

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

**BASIC FINANCIAL STATEMENTS**

**For Year Ended June 30, 2020**

**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, 2020, 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, 2020, 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 4–14 and 48–52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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 September 30, 2020 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  
September 30, 2020

*Mengel, Metzger, Barw & Co. LLP*

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

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

**For the Fiscal Year Ended June 30, 2020**

This following is a discussion and analysis of the Oswego County Board of Cooperative Educational Services' (BOCES) financial performance for the fiscal year ended June 30, 2020. This section is a summary of the BOCES financial activities based on currently known facts, decisions, and/or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the basic financial statements, which immediately follow this section, to enhance understanding of the BOCES financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2020 are as follows:

On the government-wide financial statements at the close of the fiscal year, the total liabilities plus deferred inflows (what the district owes) exceeded its total assets plus deferred outflows (what the district owns) by \$101,649,131 (net position) a decrease of \$9,873,963 from the prior year. The large difference between assets plus deferred outflows and liabilities plus deferred inflows is attributed to adjustments required by GASB-75 to illustrate the actuarially determined liability for post-employment health insurance benefits in the financial statements in their entirety. The full calculation for this liability totals (\$167,683,605) representing an increase of \$38,496,930 from the prior year liability of (\$129,186,675). The main factor contributing to the increase was a reduction in the assumed discount rate, or rate of investment return. This change factors a lower investment return thereby increasing OPEB liability for the BOCES. Without this requirement impacting the financial statements, total net position would be \$46,730,253.

The BOCES governmental fund financial statements report a combined ending fund balance of \$6,395,664, as of the close of the fiscal year, representing an increase of \$343,887 over the prior year. The fund balance is comprised of: \$1,302,536 reserved in the General Fund for purposes of paying prior year obligations along with \$4,645,204 reserved for purposes of aiding the BOCES in long-term planning; \$1,852,745 held in the Capital Fund for construction and renovation; and (\$1,404,821) in the Special Aid Fund largely representing net shortfalls as a result of the faulty and insufficient reimbursement structure prescribed by New York State for preschool programs (note: the BOCES discontinued the operation of these programs as a result). The changes in the balances of each fund are as follows: General Fund increased by \$566,904, (due to funding additional reserve contributions for TRS, Unemployment and EBALR, and additional funds needing to be carried forward to settle open purchases); Capital Fund increased by \$322,701 (due to funding a boiler replacement project); and Special Aid Fund decreased by \$545,718 (due mainly to finalizing the spend-out of a grant for a mobile RV program as well as deficits in adult education programs due largely to program shut-downs in compliance with New York State health orders for the COVID-19 pandemic).

**Overview of the Financial Statements**

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

*Government-Wide Financial Statements*

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

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

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

### *Fund Financial Statements*

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

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

## Notes to the Financial Statements

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

### Government-Wide Statements

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

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

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

### Financial Analysis of the BOCES as a Whole

#### Net Position

The BOCES' combined net position were lower on June 30, 2020 than they were the year before, decreasing 10% to (\$101,649,131) as shown in the table below.

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2020</u>	<u>2019</u>	<u>Percentage</u>
			<u>Change</u>
<b><u>ASSETS:</u></b>			
Current and Other Assets	\$ 33,507,044	\$ 27,578,582	21.50%
Capital Assets	39,259,786	40,729,279	-3.61%
<b>Total Assets</b>	<b>\$ 72,766,830</b>	<b>\$ 68,307,861</b>	<b>6.53%</b>
<b><u>DEFERRED OUTFLOW OF RESOURCES:</u></b>			
Deferred Outflow of Resources	\$ 50,993,200	\$ 22,174,192	129.97%
<b><u>LIABILITIES:</u></b>			
Long-Term Debt Obligations	\$ 177,281,386	\$ 134,482,294	31.83%
Other Liabilities	23,255,012	18,880,219	23.17%
<b>Total Liabilities</b>	<b>\$ 200,536,398</b>	<b>\$ 153,362,513</b>	<b>30.76%</b>
<b><u>DEFERRED INFLOW OF RESOURCES:</u></b>			
Deferred Inflow of Resources	\$ 24,872,763	\$ 28,894,708	-13.92%
<b><u>NET POSITION:</u></b>			
Net Investments in Capital Assets	\$ 36,777,253	\$ 38,373,167	-4.16%
<b><u>Restricted For:</u></b>			
Restricted for Capital Projects	1,852,745	1,530,044	21.09%
Restricted for Other Purposes	4,645,204	4,249,680	9.31%
Unrestricted	(144,924,333)	(135,928,059)	6.62%
<b>Total Net Position</b>	<b>\$ (101,649,131)</b>	<b>\$ (91,775,168)</b>	<b>10.76%</b>



As illustrated above, the largest component of the BOCES' Net Position in the amount of \$36,777,253 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 \$1,852,745 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 \$4,645,204 represents the total amount of reserve funds held by BOCES. The remaining balance of Net Position totalling (\$144,924,333) is considered unrestricted. As evident in the table, this deficit grew by \$8,486,331 over last year. The deficit Unrestricted Net Position is attributed to the GASB-75 requirement of representing actuarially estimated liabilities for post-employment health insurance benefits.

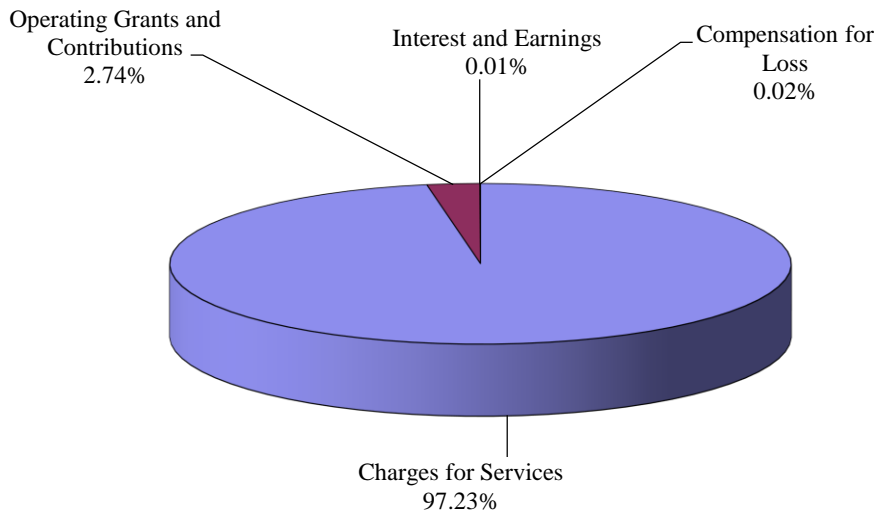
**Key Variances Include the following:**

- Long-Term Debt increased by nearly \$42.8 million due to the following:
  - An increase in the actuarially estimated OPEB liability due to increases in actual vs. expected experience as well as a significant reduction in the "discount rate", which is the municipal bond rate representing the assumed rate of investment return.
  - An increase in the BOCES share of pension liability as assigned by the NYS Employee Retirement System, due to the NYS plan going from being 96% funded to being 86% funded.
  - An increase in instalment purchase debt pursued at the request of school districts. It should be noted that the districts requesting these purchases also reimburse BOCES for the debt payments.
  
