

**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL**  
**SERVICES**

**BASIC FINANCIAL STATEMENTS**

**For Year Ended June 30, 2019**

**MENGEL METZGER BARR & CO. LLP**  
RAYMOND F. WAGER, CPA, P.C. DIVISION

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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, 2019, 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. 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the BOCES' proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 4–11 and 44–48 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 10, 2019 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 10, 2019

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

**Management's Discussion and Analysis (MD&A)**

**June 30, 2019**

**Introduction**

This section of the audit report provides an overview of the financial activities of the Oswego County Board of Cooperative Educational Services (BOCES), located in Mexico, New York, for the year ended June 30, 2019. It 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 2019 are as follows:

- ! The BOCES governmental fund financial statements report a combined ending fund balance of \$6,051,777 representing an increase of \$300,958 over the prior year. The fund balance is comprised of: \$1,131,156 reserved in the General Fund for purposes of paying prior year obligations along with \$4,249,680 reserved for purposes of aiding the BOCES in long-term planning; \$1,530,044 held in the Capital Fund for construction and renovation; and (\$859,103) in the Special Aid Fund 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 increased by \$219,735, (due mainly to funding of a newly allowed reserve for TRS contributions, offset slightly by use of the CTE equipment reserve to purchase equipment for student programs, and a decrease of funds needing to be carried forward to settle open purchases); Capital Fund increased by \$153; and Special Aid Fund increased by \$81,070 (mainly representing encumbrances in a new grant program for the purchase of a mobile literacy education lab).
  
- ! On the government-wide financial statements, the BOCES' assets are illustrated as being less than its liabilities by \$91,775,168, representing an increase of \$15,423 over the prior year. The large difference between assets and liabilities 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 (\$129,186,675) representing a positive shift of \$7,435,029 over the prior year value of (\$136,621,704). Factors contributing to the decrease include a levelling off of staffing and new programs being initiated at the request of component districts, as well as net favorable adjustments to the actuarial assumptions for factors such as inflation, wage growth, salary increases including wage inflation, discount rates, Medicare and pre-Medicare factors, predicted plan election at time of retirement, mortality rates, termination/retirement rates and medical trend rates. Without this requirement impacting the financial statements, total net position would be \$37,411,507. This represents an increase of \$5,844,848 over the prior year, attributed to \$6,543,938 of net increases in deferred inflows and outflows of resources from the BOCES' allocated share of the pension liabilities for state retirement systems, and net decreases of \$699,090, due to depreciation, taking on additional installment purchase debt on behalf of component districts, and increased liabilities for ERS pension and compensated absences.

**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 contain 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 could serve as a possible indicator of whether the financial position of the BOCES is improving or deteriorating.
- ! The *statement of activities* presents information showing how the government's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.
- ! The *governmental activities* of the BOCES include administration, career & tech education, instruction for the handicapped, itinerant services, general instruction, instructional support, other services, cost of food sales (if applicable) and depreciation.

The government-wide financial statements can be found on the pages immediately following this section as the first few 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, School Store 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, the Special Aid Fund, and at this time, the Capital 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 illustrate end-of-year actual revenue and expenditure variances from the original budget.
- ! The *Fiduciary Funds* are used to account for assets held on behalf of others by the BOCES in an agency capacity. 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 statements section of this report.

**Government-Wide Financial Analysis**

As noted earlier, observing the Net Position over time could serve as a possible indicator of the BOCES' financial position. As of June 30, 2019 the government-wide financial statements illustrate the BOCES assets as being less than its liabilities by \$91,775,168.

**Net Position**

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 27,578,582	\$ 23,029,816
Non-Current Capital Assets	40,729,279	40,888,237
Deferred Outflow of Resources	22,174,192	9,931,285
Total Assets & Deferred Resources	<u>\$ 90,482,053</u>	<u>\$ 73,849,338</u>
Current Liabilities	\$ 18,880,219	\$ 15,702,349
Long-term Liabilities	134,482,294	140,735,740
Deferred Inflow of Resources	28,894,708	9,201,840
Total Liabilities & Deferred Resources	<u>\$ 182,257,221</u>	<u>\$ 165,639,929</u>
Net Position:		
Investment in Capital Assets, Net of Related Debt	\$ 38,373,167	\$ 38,946,852
Restricted for Capital Projects	1,530,044	1,548,020
Restricted for Other Purposes	4,249,680	3,985,908
Unrestricted	<u>(135,928,059)</u>	<u>(136,271,371)</u>
Total Net Position	<u>\$ (91,775,168)</u>	<u>\$ (91,790,591)</u>

The largest component of the BOCES' Net Position in the amount of \$38,373,167 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 \$1,530,044 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 \$4,249,680 represents the total amount of reserve funds held by BOCES. The remaining balance of Net Position totalling (\$135,928,059) is considered unrestricted. As evident in the table, this category moved in a positive direction by \$343,312 over last year. The overall negative value is attributed to the GASB-75 requirement of representing actuarially estimated liabilities for post-employment health insurance benefits, and the slight positive movement due to some favorable changes in actuarial assumptions for medical trend rates.

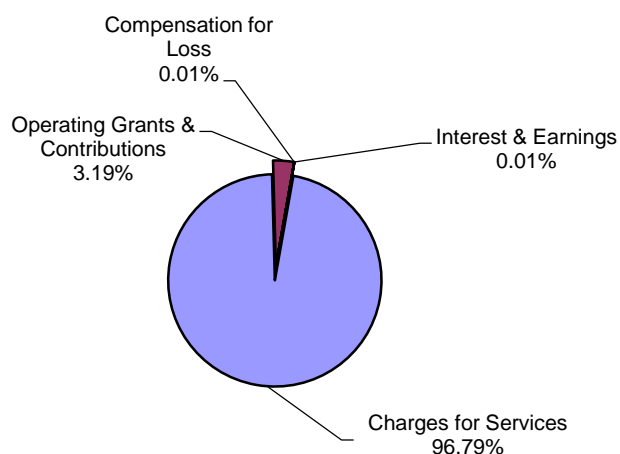


As illustrated in the table to follow, the aggregate change in Net Position was fairly static at \$15,423. However there were some large underlying factors, including large increases of nearly \$4.3m in cash and receivable assets as well as about \$12.2m of increases in deferred outflows of OPEB resources. These were offset by nearly \$16.6m of liability increases for deferred inflows of OPEB resources, nearly netting out all gains, except for \$15,423. Additionally as observed in the table, the overall up-swells in both revenues and expenses were due to increases in general fund activity for programs/services initiated at the request of component and other districts across the state.

