCES' basic financial statements. The BOCES' basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains individual fund statements and schedules in addition to the basic financial statements.

Government-Wide Financial Statements

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

- ! The *statement of net position* presents information on all of the BOCES' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the BOCES is improving or deteriorating.
- ! The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- ! The *governmental* activities of the BOCES include administration, career & tech education, instruction for the handicapped, itinerant services, general instruction, instructional support, and other services.

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

Fund Financial Statements

- ! A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The BOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the BOCES can be divided into two categories: governmental funds and fiduciary funds.
- ! *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the BOCES' near-term financing requirements.
- ! Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.
- ! In general, BOCES' can maintain several individual operating funds including: General Fund, Special Aid Fund, Miscellaneous Special Revenue Fund, Capital Fund, Fixed Assets, Trust & Agency Fund, Private Purpose Trust Fund, Trust Funds-Nonexpendable, and Long Term Debt. Information is presented separately for "major funds" and in aggregate for "non-major funds" in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The BOCES maintains and reports the General Fund and Special Aid Fund as major funds.
- ! The BOCES adopts an annual budget for its General Fund. A budgetary comparison statement has been provided for the General Fund within the basic financial statements to demonstrate compliance with the budget.
- ! The *Fiduciary Funds* are used to account for assets held by the BOCES in an agency capacity which accounts for assets held by the BOCES on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are *not* available to support the BOCES' programs.

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

Notes to the Financial Statements

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

Government-Wide Statements

The government-wide statements report information about the BOCES as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all the BOCES' assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the BOCES' net position and how they have changed. Net position, the difference between the BOCES' assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, is one way to measure the BOCES' financial health or position. Over time, increases or decreases in the BOCES' net position are an indicator of whether its financial position is improving or deteriorating, respectively. Additional non-financial factors such as changes in the BOCES' enrollment and service offerings and the condition of buildings and facilities must also be considered to assess the BOCES' overall health.

All of the BOCES' services are reported in the government-wide financial statements as governmental activities. Most of the BOCES' basic services are included here, such as career & tech ed, instruction for the handicapped, itinerant services, general instruction, instructional support, administration and other services. Charges for services and operating grants and contributions finance most of these activities.

Financial Analysis of the BOCES as a Whole

Net Position

The BOCES' combined net position was lower on June 30, 2021 than the year before, decreasing 4.5% to (\$106,159,802) as shown in the table below.

	<u>Governmental Activities</u>		<u>Total Percentage Change</u>
	<u>2021</u>	<u>2020</u>	
<u>ASSETS:</u>			
Current and Other Assets	\$ 29,947,078	\$ 33,564,449	-10.78%
Capital Assets	39,054,008	39,259,786	-0.52%
Total Assets	\$ 69,001,086	\$ 72,824,235	-5.25%
<u>DEFERRED OUTFLOW OF RESOURCES:</u>			
Deferred Outflow of Resources	\$ 50,133,253	\$ 50,993,200	-1.69%
<u>LIABILITIES:</u>			
Long-Term Debt Obligations	\$ 175,292,989	\$ 177,281,386	-1.12%
Other Liabilities	22,490,034	23,255,012	-3.29%
Total Liabilities	\$ 197,783,023	\$ 200,536,398	-1.37%
<u>DEFERRED INFLOW OF RESOURCES:</u>			
Deferred Inflow of Resources	\$ 27,511,118	\$ 24,872,763	10.61%
<u>NET POSITION:</u>			
Net Investments in Capital Assets	\$ 36,571,475	\$ 36,777,253	-0.56%
<u>Restricted For:</u>			
Restricted for Capital Projects	1,579,358	1,852,745	-14.76%
Restricted for Other Purposes	4,871,530	4,702,609	3.59%
Unrestricted	(149,182,165)	(144,924,333)	-2.94%
Total Net Position	\$ (106,159,802)	\$ (101,591,726)	-4.50%

As illustrated above, the largest component of the BOCES' Net Position in the amount of \$36,571,475 reflects its investment in capital assets, less any outstanding debt for proceeds used to acquire those assets. The BOCES uses these capital assets (i.e.: equipment, furnishings, infrastructure items, etc.) to provide services to the students and districts, and therefore they are not available for future spending. Although the BOCES' investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves must be retained to facilitate the delivery of educational services.

Another component of Net Position in the amount of \$1,579,358 represents unspent funds collected from component districts and intended to be used for capital renovation projects. In addition, the category of "Restricted for Other Purposes" in the amount of \$4,871,530 represents the total amount of reserves and scholarship funds held by BOCES. The remaining balance of Net Position totalling (\$149,182,165) is considered unrestricted. As evident in the table, this deficit grew by \$4,257,832 over last year. In general, Unrestricted Net Position being in deficit is attributed to the GASB-75 requirement of representing actuarially determined estimates for post-employment health insurance benefits as long-term debt obligations.

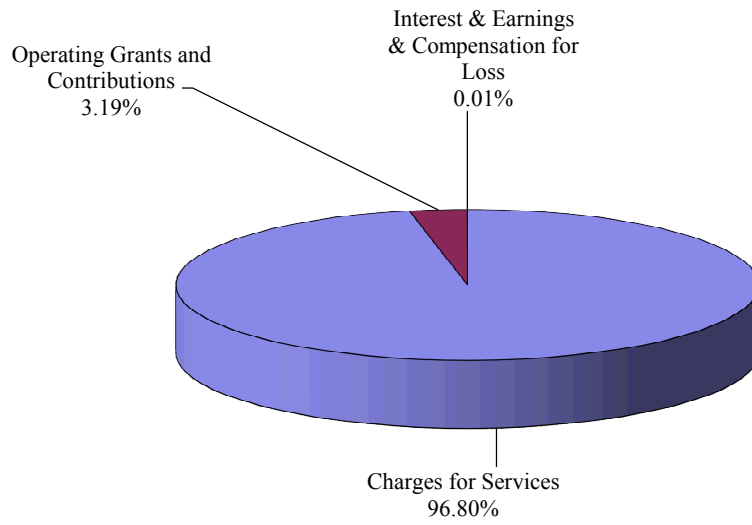
Key Variances Include the following:

- Current and Other Assets decreased mainly due to adjustment by the New York State Teachers Retirement System of their long-term pension asset/liability allocations. They adjusted from a prior year asset allocation of \$2.6m to a liability allocation of \$2.9m.
- Long-Term Debt Obligations decreased by just under \$2.0m due to reductions in the annual calculations of OPEB liabilities and net pension liabilities for the NYS retirement systems.
- Deferred Inflows of Resources increased due mainly to differences between projected and actual earnings on pension plan investments. The ERS differences increased by \$5.5m and TRS decreased by \$2.1m resulting in pension adjustments of (\$3.4m). Also, adjustments to OPEB projections due to changes in actuarial assumptions and results of negotiations decreased the liability by nearly \$800,000, resulting in an overall combined increase in the Deferred Inflows of Resources of about \$2.6m.
- Restricted for Capital Projects decreased by \$273,387 mainly due to expending funds for a boiler replacement project.
- Restricted for Other Purposes amounts increased by \$168,921 due mainly to decisions made by the BOCES Board of Education to contribute additional funding to reserves.

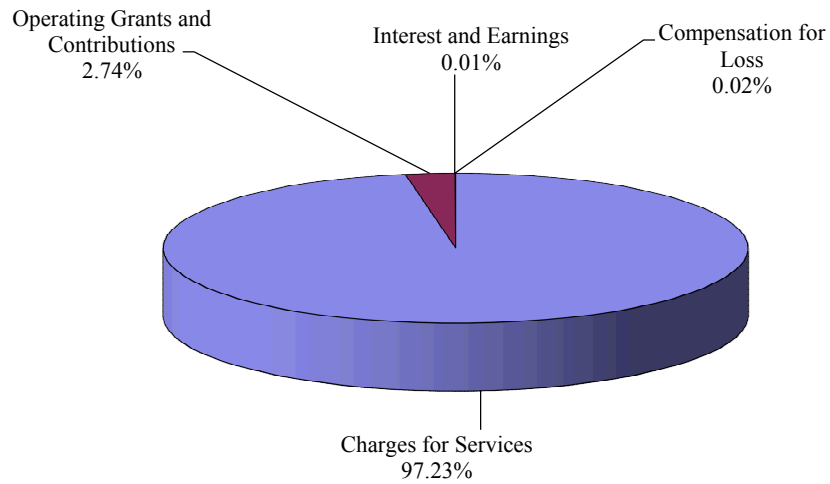
Changes in Net Position

	Governmental Activities		Total Percentage
	2021	2020	Change
<u>REVENUES:</u>			
<u>Program -</u>			
Charges for Services	66,230,261	65,625,648	0.92%
Operating Grants & Contributions	2,184,610	1,846,118	18.34%
Total Program	68,414,871	67,471,766	1.40%
<u>General -</u>			
Investment Earnings	643	5,356	-87.99%
Compensation for loss	3,583	18,080	-80.18%
Total General	4,226	23,436	-81.97%
TOTAL REVENUES	68,419,097	67,495,202	1.37%
<u>EXPENSES:</u>			
Administration	8,060,263	7,727,370	4.31%
Career & Tech Education	11,950,303	11,605,900	2.97%
Instruction for the Handicapped	18,478,162	19,520,543	-5.34%
Itinerant Services	3,612,056	3,541,550	1.99%
General Instruction	7,183,369	9,580,214	-25.02%
Instructional Support	12,910,599	12,005,406	7.54%
Other Services	10,765,931	13,388,182	-19.59%
TOTAL EXPENSES	72,960,683	77,369,165	-5.70%
<u>SPECIAL ITEM:</u>			
Current refunding	(26,490)	-	
(DECREASE)/INCREASE IN NET POSITION	(4,568,076)	(9,873,963)	