- Deferred Outflows of Resources increased by just under \$28.8 million due to the following:
  - Increase in the consumption of net position applicable to a future period relative to NYS Retirement Systems, in accordance with increases referenced above.
  - Increase in the consumption of net position applicable to a future period relative to the actuarially determined estimate for OPEB, in accordance with increases referenced above.

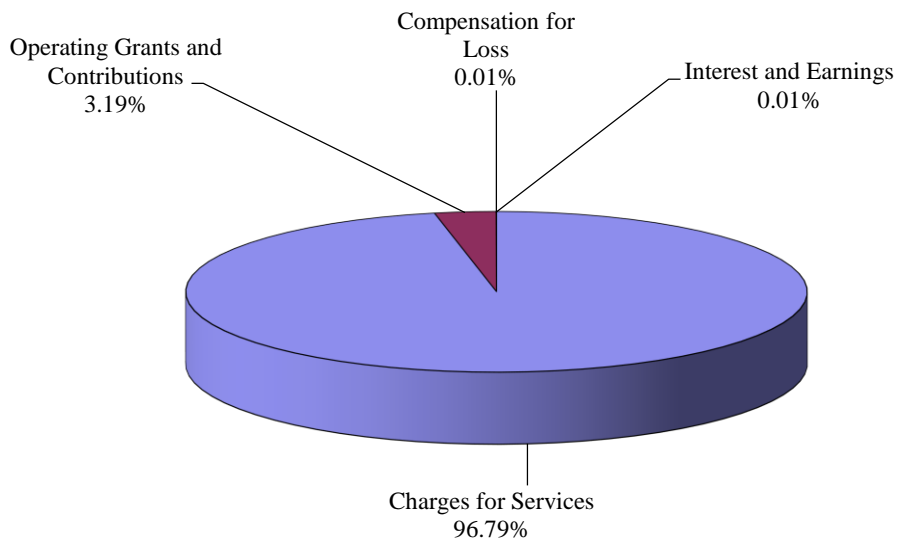
**Changes in Net Position**

	<u>Governmental Activities</u>		<u>Total</u>
	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
<b><u>REVENUES:</u></b>			
<b><u>Program -</u></b>			
Charges for Services	65,625,648	65,690,332	-0.10%
Operating Grants & Contributions	1,846,118	2,162,950	-14.65%
Total Program	<u>67,471,766</u>	<u>67,853,282</u>	<u>-0.56%</u>
<b><u>General -</u></b>			
Investment Earnings	5,356	6,204	-13.67%
Compensation for loss	18,080	4,624	291.00%
Total General	<u>23,436</u>	<u>10,828</u>	<u>116.44%</u>
<b>TOTAL REVENUES</b>	<b><u>67,495,202</u></b>	<b><u>67,864,110</u></b>	<b><u>-0.54%</u></b>
<b><u>EXPENSES:</u></b>			
Administration	7,727,370	7,314,435	5.65%
Career & Tech Education	11,605,900	10,142,629	14.43%
Instruction for the Handicapped	19,520,543	15,890,069	22.85%
Itinerant Services	3,541,550	3,604,313	-1.74%
General Instruction	9,580,214	8,328,670	15.03%
Instructional Support	12,005,406	9,438,425	27.20%
Other Services	13,388,182	13,130,146	1.97%
<b>TOTAL EXPENSES</b>	<b><u>77,369,165</u></b>	<b><u>67,848,687</u></b>	<b><u>14.03%</u></b>
<b>(DECREASE)/INCREASE IN NET POSITION</b>	<b><u>(9,873,963)</u></b>	<b><u>15,423</u></b>	

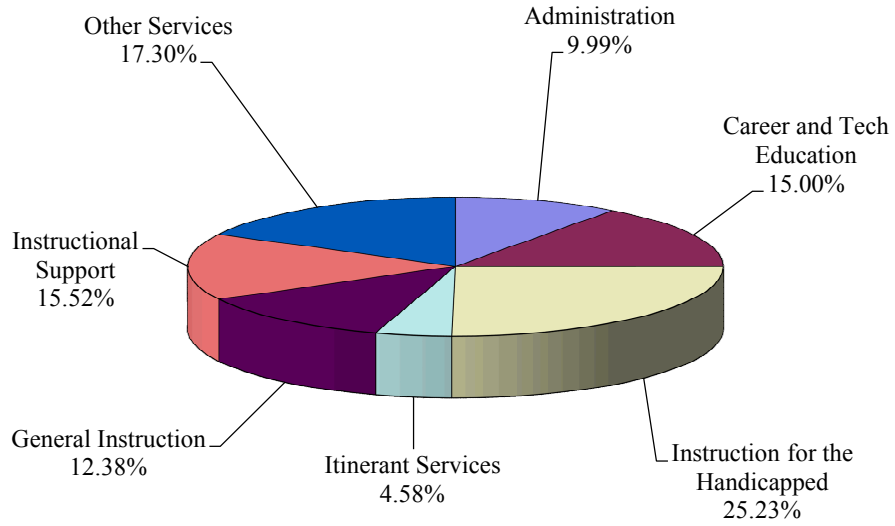
### REVENUE FOR 2019-20



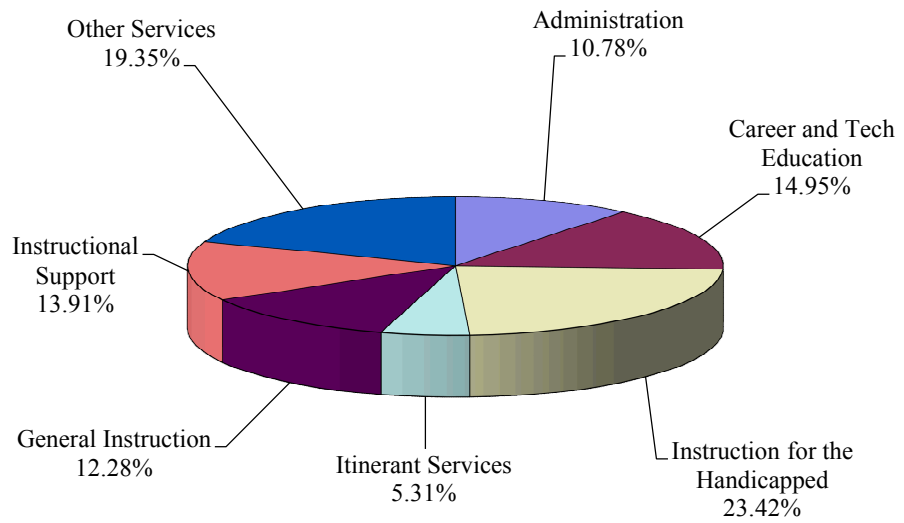
### REVENUE FOR 2018-19



### EXPENSES FOR 2019-20



### EXPENSES FOR 2018-19



The pie chart clearly illustrates heavy reliance on services to school districts as the primary revenue source (97% of total revenues). The BOCES also utilizes operating grants and contributions from the federal, state and other local governments, which represented 3% of total revenues. These grants allow BOCES to operate additional programs and services on a targeted basis without requiring districts to contribute. As noted in the table above, this category decreased from the prior year due to grant funding reductions enacted at the state level.

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

Career and Technical Education represents 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 15% 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 18% of expenditures, are 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.

