

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

**FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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, 2023, and the related notes to the financial statements, which collectively comprise 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, 2023, 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 (GAAP).

#### *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 GAAP, 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 GAAP, 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 GAAS. 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 27, 2023 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 27, 2023

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

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**Management's Discussion and Analysis (unaudited)**

June 30, 2023

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**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, 2023. It should be read in conjunction with the financial statements to enhance understanding of the BOCES' financial performance, which immediately follows this section.

**Financial Highlights**

Key financial highlights for 2023 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 \$111,156,000 for 2023. 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, 2023 totaled \$3,784,000, which is \$344,000 higher than the previous year.

The BOCES' governmental fund financial statements report a combined ending fund balance of \$16,973,000, an increase of \$2,280,000 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 \$5,389,000 in an employee benefit accrued liability reserve.
- A total of \$2,540,000 remains in the capital projects fund, which includes the equipment reserve funded from Career and Technology programs and represents \$293,000 of the fund balance. BOCES used \$258,000 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 \$894,000 include \$636,000 for various capital projects, and \$258,000 for equipment purchases as noted above.
- Assigned fund balance of \$1,456,000 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 \$543,000 exists in the special aid fund as of June 30, 2023 due to expenditures exceeding revenues in certain programs that BOCES charges for services.

The BOCES issued \$7,200,000 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**

<b>Condensed Statement of Net Position</b>			Change	
	<b>2023</b>	2022	\$	%
Current and other assets	\$ <b>51,109,000</b>	\$ 75,297,000	\$ (24,188,000)	(32.1%)
Capital assets	<b>55,981,000</b>	57,722,000	(1,741,000)	(3.0%)
<b>Total assets</b>	<b>107,090,000</b>	133,019,000	(25,929,000)	(19.5%)
<b>Deferred outflows of resources</b>	<b>23,055,000</b>	25,131,000	(2,076,000)	(8.3%)
Long-term liabilities	<b>39,342,000</b>	27,087,000	12,255,000	45.2%
Other liabilities	<b>31,820,000</b>	27,540,000	4,280,000	15.5%
<b>Total liabilities</b>	<b>71,162,000</b>	54,627,000	16,535,000	30.3%
<b>Deferred inflows of resources</b>	<b>3,124,000</b>	45,594,000	(42,470,000)	(93.1%)
<b>Net position</b>				
Net investment in capital assets	<b>40,522,000</b>	41,128,000	(606,000)	(1.5%)
Restricted	<b>8,163,000</b>	6,795,000	1,368,000	20.1%
Unrestricted	<b>7,174,000</b>	10,006,000	(2,832,000)	(28.3%)
<b>Total net position</b>	<b>\$ 55,859,000</b>	\$ 57,929,000	\$ (2,070,000)	(3.6%)

Net position amounted to \$55,859,000 and \$57,929,000 as of June 30, 2023 and 2022, 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 \$8,163,000 (\$6,795,000 in 2022). This amount is comprised of the retirement contribution reserve, the liability reserve, the capital reserve, the unemployment insurance reserve, the workers' compensation reserve, and amounts restricted for scholarships.

Current and other assets primarily include cash and receivables. The decrease of \$24,188,000 (\$33,225,000 increase in 2022) 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 a liability of \$13,599,000 as compared to an asset of \$30,815,000 in 2022. Fluctuations are largely a result of changes in actuarial assumptions and earnings on plan investments. Receivables totalled \$28,894,000, an increase of \$9,429,000 over 2022, and consists of timing of payments received after year end and BOCES aid that is passed through to component districts. A total of \$19,691,000 in BOCES aid (\$18,496,000 in 2022) for the component districts is included in other liabilities.

The BOCES has \$55,981,000 in net capital assets at June 30, 2023. This is a combination of all land, construction in progress, buildings, and machinery and equipment, less accumulated depreciation and amortization, and represents a decrease of \$1,741,000 from the previous year (\$12,205,000 increase in 2022). 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 \$12,255,000 (increase of \$10,037,000 in 2022), due to the changes in the TRS and ERS net pension position discussed previously, offset by a decrease in lease liabilities of \$939,000.

