

**BOARD OF COOPERATIVE
EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF
ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES**

FINANCIAL STATEMENTS

JUNE 30, 2022

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF
ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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INDEPENDENT AUDITORS' REPORT

The Board of Education
Board of Cooperative Educational Services
Second Supervisory District of
Erie-Chautauqua-Cattaraugus Counties

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Cooperative Educational Services Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties (BOCES), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of BOCES as of June 30, 2022, and the respective changes in financial position and budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BOCES' basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2022 on our consideration of BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BOCES' internal control over financial reporting and compliance.



September 29, 2022

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF
ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Management's Discussion and Analysis (unaudited)

June 30, 2022

Introduction

Our discussion and analysis of the Board of Cooperative Educational Services Second Supervisory District of Erie - Chautauqua - Cattaraugus Counties' (BOCES') financial performance provides an overview of the BOCES' financial activities for the year ended June 30, 2022. It should be read in conjunction with the financial statements to enhance understanding of the BOCES' financial performance, which immediately follows this section.

In 2022, BOCES adopted GASB Statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and that recognized income or expenditures, based on the payment provisions of the contract. Under this statement, a lessee is required to recognize a lease as a liability and an intangible right-to-use lease asset and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Financial Highlights

Key financial highlights for 2022 are as follows:

BOCES is a public school district formed under New York State Public Education Law §1950. It is formed to provide educational and management services to its 27 component school districts in Erie, Chautauqua, and Cattaraugus Counties, New York. Additionally, several other school districts purchase services from the BOCES by "cross contracting" through their own local BOCES. Since the BOCES receives no state aid and has no taxing authority, the vast majority of its revenue is derived from the sale of its services to school districts. Revenues recognized in the general fund from providing school district services totaled \$106,828,000 for 2022. In accordance with New York State Education Law, the BOCES does not maintain a general fund unassigned fund balance. Instead, all revenues collected in excess of annual expenditures, with the exception of amounts used to fund reserves, are returned to participating school districts in direct proportion to the revenues collected from those districts. The general fund refund for the year ended June 30, 2022 totaled \$3,440,000, which is \$249,000 higher than the previous year.

The BOCES' governmental fund financial statements report a combined ending fund balance of \$14,693,000, an increase of \$2,149,000 from the prior year. The fund balance is comprised from a number of sources:

- In order to assist the BOCES with its long-term planning for employee benefits, the BOCES has set aside \$5,153,000 in an employee benefit accrued liability reserve.
- A total of \$1,681,000 remains in the capital projects fund, which includes the equipment reserve funded from Career and Technology programs and represents \$548,000 of the fund balance. BOCES used \$150,000 of this reserve for equipment purchases. The remaining reserve amounts will be used to purchase technology equipment in accordance with New York State guidelines. Capital project expenditures of \$8,223,000 include \$681,000 for various capital projects, \$150,000 for equipment purchases as noted above, and \$7,392,000 of right-to-use lease classrooms and vehicles acquired in 2022.
- Assigned fund balance of \$721,000 includes a reserve for encumbrances in the general fund and the fund balance of the food service fund.
- Committed fund balance of \$2,500,000 includes amounts set aside for self-funded health insurance obligations.
- A deficit of \$484,000 exists in the special aid fund as of June 30, 2022 due to expenditures exceeding revenues in certain programs that BOCES charges for services.

The BOCES issued \$7,600,000 in revenue anticipation notes (RANs) during the year. This borrowing enables the BOCES to schedule the first billing to component schools for November 1. This process aids component districts' cash flows as well. The borrowing also allows the BOCES to issue state aid to our districts as soon as it is received. The RAN was repaid before the end of the year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the BOCES' financial statements. The BOCES' financial statements are comprised of the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) fiduciary fund statements, (5) notes to the financial statements, and (6) supplementary information.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, with the net difference 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 BOCES' net position changed during the 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, capital, occupational education, instruction for special education, itinerant services, general instruction, instructional support, other services, and cost of food sales.

Governmental 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 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 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 BOCES' near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The BOCES maintains five individual governmental funds: the general fund, capital projects fund, special aid fund, food service fund, and miscellaneous special revenue fund. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for each fund.

The BOCES adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund within the financial statements to demonstrate compliance with the budget.

Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. BOCES maintains a custodial fund for student activity accounts. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the BOCES's programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide, governmental fund, and fiduciary fund financial statements.

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 financial statements section of this report.

Supplementary Information

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

Government-Wide Financial Analysis

Condensed Statement of Net Position	Change			
	2022	2021	\$	%
Current and other assets	\$ 75,297,000	\$ 42,072,000	\$ 33,225,000	79.0%
Capital assets	57,722,000	45,517,000	12,205,000	26.8%
Total assets	133,019,000	87,589,000	45,430,000	51.9%
Deferred outflows of resources	25,131,000	26,138,000	(1,007,000)	(3.9%)
Long-term liabilities	27,087,000	17,050,000	10,037,000	58.9%
Other liabilities	27,540,000	27,179,000	361,000	1.3%
Total liabilities	54,627,000	44,229,000	10,398,000	23.5%
Deferred inflows of resources	45,594,000	17,277,000	28,317,000	163.9%
Net position				
Net investment in capital assets	41,128,000	43,385,000	(2,257,000)	(5.2%)
Restricted	6,795,000	5,968,000	827,000	13.9%
Unrestricted	10,006,000	2,868,000	7,138,000	248.9%
Total net position	\$ 57,929,000	\$ 52,221,000	\$ 5,708,000	10.9%

Net position amounted to \$57,929,000 and \$52,221,000 as of June 30, 2022 and 2021, respectively. The largest portion of the BOCES' net position reflects its investment in capital assets consisting of land, buildings and improvements, furniture and equipment, and right-to-use lease assets, less outstanding debt used to acquire those assets. The BOCES uses capital assets to provide services to students; consequently, these assets are not available for future spending. The restricted portion of net position totals \$6,795,000 (\$5,968,000 in 2021). This amount is comprised of the retirement contribution reserve, the liability reserve, the capital reserve, the unemployment insurance reserve, and amounts restricted for scholarships.

Current and other assets primarily include cash and receivables. The increase of \$33,225,000 (\$60,000 increase in 2021) is largely the result of BOCES' proportionate share of the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) net pension positions becoming an asset of \$30,815,000 as compared to a liability of \$4,137,000 in 2021. Fluctuations are largely a result of changes in actuarial assumptions and earnings on plan investments. Receivables totalled \$19,465,000, an increase of \$832,000 over 2021, and mostly consist of BOCES aid that is passed through to component districts. A total of \$18,496,000 in BOCES aid (\$18,382,000 in 2021) for the component districts is included in other liabilities.

The BOCES has \$57,722,000 in net capital assets at June 30, 2022. This is a combination of all land, construction in progress, buildings, and machinery and equipment, less accumulated depreciation and amortization, and represents an increase of \$12,205,000 from the previous year (\$128,000 decrease in 2021). Included within this increase is the net impact from the implementation of GASB 87 totalling \$7,095,000 and lease asset additions of \$6,172,000, net of amortization. The BOCES utilizes capital project funds to finance State-approved capital building projects for its fourteen separate buildings at its four locations in Ashville, Fredonia, Angola, and East Aurora, New York.

Long-term liabilities increased \$10,037,000 (decrease of \$6,024,000 in 2021), due to the implantation of GASB 87, which required BOCES to recognize lease liabilities of \$14,655,000. This increase was partially offset by the changes in the TRS and ERS net pension position discussed previously.