#### **Key Variances Include the following:**

- Reductions in Operating Grants by nearly \$317,000 due to elimination of grant programs including School Library Systems (moved to another BOCES) and SESIS (grant programs significantly downsized by NYS)
- Instruction for the Handicapped increased by just over \$3.6 million due to increased requests for student services from local school districts. Increases in enrollments as well as related services for Special Education students.
- Likewise, Instructional Support Services increased by just over \$2.5 million due to increased request from districts for services in this area, such as Arts in Education, computer and instructional technology purchases and specialized instructional training for teachers in the area of literacy education as well as itinerant Special Education trainer services.

#### **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 \$6,395,664, an increase of \$343,887 over the prior year. Of the total combined fund balances, \$1,852,745 constitutes fund balance in the Capital fund, intended to fund capital improvement work. Additionally, (\$1,404,821) represents fund balance in the Special Aid fund. This deficit amount was caused largely by New York State's approach of setting insufficient rates for reimbursement of preschool programs & services, and then freezing them for multiple years. The rate setting process has been finalized by the State for all years 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 legal mechanism set forth by New York State for BOCES to recoup revenue.

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

The balance of this year's deficit was also impacted by finalizing the spend-out of a grant for a mobile RV program as well as deficits realized in adult education programs. The adult ed shortfalls were due mainly to state-wide program shut-downs in compliance with New York State orders relative to the health emergency caused by the COVID-19 pandemic.

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

- Encumbrances in the amount of \$1,302,536.
- Liability, casualty, and other types of losses in the amount of \$470,130.
- Unemployment insurance in the amount of \$654,633.
- Employee post-employment benefits in the amount of \$1,044,259.
- Retirement contribution in the amount of \$1,470,968 to assist with required employer contributions toward retirement benefits of employees belonging to the NYS Employees Retirement System.
- Retirement contribution sub-fund in the amount of \$495,271 to assist with required employer contributions toward retirement benefits of employees belonging to the NYS Teacher's Retirement System.
- Equipment reserve in the amount of \$509,943, used to set aside funds toward the purchase of new or replacement equipment for the Career & Technical Education (CTE) program, which offers trades courses requiring expensive equipment items (i.e.: backhoe, loader, dump truck, simulators, large scale kitchen equipment, etc.).

### **General Fund Budgetary Highlights**

The General Fund is the chief operating fund of the BOCES. At the end of the current fiscal year, the total fund balance of the General Fund was \$5,947,740, which represents an increase of \$566,904 from the prior year. As previously mentioned, this is attributed to increased funding of reserves which have been set aside to assist with long-term financial planning for the BOCES. The difference between the original budget and the final amended budget was \$3,660,180. This change is attributable to \$1,131,156 of carryover encumbrances from the 2018-19 fiscal year, and \$2,529,024 of budgetary increases to accommodate spending for program and service increases as requested by school districts. Increases occurred in areas such as: Arts in Education engagements, purchases of computers and classroom technology, Public Relations services, printing and duplication services, specialized training for teachers in curriculum and education, and Special Education services as a result of mandated individualized education plans.

Even though the budget was amended upward during the year, the actual expenditures by year-end were lower than originally budgeted in the amount of \$6,321,262. This is attributed mainly to two factors: (1) mid-year shutdowns mandated by NYS in response to the COVID-19 pandemic health crisis, and (2) savings realized in the BOCES self-insured health insurance plan. This is due to having a much healthier year relative to claims than originally budgeted based on marketplace forecasts in health insurance costs. COVID also played a role as people were not able to receive health services as hospitals were restricting services mainly to treatment of COVID cases.

In addition to the savings discussed above, the BOCES realized revenues of \$2,074,829 more than anticipated during budget development. This is attributed almost entirely to increased requests for programs and services beyond what was anticipated during budget development, including: increased enrollments in some Special Education programs and related services, initiation of new programs and services at the request of districts (i.e.: middle school alternative education and a Special Education Itinerant Instructional Trainer service), increased requests for purchases of computers and instructional technology, specialized instructional training for literacy initiatives, public relations services and planning and analysis software.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

As of June 30, 2020 the BOCES had \$39,259,786 in total capital assets, net of accumulated depreciation. This represents a decrease of \$1,469,493 from the prior year. These assets are invested in a range of categories including land, buildings and improvements, and machinery & equipment. The change in capital assets net of accumulated depreciation, is reflected below:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Land	\$ 312,500	\$ 312,500
Buildings and Improvements	36,467,777	37,507,849
Machinery and Equipment	2,479,509	2,908,930
<b>Total</b>	<b><u>\$ 39,259,786</u></b>	<b><u>\$ 40,729,279</u></b>

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

#### **Long- Term Debt**

At year-end, the BOCES had \$177,281,386 in outstanding long-term obligations, as follows:

<b><u>Type</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Installment Purchase Debt	\$ 1,082,533	\$ 824,112
Energy Perform. Contract	1,400,000	1,532,000
Compensated Absences	2,250,819	1,770,940
Net Pension Liability	4,864,429	1,168,567
OPEB	167,683,605	129,186,675
<b>Total</b>	<b><u>\$ 177,281,386</u></b>	<b><u>\$ 134,482,294</u></b>

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

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 \$479,879, due to increases in accumulated leave balances from staff newly hired a handful of years ago aging into the threshold included in this calculation. This figure is also impacted by increases in the unit cost for these days in accordance with newly negotiated bargaining agreements. Furthermore, leave time was not used at normal rates this year due to the mid-year shutdowns mandated by NYS in response to the COVID-19 pandemic health crisis.

As required by GASB-68, the NYS Employee and Teacher Retirement Systems are required to calculate and supply Net Pension Liability estimates for all entities who have contributing members, which needs to be reflected in the basic financial statements. For the 2020 fiscal year the NYSERS estimates BOCES' share of the system employers' net pension liability to be \$4,864,429, significantly impacted by the system dropping from a funding level of 96% to 86%, thereby shifting the burden to schools and BOCES. A long term net pension asset of \$2,649,808 has been recorded for BOCES' share of the NYSTRS system employers' net pension asset.

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 \$167,683,605, the increase is the result of a decrease in the assumed discount rate used in the calculation performed by the actuaries.

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

#### COVID-19 Pandemic

This is the single largest factor bearing on the BOCES future. There are many ripple effects both direct and indirect that could materialize. The threat of viral spread itself is a challenge for continuing services that would normally be delivered in person. Reduced need for services of this type could cause immediate revenue shortfalls. Furthermore, New York State is a major funding source for school districts in our region and even though BOCES is not dependent on aid from the State, all of the school districts in our region are heavily dependent on this source of funding. The threat of state aid reductions due to deficits faced by the state could significantly impact BOCES operations in one of two ways: (1) districts could choose to pull back on services pursued through BOCES, or (2) districts could choose to increase services due to the fact that BOCES operations are built around a model of sharing programs and services to reduce costs. Furthermore, the state offers fiscal incentives for districts to use BOCES in the way of reimbursement for costs associated with sharing in this manner. This could lead districts to leverage their limited resources into these types of reimbursable expenditures. Lastly, when the economy takes a downturn, that usually results in adults seeking career change opportunities and they could seek employment and skills training offered by the BOCES adult education programs. On the flip side, viral spread might cause challenges for adults to pursue these options.

#### Declining Enrollment

Oswego County school districts have been experiencing steady annual declines in student population for more than two decades. From school years 1998-99 to 2019-20, the Resident Weighted Average Daily Attendance (RWADA) factor has dropped by 7,832 units, from 27,162 to 19,330. This represents a 28.8% decline over this time period. But, it is important to note that declines in district enrolment do 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 and economic forces and student choice. However, continued countywide enrollment declines are a factor that could produce an impact.