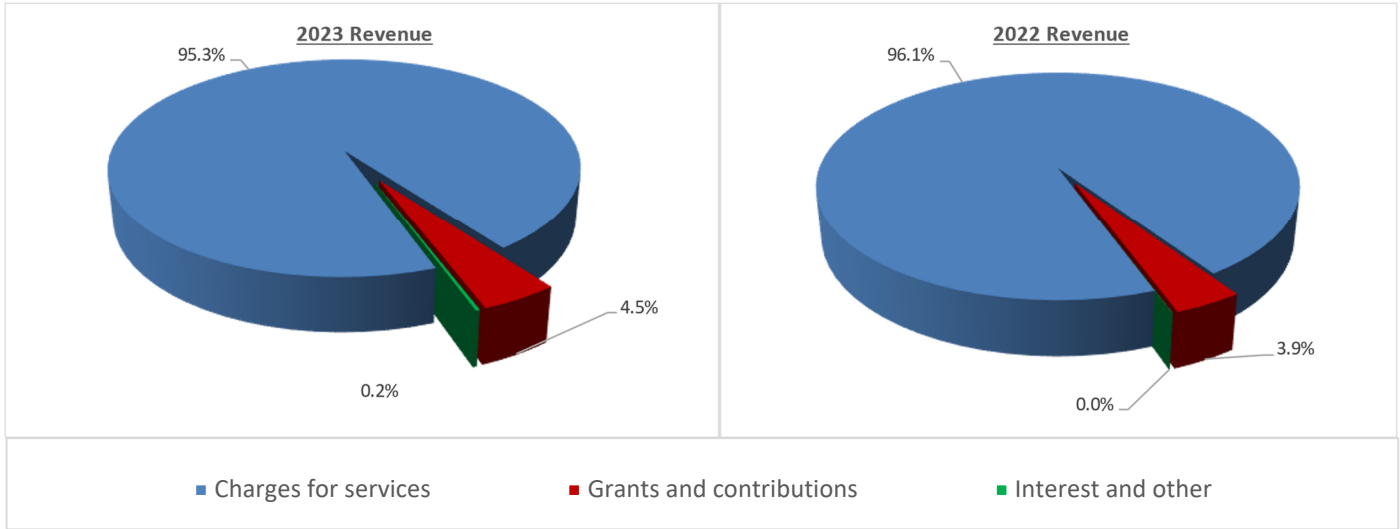
Included in other liabilities is the net refund to component districts which totals \$4,131,000 (\$3,215,000 in 2022). This will be refunded to component school districts as surplus revenue during the 2024 year. BOCES is self-funded for health insurance and recognized \$991,000 (\$804,000 in 2022) in 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. 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.

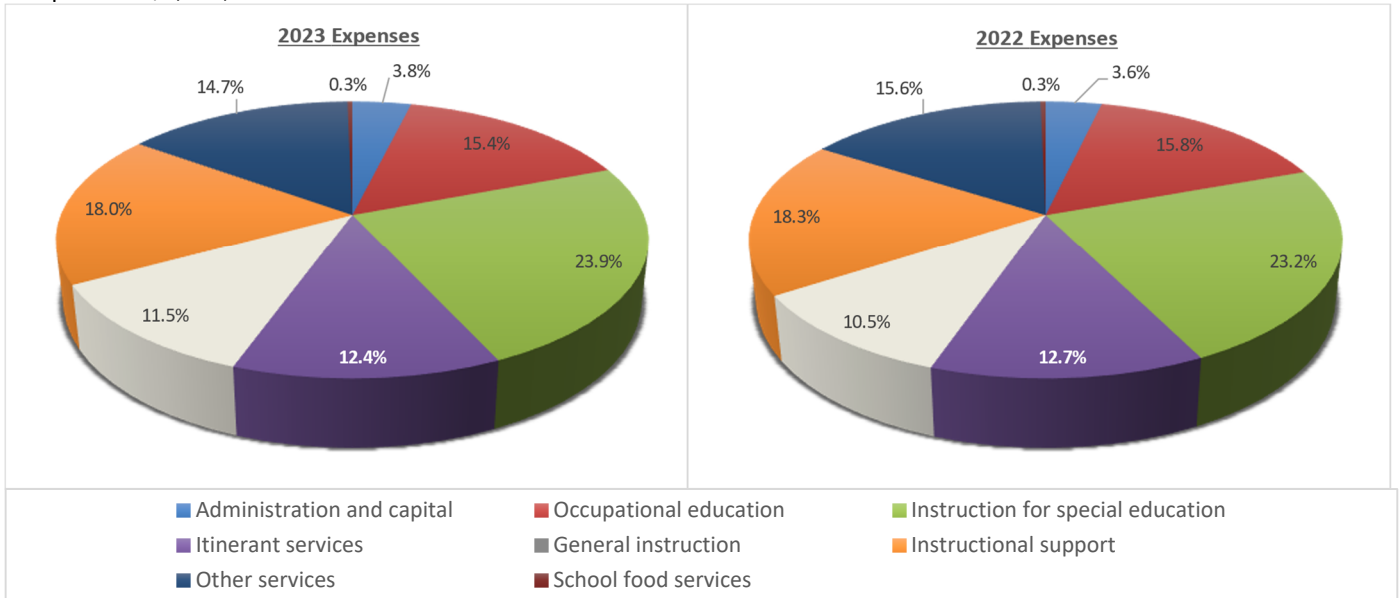
<b>Condensed Statement of Activities</b>	<b>2023</b>	2022	Change	%
			\$	
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 109,069,000	\$ 104,206,000	\$ 4,863,000	4.7%
Operating grants and contributions	3,353,000	3,146,000	207,000	6.6%
Capital grants and contributions	1,750,000	1,110,000	640,000	57.7%
General revenues				
Interest	407,000	7,000	400,000	5714.3%
Loss on disposal of equipment	(125,000)	(38,000)	(87,000)	228.9%
<b>Total revenues</b>	<b>114,454,000</b>	<b>108,431,000</b>	<b>6,023,000</b>	<b>5.6%</b>
<b>Expenses</b>				
Administration and capital	4,445,000	3,687,000	758,000	20.6%
Occupational education	17,888,000	16,087,000	1,801,000	11.2%
Instruction for special education	27,907,000	23,571,000	4,336,000	18.4%
Itinerant services	14,440,000	12,855,000	1,585,000	12.3%
General instruction	13,410,000	10,613,000	2,797,000	26.4%
Instructional support	20,929,000	18,613,000	2,316,000	12.4%
Other services	17,137,000	15,830,000	1,307,000	8.3%
School food service	368,000	343,000	25,000	7.3%
<b>Total expenses</b>	<b>116,524,000</b>	<b>101,599,000</b>	<b>14,925,000</b>	<b>14.7%</b>
Change in net position	(2,070,000)	6,832,000	(8,902,000)	(130.3%)
Net position – beginning	57,929,000	51,097,000	6,832,000	13.4%
<b>Net position – ending</b>	<b>\$ 55,859,000</b>	<b>\$ 57,929,000</b>	<b>\$ (2,070,000)</b>	<b>(3.6%)</b>