### Activities and Changes in Net Position

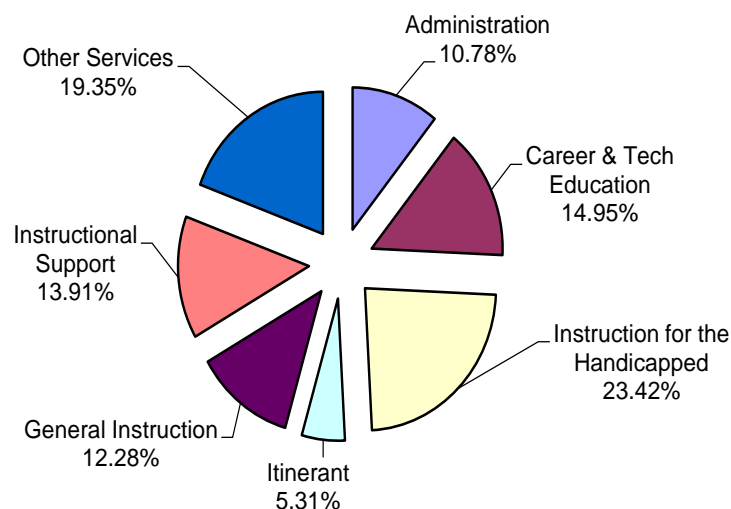
Revenues:	<u>2019</u>	<u>2018</u>
Program Revenues		
Charges for Services	\$ 65,690,332	\$ 58,800,065
Operating Grants and Contributions	2,162,950	2,324,771
Total Program Revenues	<u>\$ 67,853,282</u>	<u>\$ 61,124,836</u>
General Revenues		
Investment Earnings	\$ 6,204	\$ 3,196
Compensation for loss	4,624	5,454
Total General Revenues	<u>\$ 10,828</u>	<u>\$ 8,650</u>
Total Revenues	<u>\$ 67,864,110</u>	<u>\$ 61,133,486</u>
Program Expenses		
Administration	\$ 7,314,435	\$ 7,347,331
Career & Tech Education	10,142,629	9,756,606
Instruction for the Handicapped	15,890,069	16,485,891
Itinerant Services	3,604,313	3,896,020
General Instruction	8,328,670	8,786,224
Instructional Support	9,438,425	9,212,568
Other Services	13,130,146	9,321,204
Total Expenses	<u>\$ 67,848,687</u>	<u>\$ 64,805,844</u>
Change in Net Position	\$ 15,423	\$ (3,672,358)
Net Position, Beginning of Year	(91,790,591)	(88,118,233)
Net Position, End of Year	<u>\$ (91,775,168)</u>	<u>\$ (91,790,591)</u>

*Sources of Revenue for Fiscal Year 2019 - Governmental Activities*



The pie chart clearly illustrates heavy reliance on services to school districts as the primary revenue source (almost 97% of total revenues). The BOCES also utilizes operating grants and contributions from the federal, state and other local governments, which represented just over 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 decreased from the prior year due to grant funding reductions enacted at the state level.

*Program Expenses for Fiscal Year 2019 -Governmental Activities*



As noted in this graph, the BOCES' Exceptional (Special) Education programs account just under 24%, or close to one-quarter 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 just under 15% 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 also work collaboratively with business/industry partners to obtain feedback about skills students will need for success in the evolving workplace.

Instructional Support represents just under 14% 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: training for teachers, statistical analysis & planning, acquisition of equipment or supplies, duplication of materials, library support, and technology hardware and software support.

Other Services represent just under 20%, or about one-fifth of expenditures, also driven by the level of district service requests. These include management support type services to the business, managerial and non-instructional aspects of school district operations such as Cooperative Purchasing, Safety & Risk Management, and Substitute Teacher Coordination. This category increased significantly over last year (by \$3.8m or nearly 41%), due to the implementation of a new Third Party Review service to assist the NYS Education Department with review of capital project plans and specs.

**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 \$6,051,777, an increase of \$300,958 over the prior year. Of the total combined fund balances, \$1,530,044 constitutes fund balance in the Capital fund, intended to fund capital improvement work. Additionally, (\$859,103) represents fund balance in the Special Aid fund. This negative amount was caused 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 the programs were in operation and all eligible outstanding revenue allowed by law has been recouped from the County of Oswego. However, as illustrated by the fund balance figure, a significant deficit still remains and there is no known legal mechanism for BOCES to recoup revenue.

It is worth reiterating that in order to avoid accumulation of ongoing deficits, BOCES permanently ceased operation of its preschool programs during the 2010-11 school year and assisted the County of Oswego in transitioning programs to private providers. Oswego is not the only BOCES in this situation and as they occur, is participating in conversations with state officials and other BOCES 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 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 of \$1,131,156; liability, casualty, and other types of losses of \$469,645; unemployment insurance of \$550,465; employee post-employment benefits of \$955,731; retirement contribution of \$1,469,430 to assist with required employer contributions toward the retirement benefits of employees belonging to the New York State Employees Retirement System; and an equipment reserve in the amount of \$509,409, used to set aside funds toward the purchase of new or replacement equipment for the Career & Technical Education (CTE) program. This program offers courses in the trades, some of which require expensive equipment items (i.e.: backhoe, loader, dump truck, simulators, large scale kitchen equipment, etc.). The BOCES also added and funded a new reserve this year in the amount of \$295,000 in accordance with the newly amended section 6-r of General Municipal Law. Schools and BOCES are now authorized to reserve funds to assist with required employer contributions toward the retirement benefits of employees belonging to the New York State Teachers Retirement System.

### **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 \$5,380,836, which represents an increase of \$219,735 from the prior year. As previously mentioned, these funds have been set aside in reserves to assist with long-term financial planning for the BOCES. The overall rise is attributed mainly to the addition of a new reserve in the amount of \$295,000, which as previously mentioned, was newly authorized by law to assist employers with mandated costs for the NYS Teachers Retirement System.

Net of amounts carried over from the prior year, the final aggregate expenditures & encumbrances for the General Fund came in approximately \$4.3m less than originally budgeted. The net savings is mainly attributed to favorable variances in the BOCES self-funded health insurance plan. This was due to two factors: (a) enrolled population was significantly healthier than in the prior year, and (b) the third-party administrator of the BOCES plan was bought-out by a national company, resulting in more favorable discount networks driving deeper savings on medical services. In addition, there were also savings realized in contractual areas of utilities as a result of a milder than anticipated winter, and not needing to add two additional class sections in a contract for intensive therapeutic counselling due to lower enrollments. Other minor savings were realized due to a number of variables including attrition, positions not being needed, and offsets from Medicaid reimbursements for the intensive therapeutic program. Other miscellaneous underspends were also realized in supplies, use of consultants & service/repair contracts, staff conference & travel expenses, and lower than anticipated utilization of contingencies for employee benefits such as FICA, retirement system payments, and contractually negotiated payments for tuition reimbursements and compensated absences at the time of retirement.