**Requests for Information**

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

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



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

**Statement of Net Position**

**June 30, 2020**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 16,796,148
Accounts receivable	14,061,088
Long term net pension asset	2,649,808
<b>Capital Assets:</b>	
Land	312,500
Other capital assets (net of depreciation)	38,947,286
<b>TOTAL ASSETS</b>	<b><u>\$ 72,766,830</u></b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow of resources	<u>\$ 50,993,200</u>
 <b>LIABILITIES</b>	
Accounts payable	\$ 1,552,979
Accrued liabilities	16,359
Unearned revenue	1,321,124
Due to other governments	50,226
State aid due to districts	11,814,605
Due to school districts	6,590,716
Due to teachers' retirement system	1,705,091
Due to employees' retirement system	203,912
<b>Long-Term Obligations:</b>	
Due in one year	1,855,292
Due in more than one year	175,426,094
<b>TOTAL LIABILITIES</b>	<b><u>\$ 200,536,398</u></b>
 <b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred inflow of resources	<u>\$ 24,872,763</u>
 <b>NET POSITION</b>	
Net investment in capital assets	\$ 36,777,253
<b>Restricted For:</b>	
Capital projects	1,852,745
Unemployment reserve	654,633
Retirement contribution reserve	1,470,968
Accrued benefit liability reserve	1,044,259
Other Purposes	1,475,344
Unrestricted	(144,924,333)
<b>TOTAL NET POSITION</b>	<b><u>\$ (101,649,131)</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, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
<u>Primary Government -</u>		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Administration	\$ 7,727,370	\$ 7,553,977	\$ -	\$ (173,393)
Career & tech education	11,605,900	8,233,296	728,855	(2,643,749)
Instruction for the handicapped	19,520,543	16,461,665	44,543	(3,014,335)
Itinerant services	3,541,550	2,787,155	-	(754,395)
General instruction	9,580,214	7,528,312	818,976	(1,232,926)
Instructional support	12,005,406	11,078,946	253,744	(672,716)
Other services	13,388,182	11,982,297	-	(1,405,885)
<b>Total Primary Government</b>	<b>\$ 77,369,165</b>	<b>\$ 65,625,648</b>	<b>\$ 1,846,118</b>	<b>\$ (9,897,399)</b>
<b>General Revenues:</b>				
				\$ 5,356
				18,080
				<b>\$ 23,436</b>
				\$ (9,873,963)
				(91,775,168)
				<b>\$ (101,649,131)</b>

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

**Balance Sheet**

**Governmental Funds**

**June 30, 2020**

	<b>General Fund</b>	<b>Special Aid Fund</b>	<b>Nonmajor Capital Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,076,223	\$ 867,180	\$ 1,852,745	\$ 16,796,148
Due from other funds	1,474,077	-	-	1,474,077
Receivables	13,013,026	1,048,062	-	14,061,088
<b>TOTAL ASSETS</b>	<b><u>\$ 28,563,326</u></b>	<b><u>\$ 1,915,242</u></b>	<b><u>\$ 1,852,745</u></b>	<b><u>\$ 32,331,313</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b><u>Liabilities -</u></b>				
Accounts payable	\$ 1,246,433	\$ 306,546	\$ -	\$ 1,552,979
Accrued liabilities	1,214,010	8,909	-	1,222,919
Due to other funds	-	1,474,077	-	1,474,077
Due to other governments	-	50,226	-	50,226
State aid due to districts	11,814,605	-	-	11,814,605
Due to districts	6,590,716	-	-	6,590,716
Due to TRS	1,559,751	145,340	-	1,705,091
Due to ERS	190,071	13,841	-	203,912
Unearned revenues	-	1,321,124	-	1,321,124
<b>TOTAL LIABILITIES</b>	<b><u>\$ 22,615,586</u></b>	<b><u>\$ 3,320,063</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 25,935,649</u></b>
<b><u>Fund Balances -</u></b>				
Restricted	\$ 4,645,204	\$ -	\$ 1,852,745	\$ 6,497,949
Assigned	1,302,536	-	-	1,302,536
Unassigned	-	(1,404,821)	-	(1,404,821)
<b>TOTAL FUND BALANCE</b>	<b><u>\$ 5,947,740</u></b>	<b><u>\$ (1,404,821)</u></b>	<b><u>\$ 1,852,745</u></b>	<b><u>\$ 6,395,664</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 28,563,326</u></b>	<b><u>\$ 1,915,242</u></b>	<b><u>\$ 1,852,745</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. 39,259,786

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

OPEB	(167,683,605)
Compensated absences	(1,044,259)
Installment purchase debt	(2,482,533)
Net Pension Asset	2,649,808
Deferred Outflow of Resources - pension	11,629,651
Deferred Outflow of Resources - OPEB	39,363,549
Net Pension Liability	(4,864,429)
Deferred Inflow of Resources - pension	(4,813,435)
Deferred Inflow of Resources - OPEB	(20,059,328)
<b>Net Position of Governmental Activities</b>	<b><u>\$ (101,649,131)</u></b>

(See accompanying notes to financial statements)

**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Non Major Capital Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Charges for services	\$ -	\$ 571,944	\$ -	\$ 571,944
Charges to components	62,392,181	1,509,415	-	63,901,596
Chargest to non-components and other BOCES	4,207,270	141,956	-	4,349,226
Interest and earnings	1,165	-	153	1,318
Sale of property and compensation for loss	18,080	-	-	18,080
Miscellaneous	1,553,712	3,473,881	-	5,027,593
Interfund revenues	-	-	323,000	323,000
State sources	-	563,825	-	563,825
Federal sources	-	1,282,293	-	1,282,293
<b>TOTAL REVENUES</b>	<b><u>\$ 68,172,408</u></b>	<b><u>\$ 7,543,314</u></b>	<b><u>\$ 323,153</u></b>	<b><u>\$ 76,038,875</u></b>
<b>EXPENDITURES</b>				
Administration	\$ 7,582,441	\$ -	\$ -	\$ 7,582,441
Career and tech education	7,598,988	1,570,545	-	9,169,533
Instruction for the handicapped	15,085,067	1,459,681	-	16,544,748
Itinerant services	2,786,073	-	-	2,786,073
General instruction	7,436,991	828,301	-	8,265,292
Instructional support	11,023,504	259,761	-	11,283,265
Other services	8,263,253	3,970,744	-	12,233,997
Capital outlay	-	-	898,149	898,149
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 59,776,317</u></b>	<b><u>\$ 8,089,032</u></b>	<b><u>\$ 898,149</u></b>	<b><u>\$ 68,763,498</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ 8,396,091</u></b>	<b><u>\$ (545,718)</u></b>	<b><u>\$ (574,996)</u></b>	<b><u>\$ 7,275,377</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from installment debt	\$ -	\$ -	\$ 897,697	\$ 897,697
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 897,697</u></b>	<b><u>\$ 897,697</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b><u>\$ 8,396,091</u></b>	<b><u>\$ (545,718)</u></b>	<b><u>\$ 322,701</u></b>	<b><u>\$ 8,173,074</u></b>
<b>OTHER CHANGES IN FUND BALANCE</b>				
Surplus to be distributed	\$ (8,224,711)	\$ -	\$ -	\$ (8,224,711)
Net unemployment reserve transactions	104,168	-	-	104,168
Net capital reserve transactions	534	-	-	534
Net retirement contribution reserve transactions	1,538	-	-	1,538
Net teacher's retirement reserve transactions	200,271	-	-	200,271
Net liability reserve transactions	485	-	-	485
Net change in employee accrued benefit liability reserve	88,528	-	-	88,528
<b>FUND BALANCE, BEGINNING OF YEAR</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>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 5,947,740</u></b>	<b><u>\$ (1,404,821)</u></b>	<b><u>\$ 1,852,745</u></b>	<b><u>\$ 6,395,664</u></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 of Governmental Funds to Statement of Activities**  
**For Year Ended June 30, 2020**