The BOCES' net position decreased by \$2,070,000 (\$6,832,000 increase in 2022). Revenue increased \$6,023,000 and expenses increased \$14,925,000 from 2022. 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 \$640,000 (increase of \$350,000 in 2022) and purchases related to these charges are recognized as capitalized assets once incurred. Interest increased by \$400,000 as BOCES was able to take advantage of higher interest rates during 2023.



As shown above, the BOCES relies upon services to component districts as its primary revenue source. Charges for services totalled 109,069,000 or 95.3% of total revenues (\$104,206,000 or 96.1% in 2022) as a result of increased needs of districts. The BOCES also obtains grants and contributions from federal, state, and other local governments which represent \$5,103,000 or 4.5% of total revenues (\$4,256,000 or 3.9% in 2022). Operating grants allow the BOCES to operate additional programs without having to charge for these services. Capital contributions of \$1,750,000 were recognized from component districts during 2023, compared to \$1,110,000 in 2022.



As noted in the graph above, the BOCES' instruction for special education accounts for 23.9% of its total expenses and associated itinerant services represent 12.4% (23.2% and 12.7% respectively in 2022). 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 18.0% is for instructional support services (18.3% in 2022). 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 15.4% of total expenses (15.8% in 2022). 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 increased \$14,925,000 (decreased \$4,288,000 in 2022), mainly as a result of pension expenses of \$7,393,000 in 2023, as compared to pension income of \$1,074,000 in 2022, which is reflected as a negative expenses. Additionally, employee wages increased \$950,000 (\$1,659,000 decrease in 2022), due to employees hired during 2023 to help offset a large amount of retirements that occurred in 2022. There was also an increase in the 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 \$16,973,000 (\$14,693,000 in 2022). Of the total combined fund balances, a deficit of \$543,000 is the result of the special aid programs (\$484,000 deficit in 2022). 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 \$2,540,000, a reserve for unemployment insurance of \$611,000, a reserve for payments to TRS and ERS of \$3,995,000, a workers' compensation reserve of \$2,000 and a liability reserve of \$995,000. Additionally, \$5,389,000 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 \$21,000 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 \$14,761,000 (\$13,353,000 at June 30, 2022). 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 \$1,408,000 during the current year (increased \$1,961,000 in 2022).