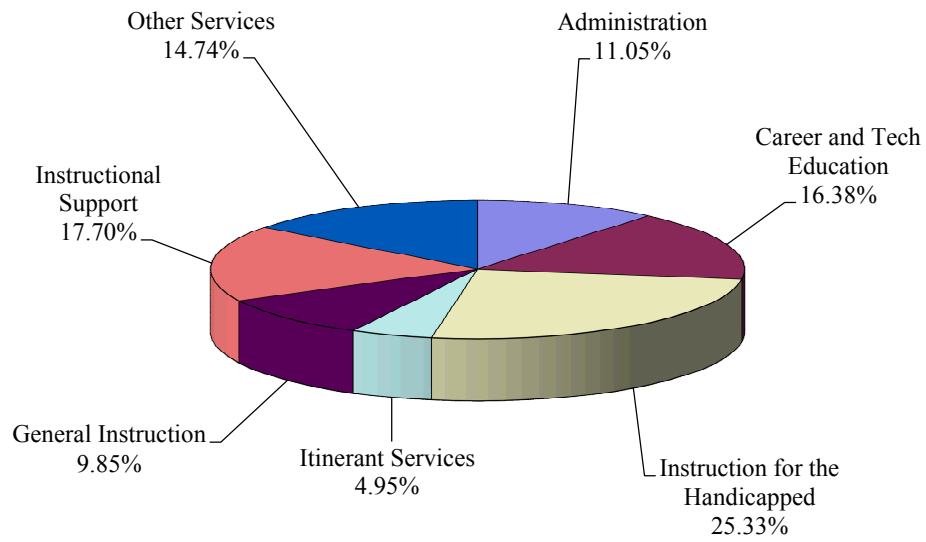
REVENUE FOR 2020-21



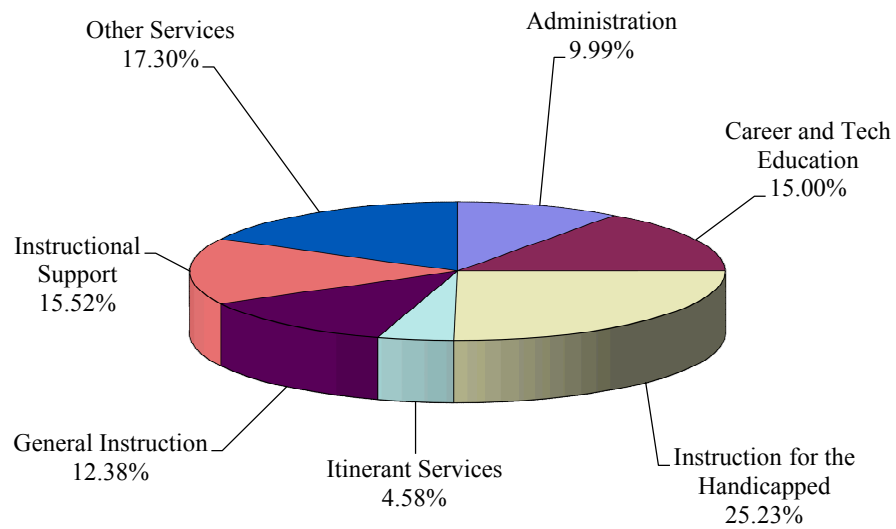
REVENUE FOR 2019-20



EXPENSES FOR 2020-21



EXPENSES FOR 2019-20



The pie chart clearly illustrates heavy reliance on services to school districts as the primary revenue source (97% of total revenues). The BOCES also utilizes operating grants and contributions from the federal, state and other local governments, which represented 3% of total revenues. These grants allow BOCES to operate additional programs and services on a targeted basis without requiring districts to contribute. As noted in the table above, this category increased from the prior year due to receipt of federal funds from the U.S. government as part of the COVID-19 pandemic stimulus program.

As noted in this graph, the BOCES' Exceptional (Special) Education programs account for 25% of total expenses. These services are requested by component school districts based on the requirements outlined in students' Individualized Education Plans.

Career and Technical Education represents 16% of total expenses. The main goal of CTE is to promote strategies for student achievement and success in their continued education or quest for post-secondary employment. In support of this goal, the BOCES and component districts continually consider new programs that will offer relevancy to the current job market, and work collaboratively with business/industry partners to obtain feedback about skills students will need for success in the evolving workplace.

Instructional Support represents 18% of expenditures, which are determined by the level of district service requests. Services focus on providing support for the direct instruction of students, and consist of: instructional staff development, statistical analysis & planning, acquisition of equipment or supplies, duplication of materials, arts and enrichment experiences for students, and technology hardware and software support.

Other Services represent 15% of expenditures, are also driven by the level of district service requests. These include management support services to the business, managerial and non-instructional aspects of school district operations such as Cooperative Purchasing, Safety & Risk Management, and Substitute Teacher Coordination.

Key Variances Include the following:

- Operating Grants & Contributions funds increased by just under \$340,000 largely due to receipt of federal funds from the U.S. government as part of the COVID-19 pandemic stimulus program.
- Instruction for the Handicapped and General Instruction categories saw decreased revenue mainly due to NYS mandates for schools to decrease in person instruction for social distancing purposes due to the COVID-19 pandemic.
- Instructional Support category realized increased activity in the area of facilitating technology purchases on behalf of districts, used to address remote learning mandated by NYS due to the COVID-19 pandemic.
- Other Services saw reduced activity in the Third-Party Review services. This service reviews plans and specifications for school construction projects, and these were largely on hold due to mandates limiting all activities during the COVID-19 pandemic.

Financial Analysis of the BOCES' Funds

As noted earlier, the BOCES uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the BOCES' *governmental funds* is to provide information on near term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the BOCES' financing requirements. In particular, surplus distribution could serve as a possible measure of consistency in budgeting from year to year, or signal other material events occurring, such as spikes in service requests or more favorable trends in large expense categories such as health insurance.

As of the end of the fiscal year, the BOCES' governmental funds reported combined fund balances of \$6,118,492, a decrease of \$334,577 from the prior year. Of the total combined fund balances, \$1,646,190 constitutes fund balance in the Capital fund, intended to fund capital improvement work. Additionally, (\$1,288,260) represents a deficit balance in the Special Aid fund. This was caused largely by New York State's approach of setting insufficient rates for reimbursement of preschool programs & services, and then freezing them for multiple years. The rate setting process has been finalized by the State for all years programs were in operation and all eligible outstanding revenue allowed by law has been recouped from the County of Oswego. However, a significant deficit remains and there is no legal mechanism set forth by New York State for BOCES to recoup revenue.

To avoid accumulation of further deficits, BOCES permanently ceased operation of preschool programs during the 2010-11 school year and assisted the County in transitioning programs to private providers. Oswego is not the only BOCES in this situation and as opportunities present, BOCES participates in conversations with state officials to explore how this may be rectified. Among the possible solutions is to work with component districts to fund the outstanding balances, but it remains unclear whether districts have legal authority to fund these expenses.

The negative Special Aid Fund balance was also impacted by current year adult education program deficits. Shortfalls in these programs were due mainly to NYS mandates for schools to decrease in person instruction for social distancing purposes due to the COVID-19 pandemic. However, deficits in the adult ed programs were largely but not completely offset by receipt of federal funds from the U.S. government as part of the COVID-19 pandemic stimulus program.