In addition to the savings discussed above, the BOCES realized greater revenues of just under \$2.7m more than were anticipated during budget development. This is attributed to: (a) receipt of federal e-rate program reimbursements and prior year refunds from other BOCES on behalf of component school districts in the combined amount of just under \$1m; (b) significantly increased enrollments in two exceptional education programs than was originally anticipated, resulting in overall net increases in tuition and service revenue of about \$1.4m, and (c) increased utilization from districts for cross-contract participation with other BOCES was up by about \$300,000. Given these factors, the overall year-end revenues exceeded expenditures and encumbrances by just under \$7m. In accordance with Education Law, this balance is to be refunded to school districts as a surplus distribution during the next fiscal year.

### Capital Assets

As of June 30, 2019 the BOCES had \$40,729,279 in total capital assets, net of accumulated depreciation. This represents a decrease of \$158,958 from the prior year. These assets are invested in a range of categories including land, buildings, capital improvement work in progress, and machinery & equipment. The change in capital assets net of accumulated depreciation is reflected in the following chart.

<u>Class</u>	<u>2019</u>	<u>2018</u>
Land	\$ 312,500	\$ 312,500
Other Capital Assets	40,416,779	40,575,737
Total Capital Assets, net of Accumulated depreciation	<u>\$ 40,729,279</u>	<u>\$ 40,888,237</u>

The drop illustrated in the “Other Capital Assets” category is attributed to depreciation as well as an increase in disposals of aged assets during the school year.

### Long- Term and Revenue Anticipation Note Obligations

As of June 30, 2019, the BOCES had outstanding Long-term obligations, as follows:

	<u>2019</u>	<u>2018</u>
Installment Purchase Debt	\$ 824,112	\$ 262,256
Energy Perform. Contract	\$ 1,532,000	\$ 1,661,000
Compensated Absences	1,770,940	1,692,367
Net Pension Liability	1,168,567	498,413
OPEB	129,186,675	136,621,704
Total	<u>\$ 134,482,294</u>	<u>\$ 140,735,740</u>

The increase in Installment Purchase Debt is a result of technology equipment purchases newly facilitated by BOCES on behalf of two component school districts. A contract exists with the district which obligates them to the annual installment debt payments. The Energy Performance Contract (EPC) item represents liabilities to pay for energy efficiency work pursued in conjunction with the previous renovation project. In keeping with the intent of EPC’s, there is no local cost experienced relative to this work as the energy savings along with the state aid is projected to more than offset the costs of the annual lease payment. Full recouping of the obligation is projected over a period of 18 years, and fiscal energy savings will be rendered thereafter in perpetuity. The decrease in this line represents the reduction of debt by one annual payment for last year.

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 by \$78,573, due to net upticks in accumulated leave balances as a result of more recent staff hires aging into the threshold thereby increasing personal leave time balances attributed to this calculation. These increases are somewhat tempered by use of days by active staff during the course of the school year, but still net to an increase.

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. The figures supplied this year by the systems as the net pension liabilities for BOCES, based on their actuarial assumptions regarding fund performance, are as follows: NYSERS estimates a liability of (\$1,168,567), and NYSTRS estimates an asset of \$1,710,364, for a combined total net asset of \$541,797.

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 estimated at \$129,186,675, the decrease being due to favorable changes in actuarial assumptions for medical trend rates.

## **Factors bearing on the BOCES' future**

### Declining Enrollment

Oswego County school districts have been experiencing steady annual declines in student population for almost two decades. From school years 1998-99 to 2018-19, the Resident Weighted Average Daily Attendance (RWADA) factor has dropped by 7,514 units from 27,162 to 19,648. This reduction represents a 27.7% decline over this period, but it is important to note that this does not 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 & economic forces and student choice. However, continued countywide enrollment decline is a factor that could produce an impact.

### Evidence of Program Expansion

BOCES experienced increases in participation and enrollments in many of its programs and services this past year. Some of these appear to be trending upward on a consistent basis. Furthermore, the trend of services provided to districts in other regions through cross contracts has also been moving upward. Expansion of student programs in county, and services out-of-county not only benefits the recipients of those services, but also strengthens the BOCES with greater enrollment and revenue.

### Other Legislative Indicators

Factors such as trends in the New York State budget that minimizes fiscal aid to schools as well as legislation limiting the amount of tax revenues school districts can levy, continue to shape the fiscal landscape and impacting district decisions. Revenue limitations experienced by districts could play themselves out in two ways: (a) districts could choose to pull-back on shared services, or (b) districts could migrate more strongly toward shared services as an alternative to funding programs on their own. Another key factor is that New York State provides incentives of partial reimbursement for districts to participate in shared services (i.e.: BOCES Aid), which is generated from expenditures on many activities shared through BOCES. This may cause districts to expend [their limited] resources in this manner to maximize state aid. Pursuing services that maintain programs for students and drive additional dollars to districts may result in an upswing in BOCES operations, even in the face of challenging fiscal conditions for districts.

## **Requests for Information**

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

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, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,618,854
Accounts receivable	13,249,364
Long term net pension asset	1,710,364
<b>Capital Assets:</b>	
Land	312,500
Other capital assets (net of depreciation)	40,416,779
<b>TOTAL ASSETS</b>	<b><u>\$ 68,307,861</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow of resources	<u>\$ 22,174,192</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 940,156
Accrued liabilities	50,579
Unearned revenue	1,680,192
Due to other governments	50,143
State aid due to districts	11,356,546
Due to school districts	2,628,243
Due to teachers' retirement system	1,957,836
Due to employees' retirement system	216,524
<b>Long-Term Obligations:</b>	
Due in one year	1,540,671
Due in more than one year	132,941,623
<b>TOTAL LIABILITIES</b>	<b><u>\$ 153,362,513</u></b>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred inflow of resources	<u>\$ 28,894,708</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 38,373,167
<b>Restricted For:</b>	
Capital projects	1,530,044
CTE equipment reserve	509,409
TRS Reserve	295,000
Retirement contribution reserve	1,469,430
Unemployment reserve	550,465
Accrued benefit liability reserve	955,731
Liability reserve	469,645
Unrestricted	(135,928,059)
<b>TOTAL NET POSITION</b>	<b><u>\$ (91,775,168)</u></b>

(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, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b>Primary Government -</b>				
Administration	\$ 7,314,435	\$ 7,347,551	\$ -	\$ 33,116
Career & tech education	10,142,629	9,073,802	445,408	(623,419)
Instruction for the handicapped	15,890,069	14,959,542	432,216	(498,311)
Itinerant services	3,604,313	2,676,738	-	(927,575)
General instruction	8,328,670	7,784,557	845,232	301,118
Instructional support	9,438,425	9,814,566	431,753	807,895
Other services	13,130,146	14,033,576	8,341	911,771
<b>Total Primary Government</b>	<b><u>\$ 67,848,687</u></b>	<b><u>\$ 65,690,332</u></b>	<b><u>\$ 2,162,950</u></b>	<b><u>\$ 4,595</u></b>
<b>General Revenues:</b>				
Interest and Earnings				\$ 6,204
Sale of property and compensation for loss				4,624
<b>Total General Revenues</b>				<b><u>\$ 10,828</u></b>
Changes in Net Position				\$ 15,423
<b>Net Position, Beginning of Year</b> (restated)				<u>(91,790,591)</u>
<b>Net Position, End of Year</b>				<b><u>\$ (91,775,168)</u></b>