### General Fund Budgetary Highlights

The difference between the original budget, including carryover encumbrances, and the final amended expenditure budget was \$14,752,000. 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 \$4,698,000, or 4.2%, less than the amended budget.

### Capital Assets

At June 30, 2023, the BOCES had \$55,981,000, 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.

	<b>2023</b>	2022
Land	\$ 193,000	\$ 193,000
Construction in progress	1,420,000	784,000
Buildings and improvements	62,021,000	62,021,000
Machinery and equipment	10,266,000	10,868,000
	<b>73,900,000</b>	73,866,000
Accumulated depreciation	<b>(30,603,000)</b>	(29,411,000)
	<b>43,297,000</b>	44,455,000
Right-to-use leased buildings and equipment, net	12,684,000	13,267,000
	<b>\$ 55,981,000</b>	\$ 57,722,000

Current year additions of \$1,680,000 were reduced by depreciation expense, amortization expense, and disposals of \$3,421,000.

## **Debt**

At June 30, 2023, BOCES had \$13,715,000 of outstanding leases with \$1,148,000 due within one year (\$14,655,000 outstanding at June 30, 2022). BOCES also had an energy performance contract of \$1,743,000, with \$201,000 due within one year (\$1,940,000 outstanding at June 30, 2022). BOCES' compensated absences totalled \$7,707,000, with \$3,318,000 expected to be paid within one year (\$7,402,000 outstanding at June 30, 2022). More detailed information about the BOCES' long-term liabilities is presented in the notes to the financial statements.

## **Factors Bearing on the BOCES' Future**

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, 2023

(With comparative totals as of June 30, 2022)

	2023	2022
<b>Assets</b>		
Cash	\$ 22,207,299	\$ 25,007,787
Due from school districts	2,173,738	2,515,774
Due from other governments	960,617	134,570
Accounts receivable	7,801,164	407,913
State and federal aid receivable	17,958,478	16,406,686
Inventory	7,674	8,470
Net pension asset	-	30,815,430
Capital assets (Note 5)	93,041,080	92,335,753
Accumulated depreciation and amortization	(37,060,252)	(34,613,367)
<b>Total assets</b>	<b>107,089,798</b>	<b>133,019,016</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	22,302,357	24,047,526
Deferred outflows of resources related to OPEB	752,446	1,084,073
<b>Total deferred outflows of resources</b>	<b>23,054,803</b>	<b>25,131,599</b>
<b>Liabilities</b>		
Accounts payable	1,820,327	678,341
Accrued liabilities	3,114,885	1,712,071
State aid due to school districts	19,691,302	18,496,105
Refunds to component school districts	3,539,471	3,214,877
Due to retirement systems	3,463,222	3,281,767
Unearned revenue	190,438	156,941
Long-term liabilities		
Due within one year:		
Energy performance contract	201,071	196,584
Leases	1,147,654	1,180,175
Compensated absences	2,318,114	2,249,889
Due beyond one year:		
Energy performance contract	1,542,064	1,743,135
Leases	12,567,712	13,474,688
Compensated absences	5,388,396	5,152,579
Net pension liability	13,598,755	-
Total OPEB liability	2,578,567	3,089,736
<b>Total liabilities</b>	<b>71,161,978</b>	<b>54,626,888</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	2,440,668	45,319,259
Deferred inflows of resources related to OPEB	683,295	275,058
<b>Total deferred inflows of resources</b>	<b>3,123,963</b>	<b>45,594,317</b>
<b>Net Position</b>		
Net investment in capital assets	40,522,327	41,127,804
Restricted	8,164,736	6,795,023
Unrestricted	7,171,597	10,006,583
<b>Total net position</b>	<b>\$ 55,858,660</b>	<b>\$ 57,929,410</b>

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, 2023  
 (With summarized comparative totals for June 30, 2022)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2023	2022
<b>Governmental activities</b>						
Administration	\$ 4,315,384	\$ 3,911,534	\$ 2,741	\$ -	\$ (401,109)	\$ (64,438)
Capital	129,628	1,953,866	-	1,750,000	3,574,238	2,907,481
Occupational education	17,888,373	13,940,254	1,883,556	-	(2,064,563)	(1,069,432)
Instruction for special education	27,906,936	27,570,105	-	-	(336,831)	2,964,174
Itinerant services	14,439,990	14,312,323	-	-	(127,667)	1,213,860
General instruction	13,409,980	11,753,362	377,593	-	(1,279,025)	788,538
Instructional support	20,928,920	20,607,799	671,999	-	350,878	505,378
Other services	17,137,459	15,020,076	-	-	(2,117,383)	(467,621)
School food service	368,106	-	417,440	-	49,334	84,571
	<u>\$ 116,524,776</u>	<u>\$ 109,069,319</u>	<u>\$ 3,353,329</u>	<u>\$ 1,750,000</u>	<u>(2,352,128)</u>	<u>6,862,511</u>
<b>General revenues</b>						
					406,640	7,086
					(125,262)	(37,757)
					<u>281,378</u>	<u>(30,671)</u>
					(2,070,750)	6,831,840
					57,929,410	51,097,570
					<u>\$ 55,858,660</u>	<u>\$ 57,929,410</u>