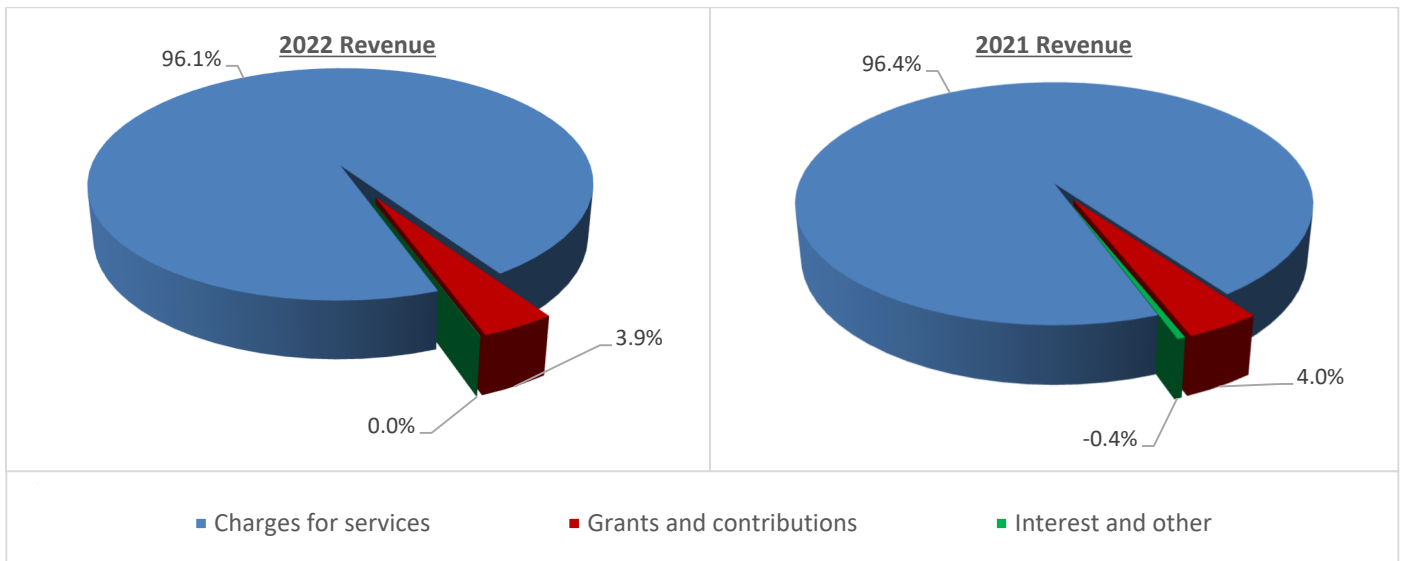
Included in other liabilities is the net refund to component districts which totals \$3,215,000 (\$2,698,000 in 2021). This will be refunded to component school districts as surplus revenue during the 2023 year. BOCES is self-funded for health insurance and recognized \$804,000 (\$953,000 in 2021) in accrued liabilities related to claims paid after year end.

Changes in deferred outflows and deferred inflows of resources include changes in pension activity at the State level which are required to be reflected in BOCES' financial statements. Deferred outflows of resources include contributions required to be paid by BOCES to the State pension systems after the measurement date, and as such are not included in the current net position. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. BOCES has no control or authority over these transactions. Also included in deferred outflows and deferred inflows of resources are differences between expected and actual experience and changes of assumptions related to BOCES' total OPEB liability.

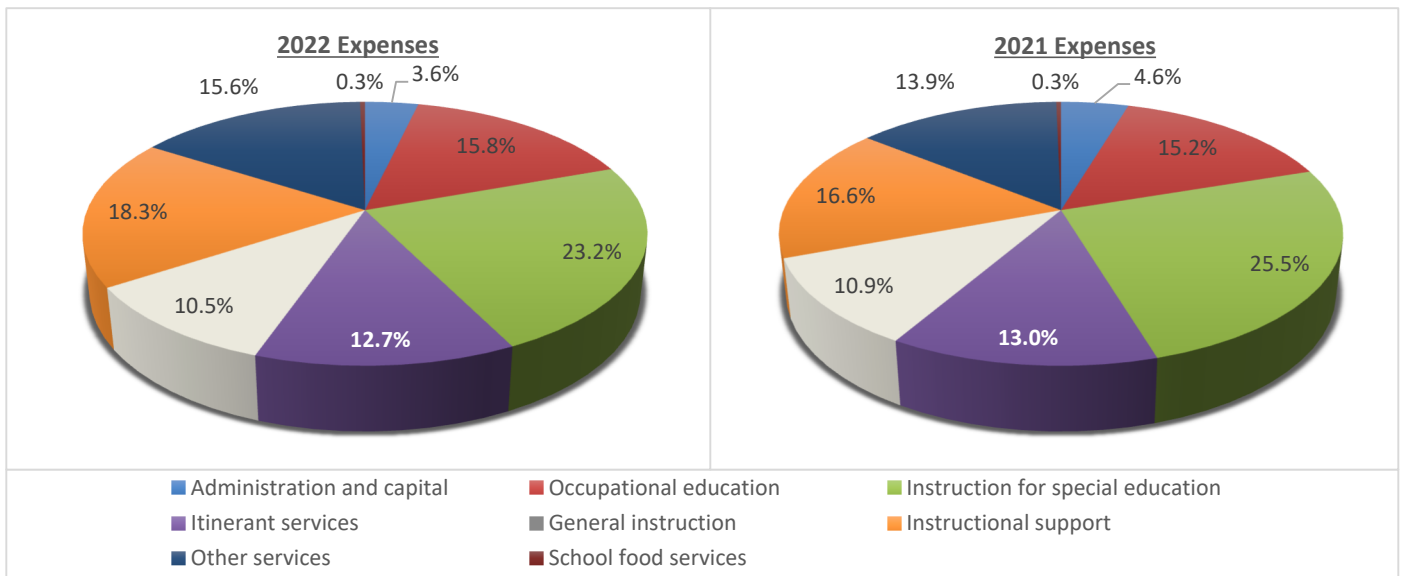
Condensed Statement of Activities	2022	2021	Change	
			\$	%
Revenues				
Program revenues				
Charges for services	\$ 104,206,000	\$ 100,641,000	\$ 3,565,000	3.5%
Operating grants and contributions	3,146,000	3,427,000	(281,000)	(8.2%)
Capital grants and contributions	1,110,000	760,000	350,000	46.1%
General revenues				
Interest	7,000	12,000	(5,000)	(41.7%)
Loss on disposal of equipment	(38,000)	(468,000)	430,000	(91.9%)
Total revenues	108,431,000	104,372,000	4,059,000	3.9%
Expenses				
Administration and capital	3,687,000	4,872,000	(1,185,000)	(24.3%)
Occupational education	16,087,000	16,130,000	(43,000)	(0.3%)
Instruction for special education	23,571,000	27,035,000	(3,464,000)	(12.8%)
Itinerant services	12,855,000	13,787,000	(932,000)	(6.8%)
General instruction	10,613,000	11,510,000	(897,000)	(7.8%)
Instructional support	18,613,000	17,520,000	1,093,000	6.2%
Other services	15,830,000	14,691,000	1,139,000	7.8%
School food service	343,000	342,000	1,000	0.3%
Total expenses	101,599,000	105,887,000	(4,288,000)	(4.0%)
Change in net position	6,832,000	(1,515,000)	8,347,000	(551.0%)
Net position – beginning	52,221,000	53,736,000	(1,515,000)	(2.8%)
Cumulative effect of a change in accounting principle	(1,124,000)		(1,124,000)	
Net position – beginning as restated	51,097,000	53,736,000	(2,639,000)	(4.9%)
Net position – ending	\$ 57,929,000	\$ 52,221,000	\$ 5,708,000	10.9%

The BOCES' net position increased by \$5,708,000 (\$1,496,000 decrease in 2021). Revenue increased \$4,059,000 and expenses decreased \$4,288,000 from 2021. BOCES charges its component districts for services rendered; any remaining surplus, as calculated on a fund basis, is returned to the districts.

Charges for services are dependent on the programs requested of the component and other districts. Capital grants and contributions, which include charges to component districts for capital projects, increased \$350,000 (decrease of \$3,643,000 in 2021) and purchases related to these charges are recognized as capitalized assets once incurred.