The remainder of the combined fund balances reside in General Fund reserves to indicate that they are earmarked for certain purposes and not available for general spending. The reserve categories include:

- Encumbrances in the amount of \$813,859.
- Liability, casualty, and other types of losses in the amount of \$520,181.
- Unemployment insurance in the amount of \$654,692.
- Employee post-employment benefits in the amount of \$962,825.
- Retirement contribution in the amount of \$1,471,127 to assist with required employer contributions toward retirement benefits of employees belonging to the NYS Employees Retirement System.
- Retirement contribution sub-fund in the amount of \$595,303 to assist with required employer contributions toward retirement benefits of employees belonging to the NYS Teacher's Retirement System.
- Equipment reserve in the amount of \$609,997, used to set aside funds toward equipment purchases for the Career & Technical Education (CTE) program. CTE consists of trades courses which can require expensive equipment items (i.e.: backhoe, loader, dump truck, simulators, large scale kitchen equipment, etc.).

General Fund Budgetary Highlights

The General Fund is the chief operating fund of the BOCES. At the end of the current fiscal year, the total fund balance of the General Fund was \$5,760,562 which represents a slight decrease of \$187,178 from the prior year. As previously mentioned, this is attributed to decreases in carry forward encumbrances needed to closeout prior fiscal year purchases. The difference between the original budget and the final amended budget was (\$400,910). This change is attributable to \$1,302,536 of carryover encumbrances from the 2019-20 fiscal year, and (\$1,703,446) of budgetary reductions from reduced operations resulting from NYS mandates for schools to decrease in person instruction for social distancing purposes due to the COVID-19 pandemic.

Even though the budget was amended downward by nearly \$1.7m during the year, the actual expenditures by year-end were lower than originally budgeted by just over \$6.0m. This is attributed mainly to two factors: (1) reduced in-person instruction mandated by NYS in response to the COVID-19 pandemic health crisis, and (2) savings realized in the BOCES self-insured health insurance plan. This is due to having experienced a healthier claim year than originally budgeted based on forecasts of health insurance costs made by the BOCES' Third Party Administrator.

On the revenue side of the ledger, BOCES realized \$1,399,498 less than anticipated during budget development. This is attributed almost entirely to decreased requests for programs and services below what was anticipated during budget development, including decreased enrollments in some Special & Alternative Education programs and related services, closing and collapsing programs and services based on district pull backs due to the COVID-19 pandemic (i.e.: summer school, arts in education plays and engagements, middle school alternative ed, consultant teacher services, exploratory enrichment field trip events, and staff development training events).

Capital Asset and Debt Administration

Capital Assets

As of June 30, 2021 the BOCES had \$39,054,008 in total capital assets, net of accumulated depreciation. This represents a decrease of \$205,778 from the prior year. These assets are invested in a range of categories including land, buildings and improvements, and machinery & equipment. The change in capital assets net of accumulated depreciation, is reflected below:

	<u>2021</u>	<u>2020</u>
Land	\$ 312,500	\$ 312,500
Work in progress	273,541	-
Buildings and Improvements	35,417,131	36,467,777
Machinery and Equipment	3,050,836	2,479,509
Total	<u>\$ 39,054,008</u>	<u>\$ 39,259,786</u>

More detailed information can be found in the notes to the financial statements.

Long- Term Debt

At year-end, the BOCES had \$175,292,989 in outstanding long-term obligations, as follows:

<u>Type</u>	<u>2021</u>	<u>2020</u>
Installment Purchase Debt	\$ 1,556,500	\$ 1,082,533
Energy Perform. Contract	1,289,490	1,400,000
Compensated Absences	2,301,377	2,250,819
Net Pension Liability	2,943,239	4,864,429
OPEB	167,202,383	167,683,605
Total	<u>\$ 175,292,989</u>	<u>\$ 177,281,386</u>

More detailed information can be found in the notes to the financial statements, with some supplementary information following below.

The increase in Installment Purchase Debt is a result of processing additional requests for technology installment purchases on behalf of component school districts. It should be noted that legally binding agreements exist with each district to cover the costs associated with this debt. So, while the long-term debt appears in the BOCES financial statements and BOCES retains ownership of these assets, the school districts fund payments for these obligations annually until settled.

The Compensated Absences category represents an aggregated amount of compensation for which BOCES is obligated to pay employees for unused absences in the event of separation from service. Compensated Absences illustrated in the chart have increased slightly in the amount of \$50,558, due to increases in accumulated leave balances from staff hired in the recent past now aging into the threshold for this calculation. This figure is also impacted by increases in the unit cost for these days in accordance with negotiated bargaining agreements. Furthermore, leave time was not used at normal rates this year due to remote activity dictated by NYS in response to the COVID-19 pandemic.

As required by GASB-68, the NYS Employee and Teacher Retirement Systems are required to calculate and supply Net Pension Liability estimates for all entities who have contributing members, which needs to be reflected in the basic financial statements. For the 2021 fiscal year, the NYSERS estimates BOCES' share of the system employers' net pension liability to be \$19,232, which is significantly reduced from the prior year amount of more than \$4.8m. The system raised their funding level from 86% to nearly 100%, shifting the burden back to New York State. This change along with BOCES new share of long-term net pension liabilities for the NYSTRS of \$2,924,007 resulted in the decrease shown in the table.

Lastly, the OPEB line represents the estimated value for Other Post-Employment Benefits, which appears in response to the requirements of GASB-75. As illustrated in the table, the full calculated liability is \$167,202,383, which decreased due to risk/trend factor adjustments in the calculation performed by the actuaries (i.e.: mortality improvement, health care trend rates, salary scales, termination, and retirement rates). These factors are determined by external sources and required as part of the actuarial analysis. In addition, results of contractual negotiations resulted in increased premium contributions for active employees, which will carry through the life-span of retirees.

Factors bearing on the BOCES' future

COVID-19 Pandemic

The pandemic continues to weigh on the future of the BOCES as it does for all entities on earth. Although vaccinations have been distributed, the threat of mutations and continued viral spread is a challenge for services normally delivered in person. The recurrence of reduced need for services could continue to cause revenue shortfalls. Furthermore, New York State is a major funding source for school districts in our region and even though BOCES is not directly dependent on this revenue, districts are heavily dependent on such funding to pay for services. For the short term, federal stimulus funds are in place to assist the State and schools with funding needed to weather the pandemic. However, when this funding ceases in approximately 3 years, the threat of state aid reductions due to State deficits could significantly impact BOCES operations. This could occur in two different ways: (1) districts could choose to pull back on services pursued through BOCES, or (2) districts could choose to increase services since BOCES operations are built around a model of sharing programs and services to reduce costs. Furthermore, the state offers fiscal incentives for districts to use BOCES for shared services in the way of partial reimbursement for such costs. This could lead districts to leverage their limited resources into these types of reimbursable expenditures. Lastly, when the economy takes a downturn, that usually results in adults seeking career change opportunities and they could seek employment and skills training offered by the BOCES adult education programs. On the flip side, viral spread might cause challenges for adults to pursue these options.

Declining Enrollment

Oswego County school districts have been experiencing steady annual declines in student population for more than two decades. From school years 1998-99 to 2020-21, the Resident Weighted Average Daily Attendance (RWADA) factor has dropped by 7,813 units, from 27,162 to 19,349. This represents a 28.8% decline over this time period. But, it is important to note that declines in district enrollment don't necessarily translate to a decline in BOCES enrollment. Other factors play roles in those trends such as student needs based on Individualized Education Plans as determined by districts, district pursuit of new programs, societal and economic forces and student choice. However, continued countywide enrollment declines are a factor that could produce an impact.