**NET CHANGE IN FUND BALANCES -**  
**TOTAL GOVERNMENTAL FUNDS** \$ 343,887

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

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

Capital Outlay	\$ 898,149	
Additions to Assets, Net	243,604	
Depreciation	<u>(2,611,246)</u>	(1,469,493)

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

Debt repayments	\$ 771,274	
Proceeds from Debt issuance	<u>(897,697)</u>	(126,423)

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. (5,928,255)

(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		(1,465,162)
Employees' Retirement System		(1,018,978)

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

Compensated Absences		<u>(209,539)</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ (9,873,963)**

**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Statement of Fiduciary Net Position**  
**June 30, 2020**

	<b>Private Purpose Trust</b>	<b>Agency Funds</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 60,829	\$ 2,863,210
Accounts receivable	-	3,939
<b>Total Assets</b>	\$ 60,829	\$ 2,867,149
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 1,011,076
Student activity balance	-	28,494
Other liabilities	-	1,827,579
<b>Total liabilities</b>	\$ -	\$ 2,867,149
<b>Net Position</b>		
Restricted for scholarships	\$ 60,829	
<b>Total Net Position</b>	\$ 60,829	

**Statement of Changes in Fiduciary Net Position**  
**For Year Ended June 30, 2020**

	<b>Private Purpose Trust</b>
<b>Additions</b>	
Interest and earnings	\$ 559
Donations	5,000
<b>Deductions</b>	
Scholarships and other trust expenses	(5,500)
<b>Change in Net Position</b>	\$ 59
<b>Net Position, Beginning of Year</b>	60,770
<b>Net Position, End of Year</b>	\$ 60,829

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

**Notes To The Basic Financial Statements**

**June 30, 2020**

**I. Summary of Significant Accounting Policies:**

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

**A. Reporting Entity**

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

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

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

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

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

**( I. ) (Continued)**

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

**1. Extraclassroom Activity Funds**

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

**B. Basis of Presentation**

**1. BOCES-wide Financial Statements**

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

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

**2. Fund Statements**

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

The BOCES reports the following governmental funds:



( I. ) (Continued)

a. **Major Governmental Funds**

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

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

b. **Nonmajor Governmental Funds**

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

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

**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	\$ 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 . The reported deficit of \$144,924,333 at year end is the result of full implementation of GASB #75 regarding retiree health obligations and the New York State Pension system unfunded pension obligation.

2. **Fund Statements**

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

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:

	<b><u>Total</u></b>
<b><u>General Fund -</u></b>	
CTE Equipment Reserve	\$ 509,943
Retirement Contribution - ERS	1,470,968
Retirement Contribution - TRS	495,271
Unemployment	654,633
Liability	470,130
Employee Benefit Accrued Liability	1,044,259
<b><u>Capital Fund -</u></b>	
Waterline Project	39,977
BOCES-wide Project-2011	1,490,220
Boiler project	322,548
<b>Total Restricted Fund Balance</b>	<b><u><u>\$ 6,497,949</u></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 \$89,000 which are summarized below:

- \$544,703 Career and Technical Education
- \$277,122 Instruction for the Handicapped
- \$267,921 General Instruction
- \$128,773 Instructional Support

Assigned fund balances include the following:

	<b><u>Total</u></b>
General Fund - Encumbrances	<b><u>\$ 1,302,536</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.

T. **New Accounting Standards**

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2020, the District implemented the following new standards issued by GASB:

GASB has issued Statement 92, *Omnibus 2020, Paragraphs 1-11a, and 12.*

GASB has issued Statement No. 95, *Postponement of the Effective Dates for Certain Authoritative Guidance.*

U. **Future Changes in Accounting Standards**

GASB has issued Statement 84, *Fiduciary Activities*, which will effective for the periods beginning after December 15, 2019.

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



**( I. ) (Continued)**

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

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

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

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

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

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

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

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

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.

## ( II. ) (Continued)

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

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

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

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

### **B. Deficit Net Position**

The BOCES-wide net position had a deficit at June 30, 2020 of \$101,649,131. The deficit is the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions", which required the recognition of an unfunded liability of \$167,683,605 at June 30, 2020. 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 \$1,213,898, and the Center for Career and Community Education reports a deficit fund balance totaling \$251,707. As a result of these program deficits, the overall fund balance of the Special Aid Fund reports a deficit of \$1,404,821. 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		18,922,911
Collateralized within Trust Department or Agent		1,279,874
<b>Total</b>	<b>\$</b>	<b><u>20,202,785</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 \$6,497,949 within the governmental funds and \$60,829 in the fiduciary funds.

IV. **Receivables**

Receivables at June 30, 2020 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<b><u>Description</u></b>	<b><u>Governmental Activities</u></b>		
	<b><u>General Fund</u></b>	<b><u>Special Aid Fund</u></b>	<b><u>Total</u></b>
Accounts Receivable-Charges for Services	\$ 187,345	\$ 202,537	\$ 389,882
Accounts Receivable-Agency Funds	1,011,076	-	1,011,076
Due From State and Federal	11,814,605	845,525	12,660,130
<b>Total Receivables</b>	<b>\$ 13,013,026</b>	<b>\$ 1,048,062</b>	<b>\$ 14,061,088</b>

V. **Interfund Receivables and Payables**

Interfund Receivables and Payables at June 30, 2020 were as follows:

	<b><u>Interfund</u></b>	
	<b><u>Receivables</u></b>	<b><u>Payables</u></b>
General Fund	\$ 1,474,077	\$ -
Special Aid Fund	-	1,474,077
<b>Total</b>	<b>\$ 1,474,077</b>	<b>\$ 1,474,077</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 7/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/20</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	6,400,124	1,141,753	408,673	7,133,204
<i>Total Depreciated Assets</i>	<u>\$ 51,142,956</u>	<u>\$ 1,141,753</u>	<u>\$ 408,673</u>	<u>\$ 51,876,036</u>
<b><u>Less Accumulated Depreciation -</u></b>				
Buildings and Improvements	\$ 7,234,983	\$ 1,040,072	\$ -	\$ 8,275,055
Machinery and equipment	3,491,194	1,571,174	408,673	4,653,695
<i>Total Accumulated Depreciation</i>	<u>\$ 10,726,177</u>	<u>\$ 2,611,246</u>	<u>\$ 408,673</u>	<u>\$ 12,928,750</u>
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	<u>\$ 40,416,779</u>	<u>\$ (1,469,493)</u>	<u>\$ -</u>	<u>\$ 38,947,286</u>
<b>Total Capital Assets</b>	<b><u>\$ 40,729,279</u></b>	<b><u>\$ (1,469,493)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 39,259,786</u></b>