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

**Balance Sheet - Governmental Funds**

June 30, 2023

(With summarized comparative totals for June 30, 2022)

						Total Governmental Funds	
	General	Capital Projects	Special Aid	Food Service	Miscellaneous Special Revenue	2023	2022
<b>Assets</b>							
Cash	\$ 20,719,283	\$ 916,775	\$ 550,281	\$ -	\$ 20,960	\$ 22,207,299	\$ 25,007,787
Due from school districts	2,173,738	-	-	-	-	2,173,738	2,515,774
Due from other governments	-	-	960,617	-	-	960,617	134,570
Accounts receivable	7,443,807	-	357,357	-	-	7,801,164	407,913
State and federal aid receivable	17,002,970	-	718,563	236,945	-	17,958,478	16,406,686
Due from other funds, net	585,409	1,625,171	-	-	-	2,210,580	1,318,016
Inventory	-	-	-	7,674	-	7,674	8,470
<b>Total assets</b>	<b>\$ 47,925,207</b>	<b>\$ 2,541,946</b>	<b>\$ 2,586,818</b>	<b>\$ 244,619</b>	<b>\$ 20,960</b>	<b>\$ 53,319,550</b>	<b>\$ 45,799,216</b>
<b>Liabilities</b>							
Accounts payable	\$ 1,057,138	\$ 1,500	\$ 761,659	\$ 30	\$ -	\$ 1,820,327	\$ 678,341
Accrued liabilities	5,413,149	-	17,850	-	-	5,430,999	3,959,960
State aid due to school districts	19,691,302	-	-	-	-	19,691,302	18,496,105
Refunds to component school districts	3,539,471	-	-	-	-	3,539,471	3,214,877
Due to retirement systems	3,463,222	-	-	-	-	3,463,222	3,281,767
Due to other funds, net	-	-	2,159,968	50,612	-	2,210,580	1,318,016
Unearned revenue	-	-	190,438	-	-	190,438	156,941
<b>Total liabilities</b>	<b>33,164,282</b>	<b>1,500</b>	<b>3,129,915</b>	<b>50,642</b>	<b>-</b>	<b>36,346,339</b>	<b>31,106,007</b>
<b>Fund Balances</b>							
Nonspendable	-	-	-	7,674	-	7,674	8,470
Restricted	10,991,726	2,540,446	-	-	20,960	13,553,132	11,947,602
Committed	2,500,000	-	-	-	-	2,500,000	2,500,000
Assigned	1,269,199	-	-	186,303	-	1,455,502	721,141
Unassigned	-	-	(543,097)	-	-	(543,097)	(484,004)
<b>Total fund balances (deficit)</b>	<b>14,760,925</b>	<b>2,540,446</b>	<b>(543,097)</b>	<b>193,977</b>	<b>20,960</b>	<b>16,973,211</b>	<b>14,693,209</b>
<b>Total liabilities and fund balances</b>	<b>\$ 47,925,207</b>	<b>\$ 2,541,946</b>	<b>\$ 2,586,818</b>	<b>\$ 244,619</b>	<b>\$ 20,960</b>	<b>\$ 53,319,550</b>	<b>\$ 45,799,216</b>

See accompanying notes.

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

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

June 30, 2023

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<b>Total fund balances - governmental funds</b>		\$ 16,973,211
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.		55,980,828
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:		
Deferred outflows of resources related to pensions	22,302,357	
Net pension liability	(13,598,755)	
Deferred inflows of resources related to pensions	<u>(2,440,668)</u>	6,262,934
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	752,446	
Total OPEB liability	(2,578,567)	
Deferred inflows of resources related to OPEB	<u>(683,295)</u>	(2,509,416)
Certain liabilities are not due and payable currently and therefore are not reported as liabilities in the governmental funds. These liabilities are:		
Accrued interest	(2,000)	
Energy performance contract	(1,743,135)	
Leases	(13,715,366)	
Compensated absences	<u>(5,388,396)</u>	(20,848,897)
<b>Net position - governmental activities</b>		<u>\$ 55,858,660</u>