Requests for Information

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

Oswego County BOCES
Attn: Michael J. Sheperd, Assistant Superintendent for Administrative Services
179 County Route 64, Mexico, NY 13114
(315) 963-4260

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Net Position
June 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 16,299,552
Accounts receivable	13,514,948
Prepaid items	132,578
Capital Assets:	
Land	312,500
Work in progress	273,541
Other capital assets (net of depreciation)	38,467,967
TOTAL ASSETS	\$ 69,001,086
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources	\$ 50,133,253
LIABILITIES	
Accounts payable	\$ 1,655,125
Accrued liabilities	88,050
Unearned revenue	1,129,140
Due to other governments	79,642
State aid due to districts	12,499,451
Due to school districts	2,786,609
Due to teachers' retirement system	1,776,876
Due to employees' retirement system	245,075
Other liabilities	2,230,066
Long-Term Obligations:	
Due in one year	2,222,453
Due in more than one year	173,070,536
TOTAL LIABILITIES	\$ 197,783,023
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources	\$ 27,511,118
NET POSITION	
Net investment in capital assets	\$ 36,571,475
Restricted For:	
Capital projects	1,579,358
Capital reserve	609,997
Unemployment reserve	654,692
Retirement contribution reserve	1,471,127
Teacher retirement contribution reserve	595,303
Accrued benefit liability reserve	962,825
Other Purposes	577,586
Unrestricted	(149,182,165)
TOTAL NET POSITION	\$ (106,159,802)

(See accompanying notes to financial statements)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Activities and Changes in Net Position
For Year Ended June 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<u>Primary Government -</u>				
Administration	\$ 8,060,263	\$ 8,019,584	\$ -	\$ (40,679)
Career & tech education	11,950,303	8,907,312	1,370,566	(1,672,425)
Instruction for the handicapped	18,478,162	16,499,602	55,711	(1,922,849)
Itinerant services	3,612,056	3,324,086	-	(287,970)
General instruction	7,183,369	6,064,646	758,333	(360,390)
Instructional support	12,910,599	12,710,061	-	(200,538)
Other services	10,765,931	10,704,970	-	(60,961)
Total Primary Government	\$ 72,960,683	\$ 66,230,261	\$ 2,184,610	\$ (4,545,812)
General Revenues:				
Interest and Earnings				\$ 643
Sale of property and compensation for loss				3,583
Total General Revenues				\$ 4,226
Special Item:				
Current refunding				\$ (26,490)
Total General Revenues and Special Item				\$ (22,264)
Changes in Net Position				\$ (4,568,076)
Net Position, Beginning of Year (restated)				(101,591,726)
Net Position, End of Year				\$ (106,159,802)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	Special Aid Fund	Total Non-Major Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 14,093,645	\$ 559,717	\$ 1,646,190	\$ 16,299,552
Due from other funds	1,195,760	-	-	1,195,760
Receivables	12,676,807	838,141	-	13,514,948
Prepaid items	132,578	-	-	132,578
TOTAL ASSETS	\$ 28,098,790	\$ 1,397,858	\$ 1,646,190	\$ 31,142,838

LIABILITIES AND FUND BALANCE

Liabilities -

Accounts payable	\$ 1,539,081	\$ 116,044	\$ -	\$ 1,655,125
Accrued liabilities	1,393,767	32,835	-	1,426,602
Due to other funds	-	1,195,760	-	1,195,760
Due to other governments	-	79,642	-	79,642
State aid due to districts	12,499,451	-	-	12,499,451
Due to districts	2,786,609	-	-	2,786,609
Due to TRS	1,651,178	125,698	-	1,776,876
Due to ERS	238,076	6,999	-	245,075
Other liabilities	2,230,066	-	-	2,230,066
Unearned revenues	-	1,129,140	-	1,129,140
TOTAL LIABILITIES	\$ 22,338,228	\$ 2,686,118	\$ -	\$ 25,024,346

Fund Balances -

Nonspendable	\$ 132,578	\$ -	\$ -	\$ 132,578
Restricted	4,814,125	-	1,646,190	6,460,315
Assigned	813,859	-	-	813,859
Unassigned	-	(1,288,260)	-	(1,288,260)
TOTAL FUND BALANCE	\$ 5,760,562	\$ (1,288,260)	\$ 1,646,190	\$ 6,118,492
TOTAL LIABILITIES AND FUND BALANCES	\$ 28,098,790	\$ 1,397,858	\$ 1,646,190	

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

Capital assets used in governmental activities are
not financial resources and therefore are not
reported in the funds. 39,054,008

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

OPEB	(167,202,383)
Compensated absences	(962,825)
Installment purchase debt	(2,845,990)
Deferred Outflow of Resources - pension	14,052,808
Deferred Outflow of Resources - OPEB	36,080,445
Net Pension Liability	(2,943,239)
Deferred Inflow of Resources - pension	(8,250,368)
Deferred Inflow of Resources - OPEB	(19,260,750)
Net Position of Governmental Activities	\$ (106,159,802)

(See accompanying notes to financial statements)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2021

	General Fund	Special Aid Fund	Total Non-Major Funds	Total Governmental Funds
REVENUES				
Charges for services	\$ -	\$ 457,752	\$ -	\$ 457,752
Charges to components	62,206,173	1,060,668	-	63,266,841
Charges to non-components and other BOCES	3,299,299	70,606	-	3,369,905
Interest and earnings	34	-	364	398
Sale of property and compensation for loss	3,583	-	-	3,583
Miscellaneous	1,591,289	2,163,450	17,217	3,771,956
State sources	-	446,175	-	446,175
Federal sources	-	1,738,435	-	1,738,435
TOTAL REVENUES	\$ 67,100,378	\$ 5,937,086	\$ 17,581	\$ 73,055,045
EXPENDITURES				
Administration	\$ 8,039,356	\$ -	\$ -	\$ 8,039,356
Career and tech education	8,369,257	2,050,490	-	10,419,747
Instruction for the handicapped	15,697,127	988,186	-	16,685,313
Itinerant services	3,332,207	-	-	3,332,207
General instruction	6,175,048	756,359	-	6,931,407
Instructional support	12,589,057	519,459	-	13,108,516
Other services	8,618,022	1,506,031	-	10,124,053
Other expenses	-	-	8,000	8,000
Capital outlay	-	-	1,518,498	1,518,498
TOTAL EXPENDITURES	\$ 62,820,074	\$ 5,820,525	\$ 1,526,498	\$ 70,167,097
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 4,280,304	\$ 116,561	\$ (1,508,917)	\$ 2,887,948
OTHER FINANCING SOURCES (USES)				
Proceeds from installment debt	\$ -	\$ -	\$ 1,244,957	\$ 1,244,957
Proceeds from current refunding of debt	1,289,490	-	-	-
Payoff of lease in current refunding of debt	(1,289,490)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	\$ -	\$ -	\$ 1,244,957	\$ 1,244,957
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 4,280,304	\$ 116,561	\$ (263,960)	\$ 4,132,905
OTHER CHANGES IN FUND BALANCE				
Surplus to be distributed	\$ (4,636,403)	\$ -	\$ -	\$ (4,636,403)
Net unemployment reserve transactions	59	-	-	59
Net capital reserve transactions	100,054	-	-	100,054
Net retirement contribution reserve transactions	159	-	-	159
Net teacher's retirement reserve transactions	100,032	-	-	100,032
Net liability reserve transactions	50,051	-	-	50,051
Net change in employee accrued benefit liability reserve	(81,434)	-	-	(81,434)
FUND BALANCE, BEGINNING OF YEAR (restated)	5,947,740	\$ (1,404,821)	\$ 1,910,150	6,453,069
FUND BALANCE, END OF YEAR	\$ 5,760,562	\$ (1,288,260)	\$ 1,646,190	\$ 6,118,492

(See accompanying notes to financial statements)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities
For Year Ended June 30, 2021

NET CHANGE IN FUND BALANCES -

TOTAL GOVERNMENTAL FUNDS \$ (334,577)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets was not in excess of depreciation in the current period:

Capital Outlay	\$ 1,518,498	
Additions to Assets, Net	623,605	
Depreciation	<u>(2,347,881)</u>	
		(205,778)

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

Debt repayments	\$ 907,990	
Proceeds from Debt issuance	(1,244,957)	
Debt retired in current refunding	1,263,000	
Proceeds from Advanced Refunding	<u>(1,289,490)</u>	
		(363,457)

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (2,003,304)

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

Teachers' Retirement System		(2,014,508)
Employees' Retirement System		272,114

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

Compensated Absences		<u>81,434</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (4,568,076)**

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Fiduciary Net Position
June 30, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 39,631
Accounts receivable	650
TOTAL ASSETS	<u>\$ 40,281</u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 40,281
TOTAL NET POSITION	<u>\$ 40,281</u>

Statement of Changes in Fiduciary Net Position
For The Year Ended June 30, 2021

	Custodial Funds
ADDITIONS	
Miscellaneous receipts	\$ 14,761
TOTAL ADDITIONS	<u>\$ 14,761</u>
DEDUCTIONS	
Extracurricular activities	\$ 12,332
TOTAL DEDUCTIONS	<u>\$ 12,332</u>
Change in net position	\$ 2,429
NET POSITION - BEGINNING (restated)	<u>37,852</u>
NET POSITION - ENDING	<u>\$ 40,281</u>

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

Notes To The Basic Financial Statements

June 30, 2021

I. Summary of Significant Accounting Policies:

The financial statements of the Oswego County Board of Cooperative Educational Services, New York (the BOCES) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the BOCES' accounting policies are described below.

A. Reporting Entity

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

The reporting entity of the BOCES is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units* and GASB Statement No. 61, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Altmar-Parish-Williamstown	Hannibal	Phoenix
Central Square	Mexico Academy	Pulaski
Fulton	Oswego City	Sandy Creek

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

(I.) (Continued)

The decision to include a potential component unit in the BOCES' reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the BOCES' reporting entity:

1. Extraclassroom Activity Funds

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of the BOCES with respect to its financial transactions, and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES' business office. The BOCES accounts for assets held as an agency for various student organizations in an agency fund.