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

<b><u>Governmental Activities:</u></b>	
Administration	\$ 81,641
Career and Tech Education	1,145,641
Instruction for the Handicapped	715,939
Itinerant Services	48,106
General Instruction	466,832
Instructional Support	126,771
Other Services	26,316
<b>Total Depreciation Expense</b>	<b><u>\$ 2,611,246</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 7/1/19</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/20</u>	<u>Due Within One Year</u>
<b><u>Bonds and Notes Payable -</u></b>					
Installment Purchase Debt	\$ 824,112	\$ 897,695	\$ 639,274	\$ 1,082,533	\$ 511,732
Energy Performance Contracts	1,532,000	-	132,000	1,400,000	137,000
<b>Total Bonds and Notes Payable</b>	<u>\$ 2,356,112</u>	<u>\$ 897,695</u>	<u>\$ 771,274</u>	<u>\$ 2,482,533</u>	<u>\$ 648,732</u>
<b><u>Other Liabilities -</u></b>					
Net Pension Liability	\$ 1,168,567	\$ 3,695,862	\$ -	\$ 4,864,429	\$ -
OPEB	129,186,675	38,496,930	-	167,683,605	-
Compensated Absences	1,770,940	479,879	-	2,250,819	1,206,560
<b>Total Other Liabilities</b>	<u>\$ 132,126,182</u>	<u>\$ 42,672,671</u>	<u>\$ -</u>	<u>\$ 174,798,853</u>	<u>\$ 1,206,560</u>
<b>Total Long-Term Obligations</b>	<b><u>\$ 134,482,294</u></b>	<b><u>\$ 43,570,366</u></b>	<b><u>\$ 771,274</u></b>	<b><u>\$ 177,281,386</u></b>	<b><u>\$ 1,855,292</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 6/30/2020</u>
Energy Performance Contract	\$ 2,023,910	2014	2029	3.28%	\$ 1,400,000
Installment Purchase Debt	\$ 841,110	2018	2021	3.25%	284,772
Installment Purchase Debt	\$ 199,960	2019	2021	5.10%	66,891
Installment Purchase Debt	\$ 730,475	2020	2025	1.90%	606,633
Installment Purchase Debt	\$ 80,192	2020	2025	2.720%	66,496
Installment Purchase Debt	\$ 87,028	2020	2022	5.600%	57,741
<b>Total</b>					<b>\$ 2,482,533</b>

Th

e following is a summary of debt service requirements:

<u>Year</u>	<u>Energy Performance Contract</u>		<u>Installment Purchase Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 137,000	\$ 43,673	\$ 511,732	\$ 22,554
2022	141,000	39,114	162,949	7,022
2023	146,000	34,407	134,613	4,041
2024	150,000	29,553	135,946	2,708
2025	155,000	24,551	137,293	1,361
2026-29	671,000	44,887	-	-
<b>Total</b>	<b>\$ 1,400,000</b>	<b>\$ 216,185</b>	<b>\$ 1,082,533</b>	<b>\$ 37,686</b>

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

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

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 11,629,651	\$ 4,813,435
OPEB	39,363,549	20,059,328
<b>Total</b>	<b>\$ 50,993,200</b>	<b>\$ 24,872,763</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, 2020:

<u>Contributions</u>		<u>ERS</u>		<u>TRS</u>
2020	\$	685,436	\$	1,705,091

( IX. ) ( Continued )

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

At June 30, 2020, 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, 2020 for ERS and June 30, 2019 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, 2020	June 30, 2019
Net pension assets/(liability)	\$ (4,864,429)	\$ 2,649,808
District's portion of the Plan's total net pension asset/(liability)	0.018370%	0.101994%

For the year ended June 30, 2020, the BOCES recognized pension expenses of \$1,691,803 for ERS and \$3,055,548 for TRS. At June 30, 2020 the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 286,291	\$ 1,795,707	\$ -	\$ 197,045
Changes of assumptions	97,947	5,005,842	84,575	1,220,566
Net difference between projected and actual earnings on pension plan investments	2,493,743	-	-	2,125,009
Changes in proportion and differences between the District's contributions and proportionate share of contributions	158,507	-	40,096	1,146,144
Subtotal	<u>\$ 3,036,488</u>	<u>\$ 6,801,549</u>	<u>\$ 124,671</u>	<u>\$ 4,688,764</u>
District's contributions subsequent to the measurement date	203,912	1,587,702	-	-
<b>Grand Total</b>	<b><u>\$ 3,240,400</u></b>	<b><u>\$ 8,389,251</u></b>	<b><u>\$ 124,671</u></b>	<b><u>\$ 4,688,764</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, 2020. 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>
2020	\$ -	\$ 977,415
2021	508,471	(145,328)
2022	737,524	973,070
2023	924,218	584,722
2024	741,604	(95,790)
2025	-	(181,304)
<b>Total</b>	<b>\$ 2,911,817</b>	<b>\$ 2,112,785</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, 2020	June 30, 2019
Actuarial valuation date	April 1, 2018	June 30, 2017
Interest rate	6.80%	7.10%
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%	2.20%
COLA's	1.30%	1.30%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

The long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized as follows:



( IX. ) ( Continued )

<b>Long Term Expected Rate of Return</b>		
	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2020	June 30, 2019
<b><u>Asset Type -</u></b>		
Domestic equity	4.05%	6.30%
International equity	6.15%	7.80%
Global equity	0.00%	7.20%
Private equity	6.75%	9.90%
Real estate	4.95%	4.60%
Absolute return strategies *	3.25%	0.00%
Opportunistic portfolios	4.65%	0.00%
Real assets	5.95%	0.00%
Bonds and mortgages	0.75%	0.00%
Cash	0.00%	0.00%
Inflation-indexed bonds	0.50%	0.00%
Private debt	0.00%	6.50%
Real estate debt	0.00%	2.90%
High-yield fixed income securities	0.00%	3.60%
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 2.2% for TRS.

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

**F. Discount Rate**

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.80% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentagepoint lower (5.80% for ERS and 6.10% for TRS ) or 1-percentage-point higher (7.80% for ERS and 8.10% for TRS) than the current assumption :

( IX. ) ( Continued )

	<b>1% Decrease</b>	<b>Current Assumption</b>	<b>1% Increase</b>
<b><u>ERS</u></b>	<b><u>(5.80%)</u></b>	<b><u>(6.80%)</u></b>	<b><u>(7.80%)</u></b>
Employer's proportionate share of the net pension asset (liability)	\$ (8,927,601)	\$ (4,864,429)	\$ (1,122,231)
		<b>Current Assumption</b>	<b>1% Increase</b>
<b><u>TRS</u></b>	<b><u>(6.10%)</u></b>	<b><u>(7.10%)</u></b>	<b><u>(8.10%)</u></b>
Employer's proportionate share of the net pension asset (liability)	\$ (11,960,957)	\$ 2,649,808	\$ 14,906,591

**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, 2020	June 30, 2019
Employers' total pension liability	\$ 194,596,261	\$ 119,879,474
Plan net position	168,115,682	122,477,481
Employers' net pension asset/(liability)	<u>\$ (26,480,579)</u>	<u>\$ 2,598,007</u>
Ratio of plan net position to the employers' total pension asset/(liability)	86.39%	102.20%

**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, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$203,912.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 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, 2020 amounted to \$1,705,091.