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, 2023  
 (With summarized comparative totals for June 30, 2022)

	General	Capital Projects	Special Aid	Food Service	Miscellaneous Special Revenue	Total Governmental Funds	
						2023	2022
<b>Revenues</b>							
Charges to components	\$ 101,163,597	\$ -	\$ 1,374,652	\$ -	\$ -	\$ 102,538,249	\$ 99,818,575
Charges to non-components and other BOCES	9,970,873	-	175,634	-	-	10,146,507	7,474,745
Charges for services	21,975	-	731,295	-	-	753,270	515,482
Use of money and property	536,225	3,327	1,227	-	-	540,779	135,203
Sale of property and compensation for loss	15,823	-	-	-	-	15,823	34,838
Miscellaneous	1,031,417	-	237,314	6,330	2,741	1,277,802	879,027
State sources	2,640	-	746,182	6,993	-	755,815	584,288
Federal sources	-	-	1,947,012	410,447	-	2,357,459	2,502,746
<b>Total revenues</b>	<b>112,742,550</b>	<b>3,327</b>	<b>5,213,316</b>	<b>423,770</b>	<b>2,741</b>	<b>118,385,704</b>	<b>\$111,944,904</b>
<b>Expenditures</b>							
Administration	4,212,411	-	-	-	1,884	4,214,295	4,018,154
Occupational education	13,725,251	-	1,496,071	-	-	15,221,322	14,929,258
Instruction for special education	24,425,972	-	1,491,460	-	-	25,917,432	25,326,780
Itinerant services	14,043,455	-	-	-	-	14,043,455	13,555,350
General instruction	11,638,343	-	377,593	-	-	12,015,936	11,025,006
Instructional support	20,297,629	-	671,999	-	-	20,969,628	18,850,733
Other services	15,777,687	-	1,235,286	-	-	17,012,973	16,018,117
Cost of sales	-	-	-	350,544	-	350,544	326,480
Capital outlay	-	1,178,078	-	3,025	-	1,181,103	8,222,842
Debt service							
Lease principal	1,223,896	-	-	-	-	1,223,896	956,000
Lease interest	455,254	-	-	-	-	455,254	519,662
<b>Total expenditures</b>	<b>105,799,898</b>	<b>1,178,078</b>	<b>5,272,409</b>	<b>353,569</b>	<b>1,884</b>	<b>112,605,838</b>	<b>113,748,382</b>
Excess revenues (expenditures)	6,942,652	(1,174,751)	(59,093)	70,201	857	5,779,866	(1,803,478)
<b>Other financing sources (uses)</b>							
Refunds to component school districts	(3,784,263)	-	-	-	-	(3,784,263)	(3,439,817)
Proceeds from leases	-	284,399	-	-	-	284,399	7,392,109
Operating transfers, net	(1,750,000)	1,750,000	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(5,534,263)</b>	<b>2,034,399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,499,864)</b>	<b>3,952,292</b>
Net change in fund balances	1,408,389	859,648	(59,093)	70,201	857	2,280,002	2,148,814
Fund balances (deficit) - beginning	13,352,536	1,680,798	(484,004)	123,776	20,103	14,693,209	12,544,395
<b>Fund balances (deficit) - ending</b>	<b>\$ 14,760,925</b>	<b>\$ 2,540,446</b>	<b>\$ (543,097)</b>	<b>\$ 193,977</b>	<b>\$ 20,960</b>	<b>\$ 16,973,211</b>	<b>\$ 14,693,209</b>

See accompanying notes.

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

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**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, 2023

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**Total net change in fund balances - governmental funds** \$ 2,280,002

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 depreciation and amortization expense and disposals exceed capital outlays. (1,741,558)

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:

2023 TRS and ERS contributions	4,130,232	
2023 ERS accrued contribution	575,455	
2022 ERS accrued contribution	(593,435)	
2023 TRS pension expense	(3,387,689)	
2023 ERS pension expense	<u>(4,005,326)</u>	(3,280,763)

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. (228,695)

Leases are recorded as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position. (284,399)

Payments of long-term liabilities are reported as expenditures in governmental funds and as a reduction of debt in the statement of net position. 1,420,480

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. (235,817)