B. Basis of Presentation

1. BOCES-wide Financial Statements

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

The Statement of Activities presents a comparison between program expenses and program revenues for each function of the BOCES' governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

2. Fund Statements

The fund statements provide information about the BOCES funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The BOCES reports the following governmental funds:

(I.) (Continued)

a. **Major Governmental Funds**

General Fund - This is the BOCES primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

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

b. **Nonmajor Governmental Funds**

Capital Projects Fund - Used to account for the acquisition construction or major repair of capital facilities.

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

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

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

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

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

The BOCES-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. Component tuitions together with state and federal aid for grants are susceptible to accrual and have been recognized as revenues of the current fiscal period.

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

(I.) (Continued)

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

D. Restricted Resources

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

E. Interfund Transactions

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

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

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

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

F. Estimates

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

G. Cash and Cash Equivalents

The BOCES' cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

(I.) (Continued)

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

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

H. Receivables

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

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

I. Inventory and Prepaid Items

Inventories of food and/or supplies for school lunch are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

J. Capital Assets

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

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	25-50 Years
Machinery and Equipment	\$ 5,000	SL	5-20 Years

(I.) (Continued)

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

K. Unearned Revenue

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

L. Deferred Outflows and Inflows of Resources

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

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

M. Vested Employee Benefits

1. Compensated Absences

It is BOCES policy to pay employees for unused vacation and compensatory time when there is a separation from service. BOCES has funded vested sick days for all employees aged 40 and over based on the contractual agreements in effect at the balance sheet date. The BOCES estimates those employees older than age 55 to be current.

For governmental activities, the current portion of this liability is accrued in the appropriate fund and any long-term portion has been reported as part of the employee benefit accrued liability reserve. On the BOCES-wide Statement of Net Assets these amounts are reported as long-term obligations with the current amount reported as due in one year and the long term portion is reported as due in more than one year.

N. Other Benefits

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

BOCES employees may choose to participate in the BOCES' elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

(I.) (Continued)

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

O. Accrued Liabilities and Long-Term Obligations

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

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

P. Equity Classifications

1. BOCES-Wide Statements

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

- a. Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- b. Restricted Net Position** - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications. The reported deficit of \$149,182,165 at year end is the result of full implementation of GASB #75 regarding retiree health obligations and the New York State Pension system unfunded pension obligation.

2. Fund Statements

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

(I.) (Continued)

- a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes \$132,578 of prepaid items.
- b. **Restricted Fund Balances** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance. The BOCES has established the following restricted fund balances:

Capital Reserve for Equipment - Established to fund the purchase of new technology equipment in accordance with New York State guidelines.

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

Liability Reserve - As allowed by Education Law Sections 1709.8-c and 1950.4-cc, is used to pay for property loss and liability claims incurred. This reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve may be utilized only by school districts, except a city school district with a population greater than 125,000. This reserve is accounted for in the General Fund.

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

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

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

(I.) (Continued)

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

Restricted fund balances include the following:

	<u>Total</u>
<u>General Fund -</u>	
CTE Equipment Reserve	\$ 609,997
Retirement Contribution - ERS	1,471,127
Retirement Contribution - TRS	595,303
Unemployment	654,692
Liability	520,181
Employee Benefit Accrued Liability	962,825
<u>Miscellaneous Revenue Fund</u>	
Various Scholarships	66,832
<u>Capital Fund -</u>	
Waterline Project	39,977
BOCES-wide Project-2011	1,490,374
Boiler project	49,007
Total Restricted Fund Balance	<u>\$ 6,460,315</u>

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

Significant encumbrances for the general fund, management has determined are amounts in excess of \$93,000 which are summarized below:

- \$247,310 Career and Technical Education
- \$212,955 Instruction for the Handicapped
- \$140,789 General Instruction
- \$113,983 Instructional Support

Assigned fund balances include the following:

	<u>Total</u>
General Fund - Encumbrances	<u>\$ 813,859</u>

(I.) (Continued)

d. **Unassigned Fund Balance** –Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

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

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

Q. **New Accounting Standards**

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

GASB has issued Statement 84, *Fiduciary Activities*.

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

R. **Future Changes in Accounting Standards**

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

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

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

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

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

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates, Paragraphs 13 and 14*, which will be effective for reporting periods beginning after June 15, 2021.

(I.) (Continued)

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

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

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

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

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

II. Restatement of Net Position

For the year ended June 30, 2021, the BOCES implemented GASB Statement No. 84, *Fiduciary Activities*. The BOCES's net position has been restated as follows:

	Government-Wide Statements	Governmental Funds	Fiduciary Funds
Net position beginning of year, as previously stated	\$ (101,649,131)	\$ 6,395,664	\$ 60,829
Adjustments for activities previously recorded in Agency Fund:			
Student Activity Balances	-	-	33,778
Other Liabilities	-	-	650
Adjustments for activities previously recorded in Private Purpose Trust:			
Scholarships	57,405	57,405	(57,405)
Net position beginning of year, as restated	<u>\$ (101,591,726)</u>	<u>\$ 6,453,069</u>	<u>\$ 37,852</u>

III. Changes in Accounting Principles

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

IV. Stewardship, Compliance and Accountability:

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

A. Budgetary Information

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

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

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

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

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

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

Budget(s) are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

B. Deficit Net Position

The BOCES-wide net position had a deficit at June 30, 2021 of \$106,159,802. The deficit is the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", which required the recognition of an unfunded liability of \$167,683,605 at June 30, 2021. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

C. Deficit Fund Balance – Special Aid Fund

The Pre-school/Summer School program reports a deficit fund balance totaling \$1,266,880, and the Center for Career and Community Education reports a deficit fund balance totaling \$93,791. As a result of these program deficits, the overall fund balance of the Special Aid Fund reports a deficit of \$1,288,260. The BOCES has decided to transition the Pre-school program to a private sector and is working to enhance the health occupations program.

V. Cash and Cash Equivalents

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

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

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

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

Uncollateralized	\$	-
Collateralized with Securities held by the Pledging Financial Institution		16,734,551
Collateralized within Trust Department or Agent		1,329,358
Total	\$	18,063,909

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year end included \$6,460,315 within the governmental funds and \$39,631 in the fiduciary funds.

VI. Receivables

Receivables at June 30, 2021 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Total</u>
Accounts Receivable-Charges for Services	\$ 176,216	\$ 167,188	\$ 343,404
Accounts Receivable-Retiree Health	1,140	-	1,140
Due From State and Federal	12,499,451	670,953	13,170,404
Total Receivables	\$ 12,676,807	\$ 838,141	\$ 13,514,948

VII. Interfund Receivables and Payables

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

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,195,760	\$ -
Special Aid Fund	-	1,195,760
Total	\$ 1,195,760	\$ 1,195,760

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

VIII. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/21</u>
<u>Governmental Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 312,500	\$ -	\$ -	\$ 312,500
Work in progress	-	273,541	-	273,541
<i>Total Nondepreciable</i>	\$ 312,500	\$ 273,541	\$ -	\$ 586,041
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 44,742,832	\$ -	\$ -	\$ 44,742,832
Machinery and equipment	7,133,204	1,868,562	77,670	8,924,096
<i>Total Depreciated Assets</i>	\$ 51,876,036	\$ 1,868,562	\$ 77,670	\$ 53,666,928
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 8,275,055	\$ 1,050,646	\$ -	\$ 9,325,701
Machinery and equipment	4,653,695	1,297,235	77,670	5,873,260
<i>Total Accumulated Depreciation</i>	\$ 12,928,750	\$ 2,347,881	\$ 77,670	\$ 15,198,961
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	\$ 38,947,286	\$ (479,319)	\$ -	\$ 38,467,967
Total Capital Assets	\$ 39,259,786	\$ (205,778)	\$ -	\$ 39,054,008

(VIII.) (Continued)

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

Governmental Activities:

Administration	\$	73,407
Career and Tech Education		1,030,094
Instruction for the Handicapped		643,731
Itinerant Services		43,255
General Instruction		419,748
Instructional Support		113,985
Other Services		23,661
Total Depreciation Expense	\$	<u>2,347,881</u>

IX. Long-Term Debt Obligations

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

	Balance 7/1/20	Additions	Deletions	Balance 6/30/21	Due Within One Year
<u>Governmental Activities:</u>					
<u>Bonds and Notes Payable -</u>					
Installment Purchase Debt	\$ 1,082,533	\$ 1,244,957	\$ 770,990	\$ 1,556,500	\$ 727,445
Energy Performance Contracts	1,400,000	1,289,490	1,400,000	1,289,490	156,456
Total Bonds and Notes Payable	\$ 2,482,533	\$ 2,534,447	\$ 2,170,990	\$ 2,845,990	\$ 883,901
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 4,864,429	\$ -	\$ 1,921,190	\$ 2,943,239	\$ -
OPEB	167,683,605	-	481,222	167,202,383	-
Compensated Absences	2,250,819	-	1,287,994	2,301,377	1,338,552
Total Other Liabilities	\$ 174,798,853	\$ -	\$ 3,690,406	\$ 172,446,999	\$ 1,338,552
Total Long-Term Obligations	\$ 177,281,386	\$ 2,534,447	\$ 5,861,396	\$ 175,292,989	\$ 2,222,453

Additions and deletions are shown net.