**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,801,339	\$ 287,471	\$ 1,530,044	\$ 12,618,854
Receivables	12,114,569	1,134,795	-	13,249,364
Due from other funds	243,891	-	-	243,891
<b>TOTAL ASSETS</b>	<b><u>\$ 23,159,799</u></b>	<b><u>\$ 1,422,266</u></b>	<b><u>\$ 1,530,044</u></b>	<b><u>\$ 26,112,109</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b><u>Liabilities</u> -</b>				
Accounts payable	\$ 867,202	\$ 72,954	\$ -	\$ 940,156
Accrued liabilities	963,564	23,237	-	986,801
Due to other funds	-	243,891	-	243,891
Due to other governments	-	50,143	-	50,143
State aid due to districts	11,356,546	-	-	11,356,546
Due to districts	2,628,243	-	-	2,628,243
Due to TRS	1,753,270	204,566	-	1,957,836
Due to ERS	210,138	6,386	-	216,524
Unearned revenues	-	1,680,192	-	1,680,192
<b>TOTAL LIABILITIES</b>	<b><u>\$ 17,778,963</u></b>	<b><u>\$ 2,281,369</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 20,060,332</u></b>
<b><u>Fund Balances</u> -</b>				
Restricted	\$ 4,249,680	\$ -	\$ 1,530,044	\$ 5,779,724
Assigned	1,131,156	59,696	-	1,190,852
Unassigned	-	(918,799)	-	(918,799)
<b>TOTAL FUND BALANCE</b>	<b><u>\$ 5,380,836</u></b>	<b><u>\$ (859,103)</u></b>	<b><u>\$ 1,530,044</u></b>	<b><u>\$ 6,051,777</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 23,159,799</u></b>	<b><u>\$ 1,422,266</u></b>	<b><u>\$ 1,530,044</u></b>	

**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. 40,729,279

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

OPEB	(129,186,675)
Compensated absences	(834,718)
Energy performance contract & Installment purchase debt	(2,356,112)
Net pension asset	1,710,364
Deferred outflow of resources - pension	9,902,475
Deferred outflow of resources - OPEB	12,271,717
Net pension liability	(1,168,567)
Deferred inflow of resources - pension	(3,358,537)
Deferred inflow of resources - OPEB	(25,536,171)
<b>Net Position of Governmental Activities</b>	<b><u>\$ (91,775,168)</u></b>



**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For Year Ended June 30, 2019**

	<b>General Fund</b>	<b>Special Aid Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Charges for services	\$ 2,503	\$ 797,837	\$ -	\$ 800,340
Charges to components	58,658,938	1,475,738	-	60,134,676
Charges to non-components and other BOCES	4,158,891	120,834	-	4,279,725
Interest and earnings	1,267	-	153	1,420
Sale of property and compensation for loss	4,624	-	-	4,624
Miscellaneous	1,748,511	5,702,254	-	7,450,765
State sources	-	1,038,770	-	1,038,770
Federal sources	-	1,124,180	-	1,124,180
<b>TOTAL REVENUES</b>	<b>\$ 64,574,734</b>	<b>\$ 10,259,613</b>	<b>\$ 153</b>	<b>\$ 74,834,500</b>
<b>EXPENDITURES</b>				
Administration	\$ 7,389,550	\$ -	\$ -	\$ 7,389,550
Career and tech education	8,226,051	1,444,096	-	9,670,147
Instruction for the handicapped	13,964,777	1,740,385	-	15,705,162
Itinerant services	2,773,106	867,110	-	3,640,216
General instruction	7,757,176	432,205	-	8,189,381
Instructional support	9,858,991	282,802	-	10,141,793
Other services	7,673,946	5,411,945	-	13,085,891
Capital outlay	-	-	1,041,070	1,041,070
<b>TOTAL EXPENDITURES</b>	<b>\$ 57,643,597</b>	<b>\$ 10,178,543</b>	<b>\$ 1,041,070</b>	<b>\$ 68,863,210</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 6,931,137</b>	<b>\$ 81,070</b>	<b>\$ (1,040,917)</b>	<b>\$ 5,971,290</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from installment debt	\$ -	\$ -	\$ 1,041,070	\$ 1,041,070
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,041,070</b>	<b>\$ 1,041,070</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 6,931,137</b>	<b>\$ 81,070</b>	<b>\$ 153</b>	<b>\$ 7,012,360</b>
<b>OTHER CHANGES IN FUND BALANCE</b>				
Surplus to be distributed	(6,975,174)	-	-	(6,975,174)
Net insurance reserve transactions	295,000	-	-	295,000
Net unemployment reserve transactions	678	-	-	678
Net capital reserve transactions	(76,370)	-	-	(76,370)
Net retirement contribution reserve transactions	1,770	-	-	1,770
Net EBALR reserve transactions	42,110	-	-	42,110
Net liability retention transactions	584	-	-	584
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>5,161,101</b>	<b>(940,173)</b>	<b>1,529,891</b>	<b>5,750,819</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 5,380,836</b>	<b>\$ (859,103)</b>	<b>\$ 1,530,044</b>	<b>\$ 6,051,777</b>

(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 to Statement of Activities**  
**For Year Ended June 30, 2019**

**NET CHANGE IN FUND BALANCES -**  
**TOTAL GOVERNMENTAL FUNDS** \$ 300,958

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 exceeded depreciation in the current period:

Capital Outlay	\$ 1,041,070	
Addition of Assets, Net	713,919	
Depreciation	<u>(1,913,947)</u>	(158,958)

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

Debt Repayments	\$ 608,214	
Proceeds from Debt Issuance	<u>(1,041,070)</u>	(432,856)

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. (146,312)

(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		625,407
Employees' Retirement System		(86,780)

In the Statement of Activities, vacation pay, teachers' retirement incentives 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>(86,036)</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 15,423**

**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 60,770	\$ 2,506,452
Accounts receivable	-	380
<b>Total Assets</b>	<u>\$ 60,770</u>	<u>\$ 2,506,832</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 504,898
Student activity balance	-	28,494
Other liabilities	-	23,901
Other liabilities - health, dental, vision	-	1,949,539
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 2,506,832</u>
<b>Net Assets</b>		
Restricted for scholarships	\$ 60,770	
<b>Total Net Assets</b>	<u>\$ 60,770</u>	

**Statement of Changes in Fiduciary Net Position**  
**Year Ended June 30, 2019**

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest and earnings	\$ 101
Donations	500
<b>Deductions</b>	
Scholarships and other trust expenses	<u>(1,500)</u>
<b>Change in Net Assets</b>	\$ (899)
<b>Net Assets, Beginning of Year</b>	<u>61,669</u>
<b>Net Assets, End of Year</b>	<u>\$ 60,770</u>

(See accompanying notes to financial statements)

**OSWEGO COUNTY**

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**Notes To The Basic Financial Statements**

**June 30, 2019**

**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.

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

b. **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:

**Private Purpose Trust Funds** - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.

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

**( I. ) (Continued)**

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

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

**D. Restricted Resources**

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

**E. Interfund Transactions**

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

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

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

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

**F. Estimates**

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

**( I. ) (Continued)**

**G. Cash and Cash Equivalents**

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

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

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



( I. ) (Continued)

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

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

**K. Unearned Revenue**

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

**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. The BOCES may have three items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. Second is the BOCES contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

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. The BOCES has one item that is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense.