**Change in net position - governmental activities** \$ (2,070,750)

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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, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
<b>Revenues</b>					
Charges to components, including capital	\$ 91,018,701	\$ 100,797,930	\$ 101,163,597		\$ 365,667
Charges to non-components and other BOCES	3,999,430	9,015,728	9,970,873		955,145
Charges for services	-	21,975	21,975		-
Use of money and property	200,000	536,225	536,225		-
Sale of property and compensation for loss	-	15,823	15,823		-
Miscellaneous	2,541,675	2,121,306	1,031,417		(1,089,889)
State sources	-	2,640	2,640		-
<b>Total revenues</b>	<b>97,759,806</b>	<b>112,511,627</b>	<b>112,742,550</b>		<b>230,923</b>
<b>Expenditures</b>					
Administration and capital	7,314,903	7,703,714	4,250,050	217,196	(3,236,468)
Occupational education	13,901,005	14,310,926	13,844,842	133,501	(332,583)
Instruction for special education	24,985,766	25,604,417	24,719,996	588,669	(295,752)
Itinerant services	14,530,797	15,327,110	14,202,100	19,768	(1,105,242)
General instruction	9,536,219	12,111,996	11,709,009	67,892	(335,095)
Instructional support	13,814,386	21,625,911	20,343,374	221,447	(1,061,090)
Other services	13,676,730	15,827,553	15,796,402	20,726	(10,425)
Debt service					
Lease principal	-	-	1,223,896	-	1,223,896
Lease interest	-	-	455,254	-	455,254
<b>Total expenditures</b>	<b>97,759,806</b>	<b>112,511,627</b>	<b>106,544,923</b>	<b>1,269,199</b>	<b>(4,697,505)</b>
Excess revenues (expenditures)	-	-	6,197,627	(1,269,199)	4,928,428
<b>Other financing sources (uses)</b>					
Operating transfers out	-	-	(1,750,000)		1,750,000
Refunds to component school districts	-	-	(3,784,263)		3,784,263
Unemployment insurance reserve	-	-	15,205		15,205
Workers' compensation reserve	-	-	2,053		2,053
Retirement contribution reserve	-	-	491,950		491,950
Employee benefit accrued liability reserve	-	-	235,817		235,817
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(4,789,238)</b>		<b>(4,789,238)</b>
<b>Excess revenues (expenditures) and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,408,389</b>	<b>\$ (1,269,199)</b>	<b>\$ 139,190</b>

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

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**Statement of Fiduciary Net Position - Custodial Fund**

June 30, 2023

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**Assets**

Cash	\$ 73,682
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**Liabilities**

Due to other governments	<u>101</u>
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**Net Position**

Extraclassroom activity balances	<u>\$ 73,581</u>
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BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 SECOND SUPERVISORY DISTRICT OF  
 ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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**Statement of Changes in Fiduciary Net Position - Custodial Fund**

For the year ended June 30, 2023

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**Additions**

Student activity additions	\$ 86,846
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**Deductions**

Student activity deductions	<u>81,437</u>
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Change in net position	5,409
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Net position - beginning	<u>68,172</u>
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<b>Net position - ending</b>	<u>\$ 73,581</u>
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BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SECOND SUPERVISORY DISTRICT OF  
ERIE-CHAUTAUQUA-CATTARAUGUS COUNTIES

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**Notes to Financial Statements**

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**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 (GAAP) 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 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 10.

## 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 its student activity accounts.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with BOCES' financial statements for the year ended June 30, 2022, from which the summarized information was derived.

### **Basis of Accounting and Measurement Focus**

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. BOCES considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Changes to reserves and refunds to component school districts are reported as other financing sources. Proceeds of long-term liabilities 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 GAAP 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 Education Law requires adoption of a final budget no later than May 15<sup>th</sup> 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	\$ 112,742,550	\$ 105,799,898
Net funding of reserves	-	745,025
Budgetary basis	<u>\$ 112,742,550</u>	<u>\$ 106,544,923</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 or 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 initial 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 assets 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 9) 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

BOCES is required to classify net position into three categories:

- *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 related liabilities and deferred inflows of resources. 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	\$	7,674
Restricted:		
Capital		2,540,446
Employee benefit accrued liability		5,388,396
Liability		995,305
Retirement contribution		3,994,858
Unemployment insurance		611,114
Workers' compensation		2,053
Scholarships		20,960
Committed		2,500,000
Assigned:		
Encumbrances		1,269,199
Food service		186,303
Unassigned		(543,097)
	\$	<u>16,973,211</u>

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

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 scholarships donated to the District by third parties for the benefit of students and 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, 2023, the retirement contribution reserve consists of \$2,444,858 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.
- *Workers' compensation* – is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this program.

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. Stewardship and Compliance**

The fund balance in the special aid fund reflects a deficit of \$543,097 as of June 30, 2023. BOCES’ management anticipates that operations will improve over time, eliminating the deficit.