As shown above, the BOCES relies upon services to component districts as its primary revenue source. Charges for services totalled 104,206,000 or 96.1% of total revenues (\$100,641,000 or 96.4% in 2021) as a result of increased needs of districts. The BOCES also obtains grants and contributions from federal, state, and other local governments which represent \$4,256,000 or 3.9% of total revenues (\$4,187,000 or 4.0% in 2021). Operating grants allow the BOCES to operate additional programs without having to charge for these services. Capital contributions of \$1,110,000 were recognized from component districts during 2022, compared to \$760,000 in 2021.



As noted in the graph above, the BOCES' instruction for special education accounts for 23.2% of its total expenses and associated itinerant services represent 12.7% (25.5% and 13.0% respectively in 2021). The special education programs are designed for students with disabilities whose local school districts have chosen BOCES as the provider of services to appropriately meet their needs. Special education is the largest portion of BOCES' program expenses. This is reflective of the resources required to properly serve the needs of these students. These programs are not BOCES aidable, but do generate excess cost aid for the districts.

The second largest portion at 18.3% is for instructional support services (16.6% in 2021). These programs enhance and support instruction through multi-media materials, kits, and books. These services also include technology, audio and visual equipment, distance learning, and online education.

Occupational education accounts for 15.8% of total expenses (15.2% in 2021). These programs operate in cooperation with graduation requirements approved by the Board of Regents. The curriculum is assessed against national industry standards and meets the NYS Learning Standards. These programs are BOCES aidable.

Total expenses on a full accrual basis decreased \$4,288,000 (increased \$256,000 in 2021), mainly as a result of pension income of \$1,074,000 in 2022, which is reflected as a negative expenses, as compared to pension expense of \$6,917,000 in 2021. Additionally, employee wages decreased \$1,659,000 (\$1,195,000 increase in 2021), due to retirements and a one-time contractual incentive that occurred during 2021. This was offset by an increase in the result of demand for instructional support and occupational education, as noted above. The increased demand is primarily reflected in contractual expenses across programs.

Financial Analysis of the BOCES’ Funds

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

As of the end of the current year, the BOCES’ governmental funds reported combined fund balances of \$14,693,000 (\$12,544,000 in 2021). Of the total combined fund balances, a deficit of \$484,000 is the result of the special aid programs (\$289,000 deficit in 2021). The remainder of fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending. Restrictions include reserves for equipment and repairs of \$1,681,000, a reserve for unemployment insurance of \$596,000, a reserve for payments to TRS and ERS of \$3,503,000, and a liability reserve of \$995,000. Additionally, \$5,153,000 has been set aside for the long-term portion of unused employee sick and vacation time, \$2,500,000 has been committed for health insurance payments, as BOCES is self-insured for health insurance, and \$20,000 is restricted for scholarships to students.

The general fund is the chief operating fund of the BOCES. At the end of the current year, the total fund balance of the general fund was \$13,353,000 (\$11,392,000 at June 30, 2021). The entire fund balance has been restricted, committed, or assigned to aid in the long-term financial plan of the BOCES. The fund balance of the BOCES’ general fund increased by \$1,961,000 during the current year (increased \$2,479,000 in 2021).

General Fund Budgetary Highlights

The difference between the original budget, including carryover encumbrances, and the final amended expenditure budget was \$12,520,000. This change is attributable to increased requests for services from school districts during the year above their original estimates. By May 1 of each year, the districts are required to have a signed commitment statement with the BOCES for the ensuing school year. However, after that date school districts are able to amend their contracts for changes in required services. The BOCES’ budget is a fluid budget which changes throughout the year. Program budgets are adjusted to coincide with districts’ requests for additional services. Actual expenditures, including encumbrances were \$4,363,000, or 4.1%, less than the amended budget.

Capital Assets

At June 30, 2022, the BOCES had \$57,722,000, net of accumulated depreciation and amortization, invested in a broad range of capital assets, including land, buildings and improvements, and machinery and equipment, as reflected below.

	2022	2021
Land	\$ 193,000	\$ 193,000
Construction in progress	784,000	104,000
Buildings and improvements	62,021,000	62,021,000
Machinery and equipment	10,868,000	11,776,000
	<u>73,866,000</u>	74,094,000
Accumulated depreciation	(29,411,000)	(28,577,000)
	<u>44,455,000</u>	45,517,000
Right-to-use leased buildings and equipment, net	13,267,000	-
	<u>\$ 57,722,000</u>	<u>\$ 45,517,000</u>

Current year additions of \$8,452,000 were reduced by depreciation expense, amortization expense, and disposals of \$3,342,000. The difference of \$7,095,000 represents the beginning of year impact from the implementation of GASB 87.

Debt

At June 30, 2022, BOCES had \$14,655,000 of outstanding leases with \$1,180,000 due within one year. Due to the implementation of GASB 87, \$7,810,000 of lease liabilities were recognized as of July 1, 2021. BOCES also had an energy performance contract of \$1,940,000, with \$197,000 due within one year (\$2,132,000 outstanding at June 30, 2021). BOCES' compensated absences totalled \$7,402,000, with \$2,250,000 expected to be paid within one year (\$7,810,000 outstanding at June 30, 2021). More detailed information about the BOCES' long-term liabilities is presented in the notes to the financial statements.

Factors Bearing on the BOCES' Future

The extent of the impact of COVID-19 on the BOCES' operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on all school districts and BOCES and their residents, employees, and vendors, none of which can be predicted. Federal revenue sources have increased due to additional pandemic-related funding, but the full extent of Federal assistance is not yet known. These uncertainties combined with declining overall district enrollment and New York State's tax levy cap create multiple challenges for New York State's public schools. As the component districts formulate annual and multi-year financial plans, the revenue streams available to them will inevitably have an effect on the level and mix of BOCES services they can purchase.

BOCES and school districts in New York State are also impacted by the political pressures imposed on elected officials in funding of education. Year to year changes in funding levels and State aid formulas complicate this planning process.

Requests for Information

This financial report is designed to provide a general overview 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 Ms. Karen Drummond, Executive Director of Finance, Erie 2 - Chautauqua - Cattaraugus BOCES, 8685 Erie Road, Angola, New York 14006-9621.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Statement of Net Position

June 30, 2022

Assets

Cash	\$ 25,007,787
Due from school districts	2,515,774
Due from other governments	134,570
Accounts receivable	407,913
State and federal aid receivable	16,406,686
Inventory	8,470
Net pension asset	30,815,430
Capital assets (Note 6)	92,335,753
Accumulated depreciation and amortization	(34,613,367)
Total assets	133,019,016

Deferred Outflows of Resources

Deferred outflows of resources related to pensions	24,047,526
Deferred outflows of resources related to OPEB	1,084,073
Total deferred outflows of resources	25,131,599

Liabilities

Accounts payable	678,341
Accrued liabilities	1,712,071
State aid due to school districts	18,496,105
Refunds to component school districts	3,214,877
Due to retirement systems	3,281,767
Unearned revenue	156,941
Long-term liabilities	
Due within one year:	
Compensated absences	2,249,889
Energy performance contract	196,584
Leases	1,180,175
Due beyond one year:	
Compensated absences	5,152,579
Energy performance contract	1,743,135
Leases	13,474,688
Total OPEB liability	3,089,736
Total liabilities	54,626,888

Deferred Inflows of Resources

Deferred inflows of resources related to pensions	45,319,259
Deferred inflows of resources related to OPEB	275,058
Total deferred inflows of resources	45,594,317

Net Position

Net investment in capital assets	41,127,804
Restricted	6,795,023
Unrestricted	10,006,583
Total net position	\$ 57,929,410

See accompanying notes.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Statement of Activities