**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.

**( I. ) (Continued)**

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.

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.

( I. ) (Continued)

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 and is deemed to be available for general use by the BOCES.

2. **Fund Statements**

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

a. **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.

( I. ) (Continued)

**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.

**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:

**General Fund -**

CTE Equipment Reserve	\$	509,409
Employee Benefit Accrued Liability		955,731
Liability		469,645
Retirement Contribution - ERS		1,469,430
Retirement Contribution - TRS		295,000
Unemployment		550,465

**Capital Fund -**

Waterline Project		39,977
BOCES-wide Project-2011		1,490,067
<b>Total Restricted Funds</b>	<b>\$</b>	<b><u>5,779,724</u></b>

b. **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.

( I. ) (Continued)

Significant encumbrances for the general fund, management has determined are amounts in excess of \$84,000 which are summarized below:

- \$498,143 for Career and Technical Education
- \$268,352 for Instruction for the Handicapped
- \$173,521 for Itinerant Services

Assigned fund balances include the following:

General Fund - Encumbrances	\$ 1,131,156
Special Aid Fund - Year End Equity	59,696
<b>Total Assigned Fund Balance</b>	<b><u><u>\$ 1,190,852</u></u></b>

c. **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, 2019, the BOCES implemented the following new standards issued by GASB:

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will be effective for reporting periods beginning after June 15, 2019.

**( I. ) (Continued)**

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after December 15, 2019.

**R. Future Changes in Accounting Standards**

GASB has issued Statement 84, *Fiduciary Activities*, which will be effective for the periods beginning after December 15, 2018.

GASB has issued Statement 87, *Leases*, which will be effective for the periods beginning after December 15, 2019.

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, 2019.

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, 2018.

GASB has issued statement No. 91, *Conduit Debt Obligations*, which will be effective for reporting periods beginning after December 15, 2020.

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. 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.

**( II. ) (Continued)**

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, 2019 of \$91,775,168. 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 \$129,186,675 at June 30, 2019. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

**C. Deficit Fund Balances – Special Aid Fund**

The Pre-school/Summer School program reports a deficit fund balance totaling \$1,184,422. As a result of this program deficit, the overall fund balance of the Special Aid Fund reports a deficit of \$859,103. The BOCES has decided to transition the Pre-school program to a private sector and is working to enhance the health occupations program.

**III. 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.

**( III. ) (Continued)**

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	16,117,838
Collateralized within Trust department or agent	<u>1,280,044</u>
<b>Total</b>	<b><u><u>\$ 17,397,882</u></u></b>

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 \$5,779,724 within the governmental funds and \$60,770 in the fiduciary funds.

**IV. Receivables**

Receivables at June 30, 2019 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	\$ 253,125	\$ 237,509	\$ 490,634
Accounts Receivable - Agency Funds	504,898	-	504,898
Due From State and Federal	11,356,546	897,286	12,253,832
<b>Total</b>	<b><u><u>\$ 12,114,569</u></u></b>	<b><u><u>\$ 1,134,795</u></u></b>	<b><u><u>\$ 13,249,364</u></u></b>

**V. Interfund Receivables and Payables**

Interfund Receivables and Payables at June 30, 2019 were as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 243,891	\$ -
Special Aid Fund	-	243,891
<b>Total government activities</b>	<b><u><u>\$ 243,891</u></u></b>	<b><u><u>\$ 243,891</u></u></b>

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.



## VI. Capital Assets

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>
<b><u>Governmental Activities:</u></b>				
<b><u>Capital assets that are not depreciated -</u></b>				
Land	\$ 312,500	\$ -	\$ -	\$ 312,500
<i>Total Nondepreciable</i>	<u>\$ 312,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 312,500</u>
<b><u>Capital assets that are depreciated -</u></b>				
Buildings and improvements	\$ 44,742,832	\$ -	\$ -	\$ 44,742,832
Machinery and equipment	4,986,741	1,754,989	(341,606)	6,400,124
<i>Total Depreciated Assets</i>	<u>\$ 49,729,573</u>	<u>\$ 1,754,989</u>	<u>\$ (341,606)</u>	<u>\$ 51,142,956</u>
<b><u>Less accumulated depreciation -</u></b>				
Buildings and improvements	\$ 6,191,465	\$ 1,043,518	\$ -	\$ 7,234,983
Machinery and equipment	2,962,371	870,429	(341,606)	3,491,194
<i>Total accumulated depreciation</i>	<u>\$ 9,153,836</u>	<u>\$ 1,913,947</u>	<u>\$ (341,606)</u>	<u>\$ 10,726,177</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 40,575,737</u>	<u>\$ (158,958)</u>	<u>\$ -</u>	<u>\$ 40,416,779</u>
<b>Total Capital Assets</b>	<b><u>\$ 40,888,237</u></b>	<b><u>\$ (158,958)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 40,729,279</u></b>

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

<b><u>Governmental Activities:</u></b>	
Administration	\$ 59,839
Career and Tech Education	768,318
Instruction for the Handicapped	596,152
Itinerant Services	35,260
General Instruction	342,171
Instructional Support	92,919
Other Services	19,288
<b>Total Depreciation Expense</b>	<b><u>\$ 1,913,947</u></b>

## VII. Long-Term Debt Obligations

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

<u>Governmental Activities:</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>	<u>Due Within</u> <u>One Year</u>
<b><u>Bonds and Notes Payable -</u></b>					
Installment Purchase Debt	\$ 262,256	\$ 1,041,070	\$ 479,214	\$ 824,112	\$ 472,449
Energy Performance Contracts	1,661,000	-	129,000	1,532,000	132,000
<b>Total Bonds and Notes Payable</b>	<u>\$ 1,923,256</u>	<u>\$ 1,041,070</u>	<u>\$ 608,214</u>	<u>\$ 2,356,112</u>	<u>\$ 604,449</u>
<b><u>Other Liabilities -</u></b>					
Compensated Absences	\$ 1,692,367	\$ 78,573	\$ -	\$ 1,770,940	\$ 936,222
Net Pension Liability	498,413	670,154	-	1,168,567	-
OPEB Liability	136,621,704	-	7,435,029	129,186,675	-
<b>Total Other Liabilities</b>	<u>\$ 138,812,484</u>	<u>\$ 748,727</u>	<u>\$ 7,435,029</u>	<u>\$ 132,126,182</u>	<u>\$ 936,222</u>
<b>Total Long-Term Obligations</b>	<b><u>\$ 140,735,740</u></b>	<b><u>\$ 1,789,797</u></b>	<b><u>\$ 8,043,243</u></b>	<b><u>\$ 134,482,294</u></b>	<b><u>\$ 1,540,671</u></b>

Additions and deletions are shown net.