Existing serial and statutory bond obligations:

<u>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2021</u>
Installment Purchase Debt	\$ 730,475	2020	2025	1.90%	\$ 367,416
Installment Purchase Debt	\$ 80,192	2020	2025	2.720%	40,436
Installment Purchase Debt	\$ 87,028	2020	2022	5.600%	29,657
Energy Performance Contract - Refinance	\$ 1,289,490	2021	2029	1.50%	1,289,490
Installment Purchase Debt	\$ 285,960	2021	2023	1.630%	220,044
Installment Purchase Debt	\$ 781,857	2021	2023	1.340%	781,857
Installment Purchase Debt	\$ 177,140	2021	2023	2.610%	117,090
Total					\$ 2,845,990

(IX.) (Continued)

The following is a summary of debt service requirements:

<u>Year</u>	<u>Emergency Performance Contract</u>		<u>Installment Purchase Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 156,456	\$ 18,108	\$ 727,445	\$ 19,458
2023	158,268	15,756	566,540	10,391
2024	159,451	13,381	262,515	2,641
2025	160,643	10,988	-	-
2026	161,844	8,578	-	-
2027-29	492,828	11,088	-	-
Total	\$ 1,289,490	\$ 77,899	\$ 1,556,500	\$ 32,490

On November 11, 2020, the BOCES entered into a \$1,289,490 capital lease with an average interest rate of 1.495% to advance refund \$1,263,000 of an outstanding capital lease with an average interest rate of 3.280%. The net proceeds of \$1,273,378 (after payment of \$16,112 in underwriting fees, insurance and other issuance costs) were used to payoff the outstanding balances due on the original lease. The BOCES refunded the lease to reduce its debt service requirements based upon lower interest rates.

X. Deferred Inflows/Outflows of Resources

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

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 14,052,808	\$ 8,250,368
OPEB	36,080,445	19,260,750
Total	\$ 50,133,253	\$ 27,511,118

XI. Pension Plans

A. General Information

The BOCES participates in the New York State Teacher's Retirement System (TRS) and the New York State and Local Employee's Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

(XI.) (Continued)

B. Provisions and Administration

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the system, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

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

C. Funding Policies

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

The BOCES' share of the required contributions, based on covered payroll paid for the BOCES' year ended June 30, 2021:

<u>Contributions</u>		<u>ERS</u>		<u>TRS</u>
2021	\$	727,503	\$	1,776,876

(XI.) (Continued)

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

At June 30, 2021, the BOCES reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset/(liability) was based on a projection of the BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the BOCES.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Net pension assets/(liability)	\$ (19,232)	\$ (2,924,007)
District's portion of the Plan's total net pension asset/(liability)	0.019315%	0.105817%

For the year ended June 30, 2021, the BOCES recognized pension expenses of \$496,547 for ERS and \$3,695,037 for TRS. At June 30, 2021 the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 234,880	\$ 2,562,016	\$ -	\$ 149,850
Changes of assumptions	3,536,221	3,698,189	66,694	1,318,211
Net difference between projected and actual earnings on pension plan investments	-	1,909,633	5,524,682	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	190,777	-	72,931	1,118,000
Subtotal	\$ 3,961,878	\$ 8,169,838	\$ 5,664,307	\$ 2,586,061
District's contributions subsequent to the measurement date	245,075	1,676,017	-	-
Grand Total	\$ 4,206,953	\$ 9,845,855	\$ 5,664,307	\$ 2,586,061

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

(XI.) (Continued)

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2021	\$ -	\$ 897,356
2022	(282,804)	2,057,675
2023	(85,849)	1,654,342
2024	(277,435)	947,676
2025	(1,056,341)	(66,885)
Thereafter	-	93,613
Total	\$ (1,702,429)	\$ 5,583,777

E. Actuarial Assumptions

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

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

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale MP-2020.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2021 are summarized as follows:

(XI.) (Continued)

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

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

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

F. Discount Rate

The discount rate used to calculate the total pension liability was 5.90% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.90% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (4.90% for ERS and 6.10% for TRS) or 1-percentage-point higher (6.90% for ERS and 8.10% for TRS) than the current assumption :

(XI.) (Continued)

<u>ERS</u>	<u>1% Decrease</u> <u>(4.90%)</u>	<u>Current</u> <u>Assumption</u> <u>(5.90%)</u>	<u>1% Increase</u> <u>(6.90%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (5,338,175)	\$ (19,232)	\$ 4,886,077

<u>TRS</u>	<u>1% Decrease</u> <u>(6.10%)</u>	<u>Current</u> <u>Assumption</u> <u>(7.10%)</u>	<u>1% Increase</u> <u>(8.10%)</u>
Employer's proportionate share of the net pension asset (liability)	\$ (18,469,947)	\$ (2,924,007)	\$ 10,122,976

H. Pension Plan Fiduciary Net Position

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

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

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$245,075.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$1,776,876.

XII. Postemployment Benefits

A. General Information About the OPEB Plan

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

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

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	348
Active Employees	426
Total	774

B. Total OPEB Liability

The BOCES’ total OPEB liability of \$167,202,383 was measured as of June 30, 2021, and was determined by an actuarial valuation as of that date.

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

Inflation	2.50%
Salary Increases	Varied by years of service and retirement system
Discount Rate	2.16%
Healthcare Cost Trend Rates	5.7% for 2021 decreasing to an ultimate rate of 4.04% by 2075
Retirees' Share of Benefit-Related Costs	Retirees are responsible for 25 - 100% of projected health insurance

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond index.

Mortality rates were based on April 1, 2010 – March 31, 2015 NYSLRS experience, with adjustments for mortality improvements based on the Society of Actuaries’ Scale MP-2020.

(XII.) (Continued)

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 167,683,605
<u>Changes for the Year -</u>	
Service cost	\$ 7,086,523
Interest	3,808,602
Changes of benefit terms	(5,799,377)
Differences between expected and actual experience	4,778,201
Changes in assumptions or other inputs	(5,457,976)
Benefit payments	(4,897,195)
Net Changes	\$ (481,222)
Balance at June 30, 2021	<u>\$ 167,202,383</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21 percent in 2020 to 2.16% in 2021.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	1% Decrease	Discount	1% Increase
	<u>(1.16%)</u>	<u>(2.16%)</u>	<u>(3.16%)</u>
Total OPEB Liability	\$ 200,564,264	\$ 167,202,383	\$ 141,075,475

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

	1% Decrease	Healthcare	1% Increase
	<u>(4.70%</u>	Cost Trend Rates	<u>(6.70%</u>
	<u>Decreasing</u>	<u>Decreasing</u>	<u>Decreasing</u>
	<u>to 3.04%)</u>	<u>to 4.04%)</u>	<u>to 5.04%)</u>
Total OPEB Liability	\$ 137,495,207	\$ 167,202,383	\$ 206,641,323

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

For the year ended June 30, 2021, the BOCES recognized OPEB expense of \$6,900,499. At June 30, 2021, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(XII.) (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 12,341,810	\$ -
Changes of assumptions	23,738,635	19,260,750
Total	\$ 36,080,445	\$ 19,260,750

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

<u>Year</u>	
2022	\$ 1,804,751
2023	2,397,603
2024	3,059,945
2025	4,827,251
2026	4,827,254
Thereafter	(97,109)
Total	\$ 16,819,695

XIII. Risk Management

A. General Information

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

B. Workers' Compensation

The BOCES incurs costs related to the Onondaga/Cortland/Madison Self-Funded Workers' Compensation Consortium Plan (Plan) sponsored by the Board of Cooperative Educational Services, Onondaga/Cortland/Madison. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Plan may be offered to any school district with the approval of the Board of Directors. Voluntary withdrawal from the Plan may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairperson of the Board of Directors and the Treasurer not less than sixty (60) days prior to the end of the Plan year.