**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, 2020, 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><u>703</u></u></b>

**B. Total OPEB Liability**

The BOCES’ total OPEB liability of \$167,683,605 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability in the June 30, 2020 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	Varied by years of service and retirement system
Discount Rate	2.21%
Healthcare Cost Trend Rates	5.5% for 2020 decreasing to an ultimate rate of 3.84% by 2075

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-2018.

( X. ) (Continued)

C. Changes in the Total OPEB Liability

Balance at June 30, 2019	<u>\$ 129,186,675</u>
<u>Changes for the Year -</u>	
Service cost	\$ 4,657,975
Interest	4,606,806
Differences between expected and actual experience	1,236,448
Changes in assumptions or other inputs	33,234,089
Benefit payments	<u>(5,238,388)</u>
Net Changes	<u>\$ 38,496,930</u>
<b>Balance at June 30, 2020</b>	<b><u><u>\$ 167,683,605</u></u></b>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51 percent in 2019 to 2.21 percent in 2020.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the BOCES, as well as what the BOCES’ total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21 percent) or 1-percentage-point higher (3.21 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b><u>(1.21%)</u></b>	<b><u>(2.21%)</u></b>	<b><u>(3.21%)</u></b>
Total OPEB Liability	\$ 201,625,324	\$ 167,683,605	\$ 141,222,753

*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>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
	<b><u>(4.40%</u></b>	<b><u>(5.40%</u></b>	<b><u>(6.40%</u></b>
	<b><u>Decreasing</u></b>	<b><u>Decreasing</u></b>	<b><u>Decreasing</u></b>
	<b><u>to 2.84%)</u></b>	<b><u>to 3.84%)</u></b>	<b><u>to 4.84%)</u></b>
Total OPEB Liability	\$ 136,546,712	\$ 167,683,605	\$ 209,149,564

( X. ) (Continued)

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

For the year ended June 30, 2020, the BOCES recognized OPEB expense of \$11,166,643. At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,877,187	\$ -
Contributions after measurement date	28,486,362	(20,059,328)
<b>Total</b>	<b>\$ 39,363,549</b>	<b>\$ (20,059,328)</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>	
2021	\$ 1,901,862
2022	1,901,862
2023	2,494,714
2024	3,157,056
2025	4,924,362
Thereafter	4,924,365
<b>Total</b>	<b>\$ 19,304,221</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, 2020, the BOCES incurred premiums or contribution expenditures totaling \$378,818.

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, 2020.

A reconciliation of the claims recorded for 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Beginning liabilities	\$ 1,908,248	\$ 2,029,952
Incurred claims	4,734,698	8,796,457
Claims payment	<u>(4,873,639)</u>	<u>(8,918,161)</u>
<b>Ending liabilities</b>	<b><u><u>\$ 1,769,307</u></u></b>	<b><u><u>\$ 1,908,248</u></u></b>

( XI. ) (Continued)

The following statistical information is presented:

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

	<u>2020</u>	<u>2019</u>
Beginning liabilities	\$ 37,846	\$ 33,068
Incurred claims	266,708	363,468
Claims payment	(276,867)	(358,690)
<b>Ending liabilities</b>	<b>\$ 27,687</b>	<b>\$ 37,846</b>

( XI. ) (Continued)

The following statistical information is presented:

<u>Year</u>	<u>Contribution</u> <u>Revenue</u>	<u>Incurred Claim</u> <u>Expense</u>
2020	\$ 276,867	\$ 266,708
2019	358,690	363,468
2018	327,515	331,780
2017	288,976	290,929
2016	286,591	287,764
2015	179,851	256,744
2014	276,132	267,634
2013	176,693	275,318
2012	190,222	261,129
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 2019-20 fiscal year totaled \$111,335. The balance of the fund at June 30, 2020 was \$654,633 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2020, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

**XII. Commitments and Contingencies**

**A. Litigation**

Subsequent to year end, the BOCES received a summons and complaint regarding a claim. Any potential liability cannot be determined as of the date of this report.

**B. Grants**

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



### **XIII. Subsequent Event**

On August 13, 2020, the Division of the Budget (DOB) issued the FY 2021 First Quarterly State Budget Financial Plan Update which notes that, in the absence of Federal action since enactment of the FY 2021 budget, DOB began withholding 20 percent of most local aid payments in June, which includes 3609-a General Aid, , 3609-b Excess Cost Aid, 3609-d BOCES Aid payments, and that all or a portion of these withholds may be converted to permanent reductions, depending on the size and timing of new Federal aid, if any.

DOB's Updated Financial Plan includes \$8.2 billion in recurring local aid reductions, and states that the earliest DOB expects to transmit a detailed aid-to-localities reduction plan to the Legislature is late in the second quarter of the State's FY 2021, and that, in the absence of unrestricted Federal Aid, the DOB will continue to withhold a range of payments through the second quarter of FY 2021.

### **XIV. COVID-19**

On January 30,2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The outbreak and continuing effects of the COVID-19 health crisis in the State has had and is expected to have a significantly adverse effect on the State's financial condition. On April 25, 2020 the New York State Division of the Budget announced that the FY 2021 Enacted State Budget Financial Plan (the "Financial Plan") projects a \$13.3 billion shortfall, or 14%, in revenue from the Executive Budget Forecast released in January and estimates a \$61 billion decline through FY 2024 as a direct consequence of the COVID-19 pandemic. As a result, in the absence of Federal assistance, initial budget control actions outlined in the Financial Plan will reduce spending by \$10.1 billion from the Executive Budget. This represents a \$7.3 billion reduction in state spending from FY 2020 levels. The \$10.1 billion in spending reductions from the levels proposed in the Executive Budget include a \$8.2 billion reduction in "aid-to-localities", a broad spending category that includes funding for health care, K-12 schools, and higher education as well as support for local governments, public transit systems, and the State's not-for-profit partners. The dramatic decline in the State General Fund receipts is not a one-year problem. The Division of the Budget expects the reduced receipts to carry through each subsequent year of the four year Financial Plan, creating a total loss of \$60.5 billion through FY 2024 compared to the Executive Budget. According to the four year financial plan released by the State on May 8, 2020, as a result of the COVID-19 pandemic, State spending will be significantly reduced. Such reductions will include reductions to "aid to localities" which includes State aid to school districts, including the School District. Any significant reductions or delays in the payment of State aid could adversely affect the financial condition of school districts in the State.