( VII. ) (Continued)

<u>Description</u>	<u>Original Amount</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Amount Outstanding 6/30/2019</u>
Energy Performance Contract	\$ 2,023,910	2014	2029	3.28%	\$ 1,532,000
Installment Purchase Debt	\$ 394,776	2018	2021	2.87%	132,983
Installment Purchase Debt	\$ 841,110	2018	2021	3.25%	560,593
Installment Purchase Debt	\$ 199,960	2019	2021	5.10%	130,536
					<u>\$ 2,356,112</u>

The following is a summary of debt service requirements:

<u>Year</u>	<u>Energy Performance Contract</u>		<u>Installment Purchase</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 132,000	\$ 48,085	\$ 472,449	\$ 28,665
2021	137,000	43,673	351,663	12,652
2022	141,000	39,114	-	-
2023	146,000	34,407	-	-
2024	150,000	29,553	-	-
2025-29	826,000	69,438	-	-
<b>Total</b>	<b>\$ 1,532,000</b>	<b>\$ 264,270</b>	<b>\$ 824,112</b>	<b>\$ 41,317</b>

**VIII. Deferred Inflows/Outflows of Resources**

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

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Pension	\$ 3,358,537	\$ 9,902,475
OPEB	25,536,171	12,271,717
<b>Total</b>	<b>\$ 28,894,708</b>	<b>\$ 22,174,192</b>

**IX. 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.

( IX. ) (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](http://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](http://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, 2019:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2019	\$ 625,220	\$ 1,753,270

( IX. ) (Continued)

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

At June 30, 2019, 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, 2019 for ERS and June 30, 2018 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, 2019	June 30, 2018
Net pension assets/(liability)	\$ (1,168,567)	\$ 1,710,364
District's portion of the Plan's total net pension asset/(liability)	0.0164928%	0.094586%

For the year ended June 30, 2019, the BOCES recognized pension expenses of \$773,514 for ERS and \$1,182,723 for TRS. At June 30, 2019 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 expended and actual experience	\$ 230,115	\$ 1,278,141	\$ 78,444	\$ 231,521
Changes of assumptions	293,730	5,978,845	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	299,919	1,898,634
Changes in proportion and differences between the District's contributions and proportionate share of contributions	97,774	-	20,935	829,084
Subtotal	<u>\$ 621,619</u>	<u>\$ 7,256,986</u>	<u>\$ 399,298</u>	<u>\$ 2,959,239</u>
District's contributions subsequent to the measurement date	<u>216,524</u>	<u>1,807,346</u>	<u>-</u>	<u>-</u>
<b>Grand Total</b>	<b><u><u>\$ 838,143</u></u></b>	<b><u><u>\$ 9,064,332</u></u></b>	<b><u><u>\$ 399,298</u></u></b>	<b><u><u>\$ 2,959,239</u></u></b>

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

( IX. ) (Continued)

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2019	\$ -	\$ 1,569,671
2020	265,948	1,019,263
2021	(206,894)	(21,934)
2022	(1,521)	1,015,234
2023	164,788	655,924
2024	-	59,589
Thereafter	-	-
<b>Total</b>	<b>\$ 222,321</b>	<b>\$ 4,297,747</b>

**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, 2019	June 30, 2018
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	7.00%	7.25%
Salary scale	4.20%	4.72%-1.90%
Decrement tables	April 1, 2010- March 31, 2015 System's Experience	July 1, 2009- June 30, 2014 System's Experience
Inflation rate	2.50%	2.25%
COLA's	1.30%	1.50%

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-2014. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale AA.

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 each 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 are summarized as follows:

( IX. ) (Continued)

<b>Long Term Expected Rate of Return</b>		
	<b><u>ERS</u></b>	<b><u>TRS</u></b>
Measurement date	March 31, 2019	June 30, 2018
<b><u>Asset Type -</u></b>		
Domestic equity	4.55%	5.80%
International equity	6.35%	7.30%
Global equity	0.00%	6.70%
Private equity	7.50%	8.90%
Real estate	5.55%	4.90%
Absolute return strategies *	3.75%	0.00%
Opportunistic portfolios	5.68%	0.00%
Real assets	5.29%	0.00%
Bonds and mortgages	1.31%	0.00%
Cash	-0.25%	0.00%
Inflation-indexed bonds	1.25%	0.00%
Private debt	0.00%	6.80%
Real estate debt	0.00%	2.80%
High-yield fixed income securities	0.00%	3.50%
Domestic fixed income securities	0.00%	1.30%
Global fixed income securities	0.00%	0.90%
Short-term	0.00%	0.30%

The real rate of return is net of the long-term inflation assumption of 2.5% for ERS and 2.3% for TRS.

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

**F. Discount Rate**

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% 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.

( IX. ) (Continued)

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

The following presents the BOCES' proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and 7.25% for TRS, as well as what the BOCES' proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6% for ERS and 6.25% for TRS ) or 1-percentagepoint higher (8% for ERS and 8.25% for TRS) than the current rate :

	<b>1% Decrease <u>(6%)</u></b>	<b>Current Assumption <u>(7%)</u></b>	<b>1% Increase <u>(8%)</u></b>
<b><u>ERS</u></b>			
Employer's proportionate share of the net pension asset (liability)	\$ (5,109,162)	\$ (1,168,567)	\$ 2,141,812
	<b>1% Decrease <u>(6.25%)</u></b>	<b>Current Assumption <u>(7.25%)</u></b>	<b>1% Increase <u>(8.25%)</u></b>
<b><u>TRS</u></b>			
Employer's proportionate share of the net pension asset (liability)	\$ (11,750,480)	\$ 1,710,364	\$ 12,986,811

**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:

	<b>(In Thousands)</b>	
	<b><u>ERS</u></b>	<b><u>TRS</u></b>
Measurement date	March 31, 2019	June 30, 2018
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253
Plan net position	182,718,124	119,915,517
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>
Ratio of plan net position to the employers' total pension asset/(liability)	96.27%	101.53%

**I. Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$210,138.

( IX. ) (Continued)

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 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, 2019 amounted to \$1,753,270.

**X. 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, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	334
Active Employees	<u>369</u>
<b>Total</b>	<b><u>703</u></b>

**B. Total OPEB Liability**

The BOCES' total OPEB liability of \$129,186,675 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount Rate	3.51%
Health Care Cost Trends	5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2075



( X. ) (Continued)

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-2014.