(XIII.) (Continued)

Plan membership is currently comprised of nineteen members and Onondaga / Cortland / Madison BOCES. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee. Pursuant to General Municipal Law, the municipal agreement does not transfer risk.

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

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2021, the BOCES incurred premiums or contribution expenditures totaling \$408,131.

The Plan financial information is available at the BOCES' administrative offices.

C. Self-Funded Medical Plan

The BOCES participates in a self-funded medical plan administered by POMCO. The Plan is referred to as a premium credit plan. The BOCES pays actual claim expenses and administrative charges. The BOCES also, has stop-loss insurance coverage on specific claims in excess of \$150,000.

Liabilities are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

The incurred but not reported claims (IBNR's) are fully funded and reported in the General Fund as part of the other liabilities at June 30, 2021.

A reconciliation of the claims recorded for 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning liabilities	\$ 1,769,307	\$ 1,908,248
Incurred claims	6,582,710	4,734,698
Claims payment	(6,188,182)	(4,873,639)
Ending liabilities	<u>\$ 2,163,835</u>	<u>\$ 1,769,307</u>

(XIII.) (Continued)

The following statistical information is presented:

	Contribution	Incurred Claim
<u>Year</u>	<u>Revenue</u>	<u>Expense</u>
2021	\$ 6,188,182	\$ 6,582,710
2020	\$ 4,873,639	\$ 4,734,698
2019	\$ 8,918,161	\$ 8,796,457
2018	\$ 9,457,761	\$ 9,744,981
2017	\$ 8,372,389	\$ 8,449,605
2016	\$ 8,041,322	\$ 8,188,348
2015	\$ 7,286,803	\$ 7,759,773
2014	\$ 7,174,929	\$ 7,607,673
2013	\$ 7,025,861	\$ 7,380,149
2012	\$ 7,127,082	\$ 7,592,373
2011	\$ 6,815,305	\$ 7,449,553

Contribution revenues consist of the expenditures charged to the funds plus the employee's payroll withholding plus the retiree's contribution. There are additional revenues which offset the claim expense such as rebates and refunds which are not included in contribution revenues.

The Plan has funded the incurred but not yet reported claims liability. The funding of this liability indicates that the plan's self funded insurance program is fully funded.

D. Self-Funded Dental Plan

The BOCES self insures for dental coverage for its employees. A third party administrator is used who is responsible for processing claims and estimating liabilities. BOCES does not carry excess insurance coverage relative to this plan. Expenditures are recorded as claims are presented for payment with a cap of \$1,000. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

A reconciliation of the claims recorded for 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Beginning liabilities	\$ 27,687	\$ 37,846
Incurred claims	369,304	266,708
Claims payment	(360,901)	(276,867)
Ending liabilities	<u>\$ 36,090</u>	<u>\$ 27,687</u>

(XIII.) (Continued)

The following statistical information is presented:

	Contribution	Incurred Claim
<u>Year</u>	<u>Revenue</u>	<u>Expense</u>
2021	\$ 360,901	\$ 369,304
2020	\$ 276,867	\$ 266,708
2019	\$ 358,690	\$ 363,468
2018	\$ 327,515	\$ 331,780
2017	\$ 288,976	\$ 290,929
2016	\$ 286,591	\$ 287,764
2015	\$ 179,851	\$ 256,744
2014	\$ 276,132	\$ 267,634
2013	\$ 176,693	\$ 275,318
2012	\$ 190,222	\$ 261,129

E. Unemployment

BOCES employees are entitled to coverage under the New York State Unemployment Insurance Law. The BOCES has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The BOCES has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2020-21 fiscal year totaled \$0. The balance of the fund at June 30, 2021 was \$654,692 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2021, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XIV. Commitments and Contingencies

A. Litigation

A summons and complaint has been filed against the BOCES by a former student for which the financial outcome, if any, can not be determined as of the date of this report.

B. Grants

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

XV. COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the School’s financial condition, liquidity, voter approved budgets, and future results of operations. Management is actively monitoring the global situation on its financial condition, budgets, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the School is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2022.

In response to the COVID-19 outbreak, the Federal Government passed several COVID relief acts which include funding for elementary and secondary education. The School District was awarded three different stimulus packages known as Coronavirus Aid, Relief and Economic Security Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan Act (ARPA). New York State Required the CARES funds to be reported in the General fund, as an offset to state aid reductions, referred to as the Pandemic Adjustment, while the CRRSA and ARPA funds are required to be reported in the special aid fund.

The BOCES reported \$450,153 in CARES revenues and expenditures during the 2021 fiscal year and has submitted the CRRSA and ARPA funding applications to the New York State Education Department for approval. All three stimulus funds may be used for pre-award costs dating back to March 13, 2020, when the national emergency was declared.

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Changes in BOCES' Total OPEB Liability and Related Ratio
For Year Ended June 30, 2021

	TOTAL OPEB LIABILITY			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 7,086,523	\$ 4,657,975	\$ 2,542,364	\$ 2,637,296
Interest	3,808,602	4,606,806	5,296,148	4,918,391
Changes in benefit terms	(5,799,377)	-	-	-
Differences between expected and actual experiences	4,778,201	1,236,448	14,726,060	-
Changes of assumptions or other inputs	(5,457,976)	33,234,089	(25,329,901)	(6,938,306)
Benefit payments	(4,897,195)	(5,238,388)	(4,669,700)	(2,761,795)
Net Change in Total OPEB Liability	\$ (481,222)	\$ 38,496,930	\$ (7,435,029)	\$ (2,144,414)
Total OPEB Liability - Beginning	\$ 167,683,605	\$ 129,186,675	\$ 136,621,704	\$ 138,766,118
Total OPEB Liability - Ending	\$ 167,202,383	\$ 167,683,605	\$ 129,186,675	\$ 136,621,704
 Covered Employee Payroll	 \$ 26,693,910	 \$ 25,945,031	 \$ 17,989,764	 \$ 14,837,695
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 626.37%	 646.30%	 718.11%	 920.77%

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

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of the BOCES' Proportionate Share of the Net Pension Liability
For Year Ended June 30, 2021

NYSERS Pension Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0193147%	0.0183698%	0.0164928%	0.0154429%	0.0143703%	0.0137042%	0.0131925%
Proportionate share of the net pension liability (assets)	\$ 19,232	\$ 4,864,429	\$ 1,168,567	\$ 498,413	\$ 1,350,263	\$ 2,199,562	\$ 445,677
Covered-employee payroll	\$ 5,546,689	\$ 5,179,550	\$ 4,547,841	\$ 4,212,500	\$ 3,765,987	\$ 3,403,815	\$ 3,433,616
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	0.347%	93.916%	25.695%	11.832%	35.854%	64.620%	12.980%
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

NYSTRS Pension Plan

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.1058170%	0.1019940%	0.0945860%	0.0832740%	0.0818090%	0.0803010%	0.0797730%
Proportionate share of the net pension liability (assets)	\$ 2,924,007	\$ (2,649,808)	\$ (1,710,364)	\$ (632,963)	\$ 876,208	\$ (8,340,728)	\$ (8,886,223)
Covered-employee payroll	\$ 17,593,253	\$ 18,039,103	\$ 18,435,366	\$ 16,926,547	\$ 14,098,636	\$ 13,284,523	\$ 12,622,522
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	16.620%	-14.689%	-9.278%	-3.739%	6.215%	-62.785%	-70.400%
Plan fiduciary net position as a percentage of the total pension liability	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

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

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of BOCES Contributions
For Year Ended June 30, 2021

NYSERS Pension Plan							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 727,503	\$ 685,436	\$ 625,220	\$ 608,314	\$ 554,016	\$ 583,796	\$ 566,106
Contributions in relation to the contractually required contribution	<u>(727,503)</u>	<u>(685,436)</u>	<u>(625,220)</u>	<u>(608,314)</u>	<u>(554,016)</u>	<u>(583,796)</u>	<u>(566,106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,546,689	\$ 5,179,550	\$ 4,547,841	\$ 4,212,500	\$ 3,765,987	\$ 3,403,815	\$ 3,433,616
Contributions as a percentage of covered-employee payroll	13.12%	13.23%	13.75%	14.44%	14.71%	17.15%	16.49%
NYSTRS Pension Plan							
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 1,776,876	\$ 1,705,091	\$ 1,753,270	\$ 1,658,802	\$ 1,711,591	\$ 1,786,991	\$ 1,914,855
Contributions in relation to the contractually required contribution	<u>(1,776,876)</u>	<u>(1,705,091)</u>	<u>(1,753,270)</u>	<u>(1,658,802)</u>	<u>(1,711,591)</u>	<u>(1,786,991)</u>	<u>(1,914,855)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,593,253	\$ 18,039,103	\$ 18,435,366	\$ 16,926,547	\$ 14,098,636	\$ 13,284,523	\$ 12,622,522
Contributions as a percentage of covered-employee payroll	10.10%	9.45%	9.51%	9.80%	12.14%	13.45%	15.17%