**Required Supplementary Information**  
**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Changes in BOCES' Total OPEB Liability and Related Ratio**  
**For Year Ended June 30, 2020**

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

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

**Required Supplementary Information**  
**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of the BOCES' Proportionate Share of the Net Pension Liability**  
**For Year Ended June 30, 2020**

<b>NYSERS Pension Plan</b>						
	<b><u>2020</u></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)	0.0183698%	0.0164928%	0.0154429%	0.0143703%	0.0137042%	0.0131925%
Proportionate share of the net pension liability (assets)	\$ 4,864,429	\$ 1,168,567	\$ 498,413	\$ 1,350,263	\$ 2,199,562	\$ 445,677
Covered-employee payroll	\$ 5,179,550	\$ 4,547,841	\$ 4,212,500	\$ 3,765,987	\$ 3,403,815	\$ 3,433,616
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	93.916%	25.695%	11.832%	35.854%	64.620%	12.980%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
<b>NYSTRS Pension Plan</b>						
	<b><u>2020</u></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)	0.1020%	0.094586%	0.083274%	0.081809%	0.0803010%	0.0797730%
Proportionate share of the net pension liability (assets)	\$ (2,649,808)	\$ (1,710,364)	\$ (632,963)	\$ 876,208	\$ (8,340,728)	\$ (8,886,223)
Covered-employee payroll	\$ 18,039,103	\$ 18,435,366	\$ 16,926,547	\$ 14,098,636	\$ 13,284,523	\$ 12,622,522
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-14.689%	-9.278%	-3.739%	6.215%	-62.785%	-70.400%
Plan fiduciary net position as a percentage of the total pension liability	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

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

**Required Supplementary Information**  
**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of BOCES Contributions**  
**For Year Ended June 30, 2020**

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

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

**Required Supplementary Information**  
**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund**  
**For Year Ended June 30, 2020**

<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	\$ 8,800,866	\$ 8,800,404	\$ 8,835,699	\$ 35,295
Career and Tech Education 100-199	9,422,732	8,980,299	8,902,680	(77,619)
Instruction for Handicapped 200-299	17,002,796	17,928,775	17,934,256	5,481
Itinerant 300-399	4,686,644	3,005,109	3,006,399	1,290
General Instruction 400-499	8,602,312	8,594,998	8,555,762	(39,236)
Instructional Support 500-599	9,696,957	11,723,306	11,658,934	(64,372)
Other Services 600-699	<u>7,885,272</u>	<u>9,593,710</u>	<u>9,278,678</u>	<u>(315,032)</u>
<b>TOTAL REVENUES</b>	<u><u>\$ 66,097,579</u></u>	<u><u>\$ 68,626,601</u></u>	<u><u>\$ 68,172,408</u></u>	<u><u>\$ (454,193)</u></u>

**Required Supplementary Information**  
**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund**  
**For Year Ended June 30, 2020**

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001-002	\$ 8,800,866	\$ 8,800,404	\$ 7,582,441	\$ 30,768	\$ 1,187,195
Career and Tech Education 100-199	9,422,732	8,980,299	7,598,988	544,703	836,608
Instruction for Handicapped 200-299	17,002,796	17,928,775	15,085,067	277,122	2,566,586
Itinerant 300-399	4,686,644	3,005,109	2,786,073	28,633	190,403
General Instruction 400-499	8,602,312	8,594,998	7,436,991	267,921	890,086
Instructional Support 500-599	9,696,957	11,723,306	11,023,504	128,773	571,029
Other Services 600-699	<u>7,885,272</u>	<u>9,593,710</u>	<u>8,263,253</u>	<u>24,616</u>	<u>1,305,841</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 66,097,579</u>	<u>\$ 68,626,601</u>	<u>\$ 59,776,317</u>	<u>\$ 1,302,536</u>	<u>\$ 7,547,748</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,396,091</u>		

**Note to Required Supplementary Information:**

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

**OSWEGO COUNTY**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Analysis of Account A431 - School Districts**  
**For Year Ended June 30, 2020**

	<b>2020</b>
<b>July 1, 2019 - DEBIT (CREDIT) BALANCE</b>	<b>\$ (2,628,243)</b>
 <b>DEBITS:</b>	
Billings to school districts	\$ 66,599,451
Refund of balances made to school districts	6,509,512
Erate distribution	341,506
Encumbrances - June 30, 2020	1,302,536
<b>Total Debits</b>	<b>\$ 74,753,005</b>
<b>TOTAL</b>	<b>\$ 72,124,762</b>
 <b>CREDITS:</b>	
Collections from school districts	\$ 69,188,231
Adjustment - credits to school districts - revenues in excess of expenditures	8,396,091
Encumbrances - June 30, 2019	1,131,156
<b>Total Credits</b>	<b>\$ 78,715,478</b>
<b>June 30, 2020 - DEBIT (CREDIT) BALANCE</b>	<b>\$ (6,590,716)</b>

OSWEGO COUNTY  
 BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 SCHEDULE OF CAPITAL PROJECTS FUND  
 PROJECT EXPENDITURES AND FINANCING RESOURCES  
 For Year Ended June 30, 2020

Project Title	Expenditures					Unexpended Balance	Methods of Financing				Fund Balance
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total		Obligations	Local Sources	Transfers	Total	
Waterline project	\$ 333,875	\$ 333,875	\$ 275,769	\$ -	\$ 275,769	\$ 58,106	\$ -	\$ -	\$ 315,746	\$ 315,746	\$ 39,977
BOCES wide project - 2011	35,423,055	35,423,055	35,416,111	-	35,416,111	6,944	-	35,431,311	1,475,020	36,906,331	1,490,220
Boiler	323,000	323,000	-	452	452	322,548	-	323,000	-	323,000	322,548
Lease Purchase Agreement	897,697	897,697	-	897,697	897,697	-	897,697	-	-	897,697	-
<b>TOTAL</b>	<b>\$ 36,977,627</b>	<b>\$ 36,977,627</b>	<b>\$ 35,691,880</b>	<b>\$ 898,149</b>	<b>\$ 36,590,029</b>	<b>\$ 387,598</b>	<b>\$ 897,697</b>	<b>\$ 35,754,311</b>	<b>\$ 1,790,766</b>	<b>\$ 38,442,774</b>	<b>\$ 1,852,745</b>

(See Independent Auditors' Report)



OSWEGO COUNTY  
 BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For Year Ended June 30, 2020

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>CFDA</u> <u>Number</u>	<u>Grantor</u> <u>Number</u>	<u>Pass-Through</u> <u>Agency</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
<b><u>U.S. Department of Education:</u></b>				
<b><u>Direct Programs:</u></b>				
<b><u>Student Financial Assistance Program Cluster -</u></b>				
Pell Grant	84.063	12557	N/A	\$ 193,603
Federal Direct Student Loans	84.268	N/A	N/A	<u>284,069</u>
<b>Total Student Financial Assistance Program Cluster</b>				<b>477,672</b>
COVID-19 Education Stabilization funds	84.425E	P425E202633	N/A	43,050
<b><u>Indirect Programs:</u></b>				
<b><u>Passed Through NYS Education Department -</u></b>				
Migrant Education - Basic State Formula Grant	84.011	N/A	0035-20-0027	556,271
Migrant Education - Basic State Formula Grant	84.011	N/A	0035-19-0027	179,933
VATEA	84.048	N/A	8000-20-0021	180,081
WIOA Title 2	84.002	N/A	2338-20-3115	<u>100,000</u>
<b>Total U.S. Department of Education</b>				<b><u>\$ 1,537,007</u></b>
<b><u>U.S. Department of Agriculture - Food and Nutrition Services:</u></b>				
<b><u>Direct Program:</u></b>				
DL-RUS - Rural Utilities Service, Distance				
Learning and Telemedicine	10.855	NY 0738-B16	N/A	\$ 153,118
<b><u>Indirect Programs:</u></b>				
<b><u>Passed through NYS Office of Temporary and Disability Insurance -</u></b>				
State Administrative Matching Grants for the			TDA01-C00264GC-	
Supplemental Nutrition Assistance Program	10.561	N/A	3410000	<u>69,840</u>
<b>Total U.S. Department of Agriculture</b>				<b><u>\$ 69,840</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u><u>\$ 1,606,847</u></u></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, 2020, 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 September 30, 2020.

***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  
September 30, 2020

*Mengel, Metzger, Barw & Co. LLP*