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

Balance at June 30, 2018	<u>\$ 136,621,704</u>
<u>Changes for the Year -</u>	
Service cost	\$ 2,542,364
Interest	5,296,148
Differences between expected and actual experience	14,726,060
Changes in assumptions or other inputs	(25,329,901)
Benefit payments	<u>(4,669,700)</u>
Net Changes	<u>\$ (7,435,029)</u>
<b>Balance at June 30, 2019</b>	<b><u>\$ 129,186,675</u></b>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87 percent in 2018 to 3.51 percent in 2019.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.51 percent) or 1-percentage-point higher (4.51 percent) than the current discount rate:

	<b>1% Decrease</b> <b><u>(2.51%)</u></b>	<b>Discount</b> <b>Rate</b> <b><u>(3.51%)</u></b>	<b>1% Increase</b> <b><u>(4.51%)</u></b>
Total OPEB Liability	\$ 159,184,143	\$ 129,186,675	\$ 115,131,215

*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:

	<b>1% Decrease</b> <b>(4.5%</b> <b>Decreasing</b> <b><u>to 2.84%</u>)</b>	<b>Healthcare</b> <b>Cost Trend Rates</b> <b>(5.5%</b> <b>Decreasing</b> <b><u>to 3.84%</u>)</b>	<b>1% Increase</b> <b>(6.5%</b> <b>Decreasing</b> <b><u>to 4.84%</u>)</b>
Total OPEB Liability	\$ 111,531,505	\$ 129,186,675	\$ 164,683,828

( X. ) (Continued)

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

For the year ended June 30, 2019, the BOCES recognized OPEB expense of \$4,816,012. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expensed and actual experience	\$ 12,271,717	\$ -
Changes of assumptions	-	25,536,171
<b>Total</b>	<b><u>\$ 12,271,717</u></b>	<b><u>\$ 25,536,171</u></b>

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>	
2020	\$ (3,022,500)
2021	(3,022,500)
2022	(3,022,500)
2023	(2,429,648)
2024	<u>(1,767,306)</u>
<b>Total</b>	<b><u>\$ (13,264,454)</u></b>

**XI. 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.

( XI. ) (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, 2019, the BOCES incurred premiums or contribution expenditures totaling \$270,206.

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 Agency Fund as part of the other liabilities-health balance at June 30, 2019.

A reconciliation of the claims recorded for 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Beginning liabilities	\$ 2,029,952	\$ 1,742,732
Incurred claims	8,796,457	9,744,981
Claims payments	(8,918,161)	(9,457,761)
<b>Ending liabilities</b>	<b><u>\$ 1,908,248</u></b>	<b><u>\$ 2,029,952</u></b>

( XI. ) (Continued)

The following statistical information is presented:

<u>Year</u>	<u>Contribution Revenue</u>	<u>Incurred Claim Expense</u>
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
2010	\$ 7,424,577	\$ 7,614,356

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 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Beginning liabilities	\$ 33,068	\$ 28,803
Incurred claims	363,468	331,780
Claims payments	(358,690)	(327,515)
<b>Ending liabilities</b>	<b>\$ 37,846</b>	<b>\$ 33,068</b>

( XI. ) (Continued)

The following statistical information is presented:

<u>Year</u>	<u>Contribution Revenue</u>	<u>Incurred Claims Expense</u>
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
2011	\$ 212,293	\$ 318,456
2010	\$ 302,231	\$ 312,068

**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 2018-19 fiscal year totaled \$21,280. The balance of the fund at June 30, 2019 was \$550,465 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2019, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

**XII. Commitments and Contingencies**

**A. Litigation**

Management believes that any potential claims would be covered by BOCES insurance providers.

**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.

**Required Supplementary Information**  
**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Changes in District's Total OPEB Liability and Related Ratio**  
**(Unaudited)**  
**For Year Ended June 30, 2019**

<b>TOTAL OPEB LIABILITY</b>			
		<u><b>2019</b></u>	<u><b>2018</b></u>
Service cost	\$	2,542,364	\$ 2,637,296
Interest		5,296,148	4,918,391
Differences between expected and actual experiences		14,726,060	-
Changes of assumptions or other inputs		(25,329,901)	(6,938,306)
Benefit payments		(4,669,700)	(2,761,795)
<b>Net Change in Total OPEB Liability</b>	<b>\$</b>	<b>(7,435,029)</b>	<b>\$ (2,144,414)</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$</b>	<b>136,621,704</b>	<b>\$ 138,766,118</b>
<b>Total OPEB Liability - Ending</b>	<b>\$</b>	<b>129,186,675</b>	<b>\$ 136,621,704</b>
Covered Employee Payroll	\$	17,989,764	\$ 14,837,695
Total OPEB Liability as a Percentage of Covered Employee Payroll		718.11%	920.77%

10 years of historical information is not available and will be reported each year going forward  
(See Independent Auditors' Report)

**Required Supplementary Information**  
**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of the BOCES's Proportionate Share of the Net Pension Liability**  
**(Unaudited)**  
**For Year Ended June 30, 2019**

<b>NYSERS Pension Plan</b>					
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Proportion of the net pension liability (assets)	0.0164928%	0.0154429%	0.0143703%	0.0137042%	0.0131925%
Proportionate share of the net pension liability (assets)	\$ 1,168,567	\$ 498,413	\$ 1,350,263	\$ 2,199,562	\$ 445,677
Covered-employee payroll	\$ 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	25.695%	11.832%	35.854%	64.620%	12.980%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%
<b>NYSTRS Pension Plan</b>					
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Proportion of the net pension liability (assets)	0.094586%	0.083274%	0.081809%	0.0803010%	0.0797730%
Proportionate share of the net pension liability (assets)	\$ (1,710,364)	\$ (632,963)	\$ 876,208	\$ (8,340,728)	\$ (8,886,223)
Covered-employee payroll	\$ 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	-9.278%	-3.739%	6.215%	-62.785%	-70.400%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%

10 years of historical information is not available and will be reported each year going forward

**Required Supplementary Information**  
**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of the BOCES's Proportionate Share of the Net Pension Liability**  
**Schedule of BOCES Contributions**  
**(Unaudited)**  
**For Year Ended June 30, 2019**

<b>NYSERS Pension Plan Last 10 Fiscal Years</b>					
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contributions	\$ 625,220	\$ 608,314	\$ 554,016	\$ 583,796	\$ 566,106
Contributions in relation to the contractually required contribution	<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>
Covered-employee payroll	\$ 4,547,841	\$ 4,212,500	\$ 3,765,987	\$ 3,403,815	\$ 3,433,616
Contributions as a percentage of covered-employee payroll	13.75%	14.44%	14.71%	17.15%	16.49%
<b>NYSTRS Pension Plan Last 10 Fiscal Years</b>					
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contributions	\$ 1,753,270	\$ 1,658,802	\$ 1,711,591	\$ 1,786,991	\$ 1,914,855
Contributions in relation to the contractually required contribution	<u>(1,753,270)</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>
Covered-employee payroll	\$ 18,435,366	\$ 16,926,547	\$ 14,098,636	\$ 13,284,523	\$ 12,622,522
Contributions as a percentage of covered-employee payroll	9.51%	9.80%	12.14%	13.45%	15.17%