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

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For Year Ended June 30, 2021

<u>REVENUES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001-002	\$ 8,793,822	\$ 8,782,437	\$ 8,777,949	\$ (4,488)
Career and Tech Education 100-199	9,425,114	9,154,206	8,882,212	(271,994)
Instruction for Handicapped 200-299	14,501,928	16,598,357	16,663,062	64,705
Itinerant 300-399	4,051,025	3,501,412	3,503,150	1,738
General Instruction 400-499	9,507,831	6,607,504	6,514,526	(92,978)
Instructional Support 500-599	10,996,166	13,366,877	13,267,428	(99,449)
Other Services 600-699	<u>12,526,526</u>	<u>10,088,173</u>	<u>9,492,051</u>	<u>(596,122)</u>
TOTAL REVENUES	<u>\$ 69,802,412</u>	<u>\$ 68,098,966</u>	<u>\$ 67,100,378</u>	<u>\$ (998,588)</u>

Required Supplementary Information
OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For Year Ended June 30, 2021

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001-002	\$ 8,793,822	\$ 8,782,437	\$ 8,039,356	\$ 18,716	\$ 724,365
Career and Tech Education 100-199	9,425,114	9,154,206	8,369,257	247,310	537,639
Instruction for Handicapped 200-299	14,501,928	16,598,357	15,697,127	212,955	688,275
Itinerant 300-399	4,051,025	3,501,412	3,332,207	20,615	148,590
General Instruction 400-499	9,507,831	6,607,504	6,175,048	140,789	291,667
Instructional Support 500-599	10,996,166	13,366,877	12,589,057	113,983	663,837
Other Services 600-699	<u>12,526,526</u>	<u>10,088,173</u>	<u>8,618,022</u>	<u>59,491</u>	<u>1,410,660</u>
TOTAL EXPENDITURES	<u>\$ 69,802,412</u>	<u>\$ 68,098,966</u>	<u>\$ 62,820,074</u>	<u>\$ 813,859</u>	<u>\$ 4,465,033</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,280,304</u>		

Note to Required Supplementary Information:

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

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021

	Capital Projects <u>Fund</u>	Miscellaneous Special Revenue <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 1,579,358	\$ 66,832	\$ 1,646,190
TOTAL ASSETS	<u>\$ 1,579,358</u>	<u>\$ 66,832</u>	<u>\$ 1,646,190</u>
FUND BALANCE			
Restricted	\$ 1,579,358	\$ 66,832	\$ 1,646,190
TOTAL FUND BALANCE	<u>\$ 1,579,358</u>	<u>\$ 66,832</u>	<u>\$ 1,646,190</u>

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2021

	Capital Projects <u>Fund</u>	Miscellaneous Special Revenue <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
REVENUES			
Interest and earnings	\$ 154	\$ 210	\$ 364
Miscellaneous	-	17,217	17,217
TOTAL REVENUES	\$ 154	\$ 17,427	\$ 17,581
EXPENDITURES			
Other expenses	\$ -	\$ 8,000	\$ 8,000
Capital outlay	1,518,498	-	1,518,498
TOTAL EXPENDITURES	\$ 1,518,498	\$ 8,000	\$ 1,526,498
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	\$ (1,518,344)	\$ 9,427	\$ (1,508,917)
OTHER FINANCING SOURCES (USES)			
Proceeds from installment debt	\$ 1,244,957	\$ -	\$ 1,244,957
TOTAL OTHER FINANCING SOURCES (USES)	\$ 1,244,957	\$ -	\$ 1,244,957
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES			
	\$ (273,387)	\$ 9,427	\$ (263,960)
FUND BALANCE, BEGINNING OF YEAR (restated)			
	1,852,745	57,405	1,910,150
FUND BALANCE, END OF YEAR	\$ 1,579,358	\$ 66,832	\$ 1,646,190

(See Independent Auditors' Report)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
Analysis of Account A431 - School Districts
For Year Ended June 30, 2021

	<u>2021</u>
July 1, 2020 - DEBIT (CREDIT) BALANCE	<u>\$ (6,590,716)</u>
DEBITS:	
Billings to school districts	\$ 65,505,472
Refund of balances made to school districts	7,883,204
Refund of balances made to other BOCES	249,194
Nonspendable - deferred expenditures	132,578
Encumbrances - June 30, 2021	<u>813,859</u>
Total Debits	<u>\$ 74,584,307</u>
TOTAL	<u>\$ 67,993,591</u>
CREDITS:	
Collections from school districts	\$ 65,197,360
Adjustment - credits to school districts - revenues in excess of expenditures	4,280,304
Encumbrances - June 30, 2020	<u>1,302,536</u>
Total Credits	<u>\$ 70,780,200</u>
June 30, 2021 - DEBIT (CREDIT) BALANCE	<u><u>\$ (2,786,609)</u></u>

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF CAPITAL PROJECTS FUND
PROJECT EXPENDITURES AND FINANCING RESOURCES
For Year Ended June 30, 2021

Project Title	Expenditures					Methods of Financing					Fund Balance
	Original	Revised	Prior	Current	Unexpended	Local			Total		
	Appropriation	Appropriation	Years	Year		Total	Obligations	Sources		Transfers	
Waterline project	\$ 333,875	\$ 333,875	\$ 275,769	\$ -	\$ 275,769	\$ 58,106	\$ -	\$ -	\$ 315,746	\$ 315,746	\$ 39,977
BOCES wide project - 2011	35,423,055	35,423,055	35,416,111	-	35,416,111	6,944	-	35,431,465	1,475,020	36,906,485	1,490,374
Boiler	323,000	323,000	452	273,541	273,993	49,007	-	323,000	-	323,000	49,007
Lease Purchase Agreement	1,244,957	1,244,957	-	1,244,957	1,244,957	-	1,244,957			1,244,957	-
TOTAL	\$ 37,324,887	\$ 37,324,887	\$ 35,692,332	\$ 1,518,498	\$ 37,210,830	\$ 114,057	\$ 1,244,957	\$ 35,754,465	\$ 1,790,766	\$ 38,790,188	\$ 1,579,358

(See Independent Auditors' Report)

OSWEGO COUNTY
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2021

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>CFDA</u> <u>Number</u>	<u>Grantor</u> <u>Number</u>	<u>Pass-Through</u> <u>Agency</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
<u>U.S. Department of Education:</u>				
<u>Direct Programs:</u>				
<u>Student Financial Assistance Program Cluster -</u>				
Pell Grant	84.063	12557	N/A	\$ 121,157
Federal Direct Student Loans	84.268	N/A	N/A	152,722
Total Student Financial Assistance Program Cluster				\$ 273,879
<u>Education Stabilization Fund -</u>				
COVID-19 Education Stabilization funds	84.425E	P425E202633	N/A	\$ 19,526
COVID-19 Education Stabilization funds	84.425F	P425F203547	N/A	62,168
COVID-19 Education Stabilization funds	84.425N	P425N200098	N/A	368,459
Total Education Stabilization Fund				\$ 450,153
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Migrant Education - Basic State Formula Grant	84.011	N/A	0035-21-0027	573,783
Migrant Education - Basic State Formula Grant	84.011	N/A	0035-20-0027	136,858
VATEA	84.048	N/A	8000-21-0021	203,785
WIOA Title 2	84.002	N/A	2338-21-3115	99,901
Total U.S. Department of Education				\$ 1,738,359
<u>U.S. Department of Agriculture - Food and Nutrition Services:</u>				
<u>Direct Program:</u>				
DL-RUS - Rural Utilities Service, Distance				
Learning and Telemedicine	10.855	NY 0738-B16	N/A	\$ 229,093
<u>Indirect Programs:</u>				
<u>Passed through NYS Office of Temporary and Disability Insurance -</u>				
State Administrative Matching Grants for the			TDA01-C00264GC-	
Supplemental Nutrition Assistance Program	10.561	N/A	3410000	44,862
Total U.S. Department of Agriculture				\$ 273,955
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 2,012,314

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditors' Report

To the Board Members
Oswego County
Board of Cooperative Educational Services

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

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oswego County Board of Cooperative Educational Services, New York's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oswego County Board of Cooperative Educational Services, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oswego County Board of Cooperative Educational Services, New York's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Oswego County Board of Cooperative Educational Services, New York's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Rochester, New York
October 13, 2021

Mengel, Metzger, Barw & Co. LLP