For the year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Administration	\$ 3,613,313	\$ 3,547,173	\$ 1,702	\$ -	\$ (64,438)
Capital	73,520	1,870,507	-	1,110,494	2,907,481
Occupational education	16,087,047	13,641,174	1,376,441	-	(1,069,432)
Instruction for special education	23,570,999	26,535,173	-	-	2,964,174
Itinerant services	12,854,784	14,068,644	-	-	1,213,860
General instruction	10,613,183	11,027,541	374,180	-	788,538
Instructional support	18,613,338	18,153,014	965,702	-	505,378
Other services	15,830,330	15,362,709	-	-	(467,621)
School food service	343,139	-	427,710	-	84,571
	<u>\$ 101,599,653</u>	<u>\$ 104,205,935</u>	<u>\$ 3,145,735</u>	<u>\$ 1,110,494</u>	<u>6,862,511</u>
General revenues					
					7,086
					(37,757)
					<u>(30,671)</u>
					6,831,840
					52,221,163
					(1,123,593)
					<u>51,097,570</u>
					\$ 57,929,410

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Balance Sheet - Governmental Funds

June 30, 2022

	General	Capital Projects	Special Aid	Food Service	Miscellaneous Special Revenue	Total Governmental Funds
Assets						
Cash	\$ 24,131,604	\$ 744,062	\$ 112,018	\$ -	\$ 20,103	\$ 25,007,787
Due from school districts	2,515,774	-	-	-	-	2,515,774
Due from other governments	-	-	134,570	-	-	134,570
Accounts receivable	54,555	-	353,358	-	-	407,913
State and federal aid receivable	15,757,716	-	498,242	150,728	-	16,406,686
Due from other funds, net	299,853	961,181	-	56,882	100	1,318,016
Inventory	-	-	-	8,470	-	8,470
Total assets	\$ 42,759,502	\$ 1,705,243	\$ 1,098,188	\$ 216,080	\$ 20,203	\$ 45,799,216
Liabilities and Fund Balances						
Accounts payable	\$ 469,616	\$ 24,445	\$ 91,876	\$ 92,304	\$ 100	\$ 678,341
Accrued liabilities	3,944,601	-	15,359	-	-	3,959,960
State aid due to school districts	18,496,105	-	-	-	-	18,496,105
Refunds to component school districts	3,214,877	-	-	-	-	3,214,877
Due to retirement systems	3,281,767	-	-	-	-	3,281,767
Due to other funds, net	-	-	1,318,016	-	-	1,318,016
Unearned revenue	-	-	156,941	-	-	156,941
Total liabilities	29,406,966	24,445	1,582,192	92,304	100	31,106,007
Fund Balances						
Nonspendable	-	-	-	8,470	-	8,470
Restricted	10,246,701	1,680,798	-	-	20,103	11,947,602
Committed	2,500,000	-	-	-	-	2,500,000
Assigned	605,835	-	-	115,306	-	721,141
Unassigned	-	-	(484,004)	-	-	(484,004)
Total fund balances (deficit)	13,352,536	1,680,798	(484,004)	123,776	20,103	14,693,209
Total liabilities and fund balances	\$ 42,759,502	\$ 1,705,243	\$ 1,098,188	\$ 216,080	\$ 20,203	\$ 45,799,216

See accompanying notes.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

June 30, 2022

Total fund balances - governmental funds \$ 14,693,209

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 57,722,386

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

Net pension asset	30,815,430	
Deferred outflows of resources related to pensions	24,047,526	
Deferred inflows of resources related to pensions	<u>(45,319,259)</u>	9,543,697

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

Deferred outflows of resources related to OPEB	1,084,073	
Total OPEB liability	(3,089,736)	
Deferred inflows of resources related to OPEB	<u>(275,058)</u>	(2,280,721)

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

Leases	(14,654,863)	
Accrued interest	(2,000)	
Compensated absences	(5,152,579)	
Energy performance contract	<u>(1,939,719)</u>	(21,749,161)

Net position - governmental activities \$ 57,929,410

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

For the year ended June 30, 2022

	General	Capital Projects	Special Aid	Food Service	Miscellaneous Special Revenue	Total Governmental Funds
Revenues						
Charges to components	\$ 98,450,901	\$ -	\$ 1,367,674	\$ -	\$ -	\$ 99,818,575
Charges to non-components and other BOCES	7,357,369	-	117,376	-	-	7,474,745
Charges for services	29,659	-	485,823	-	-	515,482
Use of money and property	135,040	138	25	-	-	135,203
Sale of property and compensation for loss	34,838	-	-	-	-	34,838
Miscellaneous	819,327	-	56,999	999	1,702	879,027
State sources	1,044	-	578,731	4,513	-	584,288
Federal sources	-	-	2,079,549	423,197	-	2,502,746
Total revenues	106,828,178	138	4,686,177	428,709	1,702	111,944,904
Expenditures						
Administration	4,017,004	-	-	-	1,150	4,018,154
Occupational education	13,001,112	-	1,928,146	-	-	14,929,258
Instruction for special education	23,852,926	-	1,473,854	-	-	25,326,780
Itinerant services	13,555,350	-	-	-	-	13,555,350
General instruction	10,650,826	-	374,180	-	-	11,025,006
Instructional support	17,885,031	-	965,702	-	-	18,850,733
Other services	15,879,015	-	139,102	-	-	16,018,117
Cost of sales	-	-	-	326,480	-	326,480
Capital outlay	-	8,222,842	-	-	-	8,222,842
Debt service						
Lease Principal	956,000	-	-	-	-	956,000
Lease Interest	519,662	-	-	-	-	519,662
Total expenditures	100,316,926	8,222,842	4,880,984	326,480	1,150	113,748,382
Excess revenues (expenditures)	6,511,252	(8,222,704)	(194,807)	102,229	552	(1,803,478)
Other financing sources (uses)						
Refunds to component school districts	(3,439,817)	-	-	-	-	(3,439,817)
Proceeds from leases	-	7,392,109	-	-	-	7,392,109
Operating transfers	(1,110,494)	1,110,494	-	-	-	-
Total other financing sources (uses)	(4,550,311)	8,502,603	-	-	-	3,952,292
Net change in fund balances	1,960,941	279,899	(194,807)	102,229	552	2,148,814
Fund balances (deficit) - beginning	11,391,595	1,400,899	(289,197)	21,547	19,551	12,544,395
Fund balances (deficit) - ending	\$ 13,352,536	\$ 1,680,798	\$ (484,004)	\$ 123,776	\$ 20,103	\$ 14,693,209

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

For the year ended June 30, 2022

Total net change in fund balances - governmental funds \$ 2,148,814

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

Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays exceed depreciation and amortization expense and disposals. 5,109,778

Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. These differences are:

2022 TRS and ERS contributions	4,613,954	
2022 ERS accrued contribution	593,435	
2021 ERS accrued contribution	(544,430)	
2022 TRS pension income	1,547,440	
2022 ERS pension expense	<u>(473,812)</u>	5,736,587

OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities. (226,079)

Leases are recorded as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position. (7,392,109)

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 1,148,196

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds these expenditures are reported as paid. 306,653

Change in net position - governmental activities \$ 6,831,840

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

For the year ended June 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
Revenues					
Charges to components, including capital	\$ 89,168,679	\$ 97,966,148	\$ 98,450,901		\$ 484,753
Charges to non-components and other BOCES	3,128,761	6,629,128	7,357,369		728,241
Charges for services	-	29,738	29,659		(79)
Use of money and property	200,000	224,583	135,040		(89,543)
Sale of property and compensation for loss	-	34,838	34,838		-
Miscellaneous	1,832,889	1,963,350	819,327		(1,144,023)
State sources	-	2,544	1,044		(1,500)
Total revenues	94,330,329	106,850,329	106,828,178		(22,151)
Expenditures					
Administration and capital	6,307,323	6,575,332	4,096,023	42,010	(2,437,299)
Occupational education	13,041,677	14,215,599	13,252,182	258,961	(704,456)
Instruction for special education	25,734,241	24,777,794	24,470,200	71,283	(236,311)
Itinerant services	13,829,847	14,875,303	13,703,705	36,435	(1,135,163)
General instruction	8,812,786	11,461,324	10,983,887	59,307	(418,130)
Instructional support	13,157,487	19,175,812	17,981,067	134,340	(1,060,405)
Other services	13,446,968	15,769,165	15,918,306	3,499	152,640
Debt service					
Lease Principal	-	-	956,000	-	956,000
Lease Interest	-	-	519,662	-	519,662
Total expenditures	94,330,329	106,850,329	101,881,032	605,835	(4,363,462)
Excess revenues (expenditures)	-	-	4,947,146	(605,835)	4,341,311
Other financing sources (uses)					
Operating transfers out	-	-	(1,110,494)		1,110,494
Refunds to component school districts	-	-	(3,439,817)		3,439,817
Unemployment insurance reserve	-	-	30,628		30,628
Retirement contribution reserve	-	-	516,207		516,207
Employee benefit accrued liability reserve	-	-	(306,653)		(306,653)
Committed fund balance	-	-	1,323,924		1,323,924
Total other financing sources (uses)	-	-	(2,986,205)		(2,986,205)
Excess revenues (expenditures) and other financing sources (uses)	\$ -	\$ -	\$ 1,960,941	\$ (605,835)	\$ 1,355,106