10 years of historical information is not available and will be reported each year going forward



**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**  
**(Unaudited)**  
**For Year Ended June 30, 2019**

<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	\$ 8,145,031	\$ 8,110,060	\$ 8,130,947	\$ 20,887
Career and Tech Education 100-199	9,459,345	8,941,048	8,824,792	(116,256)
Instruction for Handicapped 200-299	16,118,524	17,793,117	17,121,511	(671,606)
Itinerant 300-399	4,588,243	4,070,779	3,144,674	(926,105)
General Instruction 400-499	8,323,040	9,229,458	8,228,510	(1,000,948)
Instructional Support 500-599	8,801,413	11,730,532	10,394,956	(1,335,576)
Other Services 600-699	<u>7,632,402</u>	<u>9,080,095</u>	<u>8,729,344</u>	<u>(350,751)</u>
<b>TOTAL REVENUES</b>	<b><u><u>\$ 63,067,998</u></u></b>	<b><u><u>\$ 68,955,089</u></u></b>	<b><u><u>\$ 64,574,734</u></u></b>	<b><u><u>\$ (4,380,355)</u></u></b>

**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**  
**(Unaudited)**  
**For Year Ended June 30, 2019**

<b><u>EXPENDITURES</u></b>	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Current Year's Expenditures</u></b>	<b><u>Encumbrances</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
Administration 001-002	\$ 8,145,031	\$ 8,110,060	\$ 7,389,550	\$ 55,541	\$ 664,969
Career and Tech Education 100-199	9,459,345	8,941,048	8,226,051	498,143	216,854
Instruction for Handicapped 200-299	16,118,524	17,793,117	13,964,777	268,352	3,559,988
Itinerant 300-399	4,588,243	4,070,779	2,773,106	33,449	1,264,224
General Instruction 400-499	8,323,040	9,229,458	7,757,176	173,521	1,298,761
Instructional Support 500-599	8,801,413	11,730,532	9,858,991	77,926	1,793,615
Other Services 600-699	<u>7,632,402</u>	<u>9,080,095</u>	<u>7,673,946</u>	<u>24,224</u>	<u>1,381,925</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 63,067,998</u></b>	<b><u>\$ 68,955,089</u></b>	<b><u>\$ 57,643,597</u></b>	<b><u>\$ 1,131,156</u></b>	<b><u>\$ 10,180,336</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 6,931,137</u></b>		

**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**  
**Analysis of Account A431 - School Districts**  
**For Year Ended June 30, 2019**

	<b>2019</b>
<b>July 1, 2018 - DEBIT (CREDIT) BALANCE</b>	<b>\$ (1,819,265)</b>
<b>DEBITS:</b>	
Billings to school districts	\$ 62,817,829
Refund of balances made to school districts	4,644,747
Erate distribution	465,662
Encumbrances - June 30, 2019	1,131,156
<b>Total Debits</b>	<b>\$ 69,059,394</b>
<b>TOTAL</b>	<b>\$ 67,240,129</b>
<b>CREDITS:</b>	
Collections from school districts	\$ 61,762,042
Adjustment - credits to school districts - revenues in excess of expenditures	6,931,137
Encumbrances - June 30, 2018	1,175,193
<b>Total Credits</b>	<b>\$ 69,868,372</b>
<b>JUNE 30, 2019 - DEBIT (CREDIT) BALANCE</b>	<b>\$ (2,628,243)</b>

OSWEGO COUNTY  
 BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 SCHEDULE OF CAPITAL PROJECTS FUND  
 PROJECT EXPENDITURES AND FINANCING RESOURCES  
 For Year Ended June 30, 2019

Project Title	Original		Expenditures			Methods of Financing					Fund	
	Appropriation	Revised Appropriation	Prior Year's	Current Year	Total	Unexpended Authorization	State Aid	Proceeds from Obligations	Local Sources	Transfers	Total	Balance
Waterline project	\$ 333,875	\$ 333,875	\$ 275,769	\$ -	\$ 275,769	\$ 58,106	\$ -	\$ -	\$ -	\$ 315,746	\$ 315,746	\$ 39,977
Wind turbine project	-	-	36,260	-	36,260	(36,260)	18,131	-	-	18,129	36,260	-
BOCES wide project - 2011	35,423,055	35,423,055	35,416,111	-	35,416,111	6,944	-	-	35,431,158	1,475,020	36,906,178	1,490,067
Lease Purchase Agreement	1,041,070	1,041,070	-	1,041,070	1,041,070	-	-	1,041,070	-	-	1,041,070	-
<b>Total</b>	<b>\$ 36,798,000</b>	<b>\$ 36,798,000</b>	<b>\$ 35,728,140</b>	<b>\$ 1,041,070</b>	<b>\$ 36,769,210</b>	<b>\$ 28,790</b>	<b>\$ 18,131</b>	<b>\$ 1,041,070</b>	<b>\$ 35,431,158</b>	<b>\$ 1,808,895</b>	<b>\$ 38,299,254</b>	<b>\$ 1,530,044</b>

**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Investment in Capital Assets, Net of Related Debt**  
**For Year Ended June 30, 2019**

<b>Capital assets, net</b>		\$ 40,729,279
 <b>Deduct:</b>		
Energy performance contract	\$ 1,532,000	
Installment purchase debt	<u>824,112</u>	
		<u>2,356,112</u>
 Investment in capital assets, net of related debt		 <u>\$ 38,373,167</u>

**OSWEGO COUNTY  
BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Grantor / Pass - Through Agency</u>	<u>CFDA</u>	<u>Grantor</u>	<u>Pass-Through</u>	<u>Total</u>
<u>Federal Award Cluster / Program</u>	<u>Number</u>	<u>Number</u>	<u>Agency</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	\$ 180,047
Federal Direct Student Loans	84.268	N/A	N/A	317,166
<u>Indirect Programs:</u>				
<u>Passed Through NYS Education Department -</u>				
Migrant Education - Basic State Formula Grant	84.011	N/A	0035-19-0027	566,603
Migrant Education - Basic State Formula Grant	84.011	N/A	0035-18-0027	240,190
VATEA	84.048	N/A	8000-19-0021	178,948
WIA Title 2	84.002	N/A	2338-19-3115	100,000
<b>Total U.S. Department of Education</b>				<b>\$ 1,582,954</b>
<u>U.S. Department of Agriculture - Food and Nutrition Services:</u>				
<u>Indirect Programs:</u>				
<u>Passed through NYS Office of Temporary and Disability Insurance -</u>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	TDA01-C00264GC- 3410000	\$ 38,439
<b>Total U.S. Department of Agriculture</b>				<b>\$ 38,439</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ 1,621,393</b>

**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, 2019, 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 10, 2019.

***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 10, 2019