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF
ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Statement of Fiduciary Net Position - Custodial Fund

June 30, 2022

Assets

Cash \$ 68,258

Liabilities

Due to other governments 86

Net Position

Extraclassroom activity balances \$ 68,172

* * *

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF
ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Statement of Changes in Fiduciary Net Position - Custodial Fund

For the year ended June 30, 2022

Additions

Student activity additions \$ 55,047

Deductions

Student activity deductions 61,385

Change in net position (6,338)

Net position - beginning 74,510

Net position - ending \$ 68,172

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
SECOND SUPERVISORY DISTRICT OF
ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Reporting Entity

Board of Cooperative Educational Services Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties (BOCES) is governed by Education and other laws of the State of New York (the State). BOCES is an independent entity governed by an elected Board consisting of 13 members. BOCES' District Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board is responsible for and controls all activities related to public school education within BOCES. Board members have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

Boards of Cooperative Educational Services were established by State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, legislation was passed allowing boards of cooperative educational services to provide vocational and special education. Boards of cooperative educational services are voluntary, cooperative associations of school districts in a geographic area that share planning, services, and programs to provide educational and support activities more economically, efficiently, and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following 27 school districts in the State's Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties:

Bemus Point	Forestville	Orchard Park
Brocton	Fredonia	Panama
Cassadaga Valley	Frewsburg	Pine Valley
Chautauqua Lake	Gowanda	Ripley
Clymer	Holland	Sherman
Dunkirk	Iroquois	Silver Creek
East Aurora	Jamestown	Southwestern
Eden	Lake Shore	Springville-Griffith Institute
Falconer	North Collins	Westfield

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

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

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

Public Entity Risk Pools

BOCES participates in and administers the Erie #2 Area Schools Self-Funded Workers' Compensation Consortium, which is a public entity risk pool designed to provide workers' compensation for participating entities. These activities are further discussed in Note 11.

Basis of Presentation

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

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

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

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

BOCES reports the following major fund:

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

BOCES also elected to display the following as major funds:

- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted, committed, or assigned to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *Food service fund.* This fund is a special revenue fund whose specific revenue sources, including free and reduced meal subsidies received from state and federal programs, are assigned to the operation of BOCES' breakfast and lunch programs.
- *Miscellaneous special revenue fund.* This fund is used to account for resources that are restricted to student scholarships. Donations are made by third parties and BOCES personnel manage the funds and assist with determination of scholarship recipients.

Fiduciary fund reporting focuses on net position and changes in net position. Fiduciary funds are used to report fiduciary activities, which may include pension and other postemployment benefit trust funds, investment trust funds, private-purpose trust funds, and custodial funds. BOCES maintains a custodial fund for the collection and distribution of student activity accounts.

Basis of Accounting and Measurement Focus

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. BOCES considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Changes to reserves and refunds to component school districts are reported as other financing sources.

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Budget Process, Amendments, and Encumbrances

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

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

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

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

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

Budgetary comparisons of the general fund presented in these financial statements are on a budgetary basis and represent the budget as modified. The following is a reconciliation of revenues and expenditures of the general fund computed on a GAAP and a budgetary basis:

	Revenue	Expenditures
GAAP basis	\$ 106,828,178	\$ 100,316,926
Net funding of reserves	-	240,182
Funding of committed fund balance	-	1,323,924
Budgetary basis	<u>\$ 106,828,178</u>	<u>\$ 101,881,032</u>

Inventory

Inventory consists of food and similar goods related to food service operations and is recorded at the lower of first-in, first-out cost of net realizable value. Donated commodities are stated at values which approximate market.

Capital Assets

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

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

	Capitalization Policy	Estimated Useful Life in Years
Buildings and improvements	\$ 50,000	15 - 40
Machinery, vehicles, and equipment	\$ 5,000	2 - 25

Short-Term Debt

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

Refunds to Component School Districts

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

Pensions

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

Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense for BOCES's defined benefit healthcare plan (Note 10) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

Compensated Absences

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

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

Equity Classifications

Government-Wide Statements

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

Governmental Fund Statements

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

Fund balance is categorized as follows:

Nonspendable:		
Inventory	\$	8,470
Restricted:		
Capital		1,680,798
Employee benefit accrued liability		5,152,579
Liability		995,305
Retirement contribution		3,502,908
Unemployment insurance		595,909
Scholarships		20,103
Committed		2,500,000
Assigned:		
Encumbrances		605,835
Food service		115,306
Unassigned		(484,004)
	\$	<u>14,693,209</u>

Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash and include inventory.

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

Fund balance restrictions include the following reserves:

- *Capital* – is used to accumulate funds to finance all or a portion of the purchase of new technology in accordance with State guidelines. In addition, remaining contributions from components at year end for capital outlay are restricted to capital expenditures but do not constitute reserves.
- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of an employee's services. It is established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. On the governmental fund statements it is considered restricted. On the government-wide statements the amount is accrued as a long-term liability.
- *Liability* – is used to pay for liability claims incurred. This reserve may not exceed 3% of the annual budget.
- *Retirement contribution* – is used to finance retirement contributions payable to TRS and ERS. For TRS, funding is limited to 2% annually of eligible salaries up to a maximum reserve of 10% of eligible salaries. At June 30, 2022, the retirement contribution reserve consists of \$1,952,908 for TRS and \$1,550,000 for ERS.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as BOCES has elected to use the benefit reimbursement method.

Restricted fund balance also includes scholarships donated to BOCES by third parties for the benefit of students.

Committed fund balances are authorized by the Board of Education prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Such amounts represent claims estimates for the BOCES' self-insured health insurance plan.

Assigned fund balances include amounts encumbered at year end. Additionally, the Board of Education has given BOCES' management the authority to assign fund balances for specific purposes that are neither restricted nor committed.

Interfund Balances

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

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

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

2. Change in Accounting Principle

Effective July 1, 2021, BOCES adopted GASB Statement No. 87, *Leases*. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The impact of these required accounting changes on BOCES' government-wide activity is as follows:

Net position, July 1, 2021	\$ 52,221,163
Right-to-use lease asset	11,077,444
Accumulated amortization	(3,982,283)
Lease liability	(8,218,754)
<u>Net position, as restated, July 1, 2021</u>	<u>\$ 51,097,570</u>

3. Stewardship and Compliance

The fund balance in the special aid fund reflects a deficit of \$484,004 as of June 30, 2022. BOCES' management anticipates that operations will continue to improve over time, eliminating the deficit.

4. Cash

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

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

Custodial credit risk is the risk that, in the event of a bank failure, BOCES' deposits may not be returned to it. At June 30, 2022, BOCES' bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents in BOCES' name.

5. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 1,318,016	\$ 1,018,163	\$ -	\$ 1,110,494
Capital projects	961,181	-	1,110,494	-
Special aid	-	1,318,016	-	-
Food service	56,882	-	-	-
Miscellaneous special revenue	100	-	-	-
	<u>\$ 2,336,179</u>	<u>\$ 2,336,179</u>	<u>\$ 1,110,494</u>	<u>\$ 1,110,494</u>

The general fund provides cash flow to various other funds; these amounts are repaid in the subsequent year when funds are available. The general fund owes the capital projects fund for amounts received from component districts but not yet transferred. The general fund made a permanent transfer to the capital projects fund for amounts received from component districts for ongoing capital projects.

6. Capital Assets

	July 1, 2021 (As restated)	Increases	Retirements/ Reclassifications	June 30, 2022
Non-depreciable and non-amortizable capital assets:				
Land	\$ 193,117	\$ -	\$ -	\$ 193,117
Construction in progress	103,800	680,377	-	784,177
Total non-depreciable and non-amortizable assets	296,917	680,377	-	977,294
Depreciable capital assets:				
Buildings and improvements	62,020,945	-	-	62,020,945
Machinery and equipment	11,776,665	379,573	(1,288,277)	10,867,961
Total depreciable assets	73,797,610	379,573	(1,288,277)	72,888,906
Less accumulated depreciation:				
Buildings and improvements	21,032,394	1,354,072	-	22,386,466
Machinery and equipment	7,544,686	695,569	(1,215,682)	7,024,573
Total accumulated depreciation	28,577,080	2,049,641	(1,215,682)	29,411,039
Total depreciable assets, net	45,220,530	(1,670,068)	(72,595)	43,477,867
Right-to-use lease assets:				
Buildings and improvements	9,896,439	6,818,729	-	16,715,168
Vehicles	1,181,005	573,380	-	1,754,385
Total right-to-use lease assets	11,077,444	7,392,109	-	18,469,553
Less accumulated amortization	3,982,283	1,220,045	-	5,202,328
Total right-to-use assets, net	7,095,161	6,172,064	-	13,267,225
	\$ 52,612,608	\$ 5,182,373	\$ (72,595)	\$ 57,722,386

Depreciation and amortization expense has been allocated to the following functions: administration \$92,419, occupational education \$1,892,526, instruction for special education \$524,404, itinerant services \$13,214, general instruction \$629,295, instructional support \$89,651, other services \$10,878, and school food service \$17,299.

At June 30, 2022, net investment in capital assets is equal to the net book value of capital assets, totaling \$57,722,386, less the balance on energy performance contracts of \$1,939,719 and leases of \$14,654,863, for a net investment of \$41,127,804.

7. Short-Term Debt

During 2022, BOCES issued and redeemed RANs of \$7,600,000 with interest at 1.25%. There were no short-term debt obligations outstanding at June 30, 2022.

In July 2022, BOCES issued RANs totaling \$7,200,000 with interest at 2.77%. Principal and interest are due at maturity in June 2023.

8. Long-Term Liabilities

	July 1, 2021 (As Restated)	Increases	Decreases	June 30, 2022	Amount Due in One Year
Energy performance contract	\$ 2,131,915	\$ -	\$ 192,196	\$ 1,939,719	\$ 196,584
Leases	8,218,754	7,392,109	956,000	14,654,863	1,180,175
Compensated absences	7,809,509	-	407,041	7,402,468	2,249,889
	\$ 18,160,178	\$ 7,392,109	\$ 1,555,237	\$ 23,997,050	\$ 3,626,648

The amount of compensated absences due in one year is included as a fund liability as accrued amounts are charged to component school districts. The non-current portion is recognized in the employee benefit accrued liability reserve on the governmental fund statements to protect these funds from future budgetary appropriations.

Existing Obligations

Description	Maturity	Rate	Balance
Energy performance contract	June 2031	2.27%	\$ 1,939,719
Leases	Aug 2042	3.0%-5.0%	14,654,863
			<u>\$ 16,594,582</u>

Debt Service Requirements

Years ending June 30,	Energy Performance Contract		Leases	
	Principal	Interest	Principal	Interest
2023	\$ 196,584	\$ 42,922	\$ 1,180,175	\$ 445,097
2024	201,071	38,435	1,084,122	409,359
2025	205,662	33,844	991,718	375,464
2026	210,357	29,149	1,020,720	343,489
2027	215,159	24,347	1,012,760	310,572
2028-2032	910,886	47,137	4,040,464	1,138,020
2033-2037	-	-	3,020,303	621,889
2038-2042	-	-	2,304,601	169,274
	<u>\$ 1,939,719</u>	<u>\$ 215,834</u>	<u>\$ 14,654,863</u>	<u>\$ 3,813,164</u>

9. Pension Plans

Plan Descriptions

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

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

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

Contribution Requirements: No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers’ Retirement Board. This rate was 9.80% for 2022. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by BOCES to the pension accumulation fund. For 2022, these rates ranged from 10.8% - 23.1%.

The amount outstanding and payable to TRS for the year ended June 30, 2022 was \$2,410,556. A liability to ERS of \$593,435 is accrued based on BOCES' legally required contribution for employee services rendered from April 1 through June 30, 2022.

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

At June 30, 2022, BOCES reported an asset of \$26,351,458 for its proportionate share of the TRS net pension position and an asset of \$4,463,972 for its proportionate share of the ERS net pension position.

The TRS total pension liability at the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures applied to roll forward the total pension liability to June 30, 2021. BOCES' proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2021, BOCES' proportion was 0.152065%, an increase of 0.004119 from its proportion measured as of June 30, 2020.

The ERS total pension liability at the March 31, 2022 measurement date was determined by an actuarial valuation as of April 1, 2021, with update procedures applied to roll forward the total pension liability to March 31, 2022. BOCES' proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At March 31, 2022, BOCES' proportion was 0.0546079%, an increase of 0.0053753 from its proportion measured as of March 31, 2021.

For the year ended June 30, 2022, BOCES recognized pension income of \$1,073,628 on the government-wide statements (TRS income of \$1,547,440 and ERS expense of \$473,812). At June 30, 2022, BOCES reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,632,269	\$ (136,907)	\$ 338,063	\$ (438,487)
Changes of assumptions	8,667,545	(1,534,895)	7,449,869	(125,708)
Net difference between projected and actual earnings on pension plan investments	-	(27,579,528)	-	(14,617,638)
Changes in proportion and differences between BOCES' contributions and proportionate share of contributions	59,354	(616,664)	896,435	(269,432)
BOCES' contributions subsequent to the measurement date	2,410,556	-	593,435	-
	<u>\$ 14,769,724</u>	<u>\$ (29,867,994)</u>	<u>\$ 9,277,802</u>	<u>\$ (15,451,265)</u>

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

Years ending June 30,	TRS	ERS
2022	\$ (3,518,635)	\$ (898,165)
2023	(4,115,092)	(1,471,701)
2024	(5,176,521)	(3,650,393)
2025	(6,741,932)	(746,639)
2026	1,186,614	-
Thereafter	856,740	-
	<u>\$ (17,508,826)</u>	<u>\$ (6,766,898)</u>

Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2020 valuation, with update procedures used to roll forward the total pension liability to June 30, 2021, were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020. These assumptions are:

Inflation – 2.4%

Salary increases – Based on TRS member experience, dependent on service, ranging from 1.95%-5.18%

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

Investment rate of return – 6.95% compounded annually, net of investment expense, including inflation

Mortality – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020, applied on a generational basis

Discount rate – 6.95%

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

For ERS, the actuarial assumptions used in the April 1, 2021 valuation, with update procedures used to roll forward the total pension liability to March 31, 2022, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

Inflation – 2.7%

Salary increases – 4.4%

COLA – 1.4% annually

Investment rate of return – 5.9% compounded annually, net of investment expense, including inflation

Mortality – Society of Actuaries' Scale MP-2020

Discount rate – 5.9%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Asset Allocation

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

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	6.8%	32%	3.3%
Global and international equities	20%	7.1%-7.6%	15%	5.9%
Private equities	8%	10.0%	10%	6.5%
Real estate	11%	6.5%	9%	5.0%
Domestic fixed income securities	16%	1.3%	23%	-
Global fixed income securities	2%	0.8%	-	-
Bonds and mortgages	7%	3.3%	-	-
Short-term	1%	(0.2)%	1%	(1.0)%
Other	2%	3.8%-5.9%	10%	3.8%-5.8%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate projection of cash flows assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the BOCES' proportionate share of its net pension position calculated using the discount rate of 6.95% (TRS) and 5.9% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
BOCES's proportionate share of the TRS net pension asset (liability)	\$ 2,765,201	\$ 26,351,458	\$ 46,173,996
BOCES's proportionate share of the ERS net pension asset (liability)	\$ (11,490,215)	\$ 4,463,972	\$ 17,808,880

10. OPEB

Plan Description

BOCES maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance for certain BOCES' retirees and their spouses. Benefit provisions are based on individual contracts with BOCES as negotiated from time to time. Eligibility for benefits is based on covered employees who retire from BOCES at age 55 or older with years of service requirements determined by employee group. The Plan provides an implicit rate subsidy for retirees who opt to continue to pay for health insurance premiums through BOCES' plans. Premiums vary by type of coverage obtained and age of the retiree. The Plan has no assets, does not issue financial statements, and is not a trust.

At June 30, 2021, employees covered by the Plan include:

Active employees	589
Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees entitled to but not yet receiving benefits	-
	<u>637</u>

Total OPEB Liability

BOCES' total OPEB liability of \$3,089,736 was measured as of March 31, 2022 and was determined by an actuarial valuation as of June 30, 2021, with update procedures to roll forward the OPEB liability to June 30, 2022.

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

Healthcare cost trend rates – based on the National Health Expenditure Projections 2021-2028 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2022 version f4 (updated October 2021) for long-term rates, initially 6.10%, with an ultimate rate of 4.37% after 2075

Salary increases – 3.44%

Mortality – Pub-2010 Public Retirement Plans Mortality Tables, headcount-weighted, without separate contingent survivor mortality, fully generational using scale MP-2021

Discount rate – 2.83% based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date

Inflation rate – 2.44%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	<u>\$ 2,971,661</u>
Changes for the year:	
Service cost	192,033
Interest	67,700
Changes of benefit terms	-
Differences between expected and actual experience	196,775
Changes of assumptions or other inputs	(157,104)
Benefit payments	<u>(181,329)</u>
Net changes	118,075
Balance at June 30, 2022	<u>\$ 3,089,736</u>

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

	1.0% Decrease (1.83%)	Discount Rate (2.83%)	1.0% Increase (3.83%)
Total OPEB liability	<u>\$ (3,317,357)</u>	<u>\$ (3,089,736)</u>	<u>\$ (2,878,920)</u>

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

	1.0% Decrease (5.10% to 3.37%)	Healthcare Cost Trend Rate (6.10% to 4.37%)	1.0% Increase (7.10% to 5.37%)
Total OPEB liability	<u>\$ (2,751,737)</u>	<u>\$ (3,089,736)</u>	<u>\$ (3,491,548)</u>

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2022, BOCES recognized OPEB expense of \$426,161. At June 30, 2022, BOCES reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 681,955	\$ (77,761)
Changes of assumptions or other inputs	356,786	(197,297)
Benefits paid subsequent to the measurement date	45,332	-
	<u>\$ 1,084,073</u>	<u>\$ (275,058)</u>

Benefits paid subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the subsequent year. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2023	\$ 191,126
2024	258,558
2025	270,158
2026	43,060
2027	781
	<u>\$ 763,683</u>

11. Risk Management

General Liability

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

Workers' Compensation

BOCES participates in and sponsors the Erie #2 Area Schools Self-Funded Workers' Compensation Consortium (the Plan). The Plan administers a workers' compensation insurance fund pursuant to Article 5 of the Workers' Compensation Law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. The Plan includes 24 members as of June 30, 2021 (the most recent information available).

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

The Plan has published its own financial report for the year ended June 30, 2021, which can be obtained from BOCES' administrative offices.

12. Commitments and Contingencies

Grants

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

Litigation

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

13. Risks and Uncertainties Due to COVID-19

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease have required BOCES to implement numerous safety measures and remote learning initiatives. The full extent of the impact of COVID-19 on BOCES' operational and financial performance will continue to depend on further developments, including the duration and spread of the outbreak and its impact on school districts and their residents, employees, and vendors, none of which can be predicted.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

As of the measurement date of June 30,	2021	2020	2019	2018	2017	2016	2015	2014	2013
BOCES' proportion of the net pension position	0.152065%	0.147946%	0.143332%	0.139970%	0.134932%	0.137075%	0.137264%	0.138637%	0.134828%
BOCES' proportionate share of the net pension asset (liability)	\$ 26,351,458	\$ (4,088,147)	\$ 3,723,772	\$ 2,531,029	\$ 1,025,616	\$ (1,468,135)	\$14,257,365	\$15,443,345	\$ 887,511
BOCES' covered payroll	\$ 26,666,747	\$26,139,244	\$23,924,426	\$22,799,561	\$21,754,283	\$21,149,691	\$20,620,713	\$20,926,630	\$20,280,754
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	98.82%	15.64%	15.56%	11.10%	4.71%	6.94%	69.14%	73.80%	4.38%
Plan fiduciary net position as a percentage of the total pension liability	113.20%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

The following is a summary of changes of assumptions:

Inflation	2.4%	2.2%	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%	3.0%
Salary increases	1.95%-5.18%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%	1.625%
Investment rate of return	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Discount rate	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2020	MP-2019	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA	AA

Data prior to 2013 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

For the years ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,410,556	\$ 2,541,341	\$ 2,315,937	\$ 2,540,774	\$ 2,234,357	\$ 2,549,602	\$ 2,804,449	\$ 3,614,811	\$ 3,327,822	\$ 2,338,330
Contribution in relation to the contractually required contribution	(2,410,556)	(2,541,341)	(2,315,937)	(2,540,774)	(2,234,357)	(2,549,602)	(2,804,449)	(3,614,811)	(3,327,822)	(2,338,330)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 24,597,510	\$ 26,666,747	\$ 26,139,244	\$ 23,924,426	\$ 22,799,561	\$ 21,754,283	\$ 21,149,691	\$ 20,620,713	\$ 20,926,630	\$ 20,280,754
Contributions as a percentage of covered payroll	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	15.90%	11.53%

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

As of the measurement date of March 31,	2022	2021	2020	2019	2018	2017	2016	2015
BOCES' proportion of the net pension position	0.0546079%	0.0492326%	0.0435238%	0.0430283%	0.0389476%	0.0385321%	0.0378105%	0.0370942%
BOCES' proportionate share of the net pension asset (liability)	\$ 4,463,972	\$ (49,023)	\$ (11,525,363)	\$ (3,048,683)	\$ (1,257,013)	\$ (3,620,559)	\$ (6,068,696)	\$ (1,253,133)
BOCES' covered payroll	\$ 15,282,534	\$ 14,346,453	\$ 13,114,892	\$ 12,172,720	\$ 11,480,525	\$ 11,184,668	\$ 10,658,196	\$ 10,713,278
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	29.21%	0.34%	87.88%	25.05%	10.95%	32.37%	56.94%	11.70%
Plan fiduciary net position as a percentage of the total pension liability	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%
The following is a summary of changes of assumptions:								
Inflation	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2020	MP-2020	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECONDARY SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

For the years ended June 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,203,398	\$ 1,910,118	\$ 1,789,222	\$ 1,726,261	\$ 1,689,576	\$ 1,724,421	\$ 1,990,595	\$ 1,995,237	\$ 2,158,705	\$ 1,864,850
Contribution in relation to the contractually required contribution	(2,203,398)	(1,910,118)	(1,789,222)	(1,726,261)	(1,689,576)	(1,724,421)	(1,990,595)	(1,995,237)	(2,158,705)	(1,864,850)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 15,282,534	\$ 14,346,453	\$ 13,114,892	\$ 12,172,720	\$ 11,480,525	\$ 11,184,668	\$ 10,658,196	\$ 10,713,278	\$ 10,444,280	\$ 10,522,978
Contributions as a percentage of covered payroll	14.42%	13.31%	13.64%	14.18%	14.72%	15.42%	18.68%	18.62%	20.67%	17.72%

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

For the years ended June 30,	2022	2021	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 2,971,661	\$ 1,694,741	\$ 1,694,606	\$ 2,136,677	\$ 2,529,299	\$ 2,263,119
Changes for the year:						
Service cost	192,033	118,170	118,364	108,193	132,107	120,822
Interest	67,700	42,324	58,950	74,108	95,035	75,018
Changes of benefit terms	-	-	-	-	(485,364)	-
Differences between expected and actual experience	196,775	699,355	(179,320)	(86,436)	(373)	267,810
Changes of assumptions or other inputs	(157,104)	523,385	101,436	(345,926)	26,471	(52,860)
Benefit payments	(181,329)	(106,314)	(99,295)	(192,010)	(160,498)	(144,610)
Net change in total OPEB liability	118,075	1,276,920	135	(442,071)	(392,622)	266,180
Total OPEB liability - ending	\$ 3,089,736	\$ 2,971,661	\$ 1,694,741	\$ 1,694,606	\$ 2,136,677	\$ 2,529,299
Covered-employee payroll	\$ 29,171,885	\$ 28,201,745	\$ 37,640,482	\$ 36,466,268	\$ 21,247,658	\$ 20,566,894
Total OPEB liability as a percentage of covered-employee payroll	10.6%	10.5%	4.5%	4.6%	10.1%	12.3%

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

Differences between expected and actual experience include changes in the census data and healthcare cost trend rates. For 2021, census data reflected a large increase in covered employees. For 2018, changes of benefit terms reflect changes in medical plan costs as certain plans were no longer available.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	6.10%-4.37%	4.00%-4.08%	5.20% - 4.18%	5.20% - 4.32%	5.30% - 4.17%	5.30% - 4.17%
Inflation	2.44%	2.11%	2.22%	2.36%	2.31%	2.31%
Salary increases	3.44%	3.11%	3.22%	3.36%	3.31%	3.31%
Discount rate	2.83%	2.27%	2.48%	3.44%	3.61%	3.80%
Society of Actuaries' mortality scale	MP-2021	MP-2020	MP-2019	MP-2018	MP-2017	MP-2016

Data prior to 2017 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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

For the year ended June 30, 2022

July 1, 2021 - net debit balance	<u>\$ (1,511,886)</u>
Debits:	
Billings to school districts	105,808,270
Refund of balances due to school districts	1,511,886
Encumbrances - June 30, 2022	605,835
E-rate reimbursement paid to school districts	224,940
Funding of reserves and committed fund balance	1,564,106
Total debits	<u>109,715,037</u>
Credits:	
Collections from school districts	103,292,496
Adjustment - credits to school districts - revenues in excess of expenditures, net of transfers	5,400,758
Encumbrances - June 30, 2021	209,000
Total credits	<u>108,902,254</u>
June 30, 2022 - net debit balance	<u>\$ (699,103)</u>
Balance represented by:	
Due from school districts	\$ 2,515,774
Refunds to component school districts	<u>(3,214,877)</u>
	<u>\$ (699,103)</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Supplementary Information
Schedule of Capital Project Expenditures

June 30, 2022

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
2020-2021 Capital Projects	\$ 1,994,130	\$ 760,494	\$ 103,800	\$ 587,259	\$ 691,059	\$ 69,435
2021-2022 Capital Projects	760,494	760,494	-	42,473	42,473	718,021
2022-2023 Capital Projects	760,494	1,500,000	-	50,645	50,645	1,449,355
	<u>\$ 3,515,118</u>	<u>\$ 3,020,988</u>	<u>\$ 103,800</u>	<u>\$ 680,377</u>	<u>\$ 784,177</u>	<u>\$ 2,236,811</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Supplementary Information
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Grantor Number	Expenditures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	N/A	\$ 106,750
Federal Direct Student Loans	84.268	N/A	138,589
Total Student Financial Assistance Cluster			245,339
Passed Through New York State Education Department:			
Adult Education - Basic Grants to States	84.002	0040-22-3015	209,544
Adult Education - Basic Grants to States	84.002	2338-22-3164	89,442
Career and Technical Education - Basic Grants to States	84.048	8000-22-0064	345,049
Career and Technical Education - Basic Grants to States	84.048	8000-22-9007	36,673
Education Stabilization Fund:			
Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E	P425E210019	235,086 ¹
Higher Education Emergency Relief Fund (HEERF) Institutional Aid Portion	84.425F	P425F210019	235,086 ¹
Total U.S. Department of Education			1,396,219
<u>U.S. Department of Justice</u>			
STOP School Violence	16.839	2018-YS-BX-0015	27,477
STOP School Violence	16.839	2018-YS-BX-0045	28,753
STOP School Violence	16.839	2020-YS-BX-0021	181,206
STOP School Violence	16.839	2020-YS-BX-0046	73,306
			310,742
<u>Federal Communications Commission</u>			
Emergency Connectivity Fund Program	32.009	EECF202102583	119,629
<u>U.S. Department of Health and Human Services</u>			
Passed Through Chautauqua County:			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	N/A	400,000
<u>U.S. Department of Agriculture</u>			
Passed Through New York State Office of Temporary and Disability Assistance:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C00260GG	62,574 ²
Passed Through New York State Education Department:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	270,675 ³
School Breakfast Program	10.553	N/A	98,048 ³
Pandemic EBT Administrative Costs	10.649	N/A	2,404
Passed Through New York State Office of General Services:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	52,070 ³
Passed Through New York State Department of Agriculture and Markets:			
Farm to School Grant Program	10.575	CN-F2S-IMPL-21-NY-5	35,724
Total U.S. Department of Agriculture			521,495
Total Expenditures of Federal Awards			\$ 2,748,085

¹ Total Education Stabilization Fund - \$471,172

² Includes subrecipient awards of \$35,250

³ Total Child Nutrition Cluster - \$420,793

Notes to Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation

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

Basis of Accounting

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

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

Indirect Costs

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

Non-Monetary Federal Program

BOCES is the recipient of a federal award program that does not result in cash receipts or disbursements, termed a "non-monetary program." During the year ended June 30, 2022, BOCES used \$52,070 worth of commodities under the National School Lunch Program (Assistance Listing Number 10.555).

2. Federal Direct Student Loans

Total student loans guaranteed by the U.S. Department of Education issued through BOCES under Assistance Listing Number 84.268 (Federal Direct Student Loans) for the year ended June 30, 2022 were:

Federal Direct Loans	\$	50,752
Unsubsidized Federal Direct Loans		87,837
	\$	<u>138,589</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Education
Board of Cooperative Educational Services
Second Supervisory District of
Erie-Chautauqua-Cattaraugus Counties

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the remaining fund information of Board of Cooperative Educational Services Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties (BOCES) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements, and have issued our report thereon dated September 29, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

September 29, 2022

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

The Board of Education
Board of Cooperative Educational Services
Second Supervisory District of
Erie-Chautauqua-Cattaraugus Counties

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Board of Cooperative Educational Services Second Supervisory District of Erie-Chautauqua-Cattaraugus Counties' (BOCES) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of BOCES' major federal programs for the year ended June 30, 2022. BOCES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report. We are required to be independent of BOCES and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of BOCES' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to BOCES' federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BOCES' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BOCES' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding BOCES' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BOCES' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of BOCES' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Suzanne & McCormick, LLP

September 29, 2022

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
 SECOND SUPERVISORY DISTRICT OF
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

Schedule of Findings and Questioned Costs

For the year ended June 30, 2022

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number	Amount
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	\$ 400,000
STOP School Violence	16.839	310,742
		\$ 710,742

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

Auditee qualified as low-risk auditee? Yes

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Award Findings and Questioned Costs

No matters were reported.