**3. 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, 2023, BOCES’ bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions’ trust departments or agents in BOCES’ name.

**4. Interfund Transactions – Fund Financial Statements**

Fund	Receivable	Payable	Transfers	
			In	Out
General	\$ 2,824,098	\$ 2,238,689	\$ -	\$ 1,750,000
Capital projects	1,625,171	-	1,750,000	-
Special aid	-	2,159,968	-	-
Food service	-	50,612	-	-
	<u>\$ 4,449,269</u>	<u>\$ 4,449,269</u>	<u>\$ 1,750,000</u>	<u>\$ 1,750,000</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.

## 5. Capital Assets

	July 1, 2022	Increases	Retirements/ Reclassifications	June 30, 2023
<b>Non-depreciable and non-amortizable capital assets:</b>				
Land	\$ 193,117	\$ -	\$ -	\$ 193,117
Construction in progress	784,177	635,748	-	1,419,925
Total non-depreciable and non-amortizable assets	977,294	635,748	-	1,613,042
<b>Depreciable capital assets:</b>				
Buildings and improvements	62,020,945	-	-	62,020,945
Machinery and equipment	10,867,961	372,220	(974,754)	10,265,427
Total depreciable assets	72,888,906	372,220	(974,754)	72,286,372
<b>Accumulated depreciation:</b>				
Buildings and improvements	(22,386,466)	(1,354,073)	-	(23,740,539)
Machinery and equipment	(7,024,573)	(671,521)	833,669	(6,862,425)
Total accumulated depreciation	(29,411,039)	(2,025,594)	833,669	(30,602,964)
Total depreciable assets, net	43,477,867	(1,653,374)	(141,085)	41,683,408
<b>Right-to-use lease assets:</b>				
Buildings and improvements	16,715,168	-	-	16,715,168
Equipment	-	387,714	-	387,714
Vehicles	1,754,385	284,399	-	2,038,784
Total right-to-use lease assets	18,469,553	672,113	-	19,141,666
Accumulated amortization	(5,202,328)	(1,254,960)	-	(6,457,288)
Total right-to-use assets, net	13,267,225	(582,847)	-	12,684,378
	\$ 57,722,386	\$ (1,600,473)	\$ (141,085)	\$ 55,980,828

Depreciation and amortization expense have been allocated to the following functions: administration \$98,876, occupational education \$1,888,587, instruction for special education \$533,866, itinerant services \$5,026, general instruction \$621,922, instructional support \$91,798, other services \$22,917, and school food service \$17,562.

As of June 30, 2023, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation and amortization	\$ 55,980,828
Lease liabilities	(13,715,366)
Energy performance contracts	(1,743,135)
	<u>\$ 40,522,327</u>

## 6. Short-Term Debt

During 2023, BOCES issued and redeemed RANs of \$7,200,000 with interest at 2.77%. There were no short-term debt obligations outstanding at June 30, 2023.

In July 2023, BOCES issued RANs totaling \$7,200,000 with interest between 4.19-4.49%. Principal and interest are due at maturity in June 2024.

## 7. Long-Term Liabilities

	July 1, 2022	Increases	Decreases	June 30, 2023	Amount Due in One Year
Energy performance contract	\$ 1,939,719	\$ -	\$ 196,584	\$ 1,743,135	\$ 201,071
Leases	14,654,863	284,399	1,223,896	13,715,366	1,147,654
Compensated absences	7,402,468	304,042	-	7,706,510	2,318,114
	<u>\$ 23,997,050</u>	<u>\$ 588,441</u>	<u>\$ 1,420,480</u>	<u>\$ 23,165,011</u>	<u>\$ 3,666,839</u>

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%	\$ 1,743,135
Leases	Aug 2042	3.0%-5.0%	13,715,366
			<u>\$ 15,458,501</u>

### Debt Service Requirements

Years ending June 30,	Energy Performance Contract		Leases	
	Principal	Interest	Principal	Interest
2024	\$ 201,071	38,435	1,147,654	419,951
2025	205,662	33,844	1,058,500	382,805
2026	210,357	29,149	1,079,028	347,539
2027	215,159	24,347	1,059,089	312,122
2028	220,070	19,435	959,752	281,000
2029-2033	690,816	27,702	3,656,350	1,016,806
2034-2038	-	-	3,090,501	531,280
2039-2043	-	-	1,664,492	100,136
	<u>\$ 1,743,135</u>	<u>\$ 172,912</u>	<u>\$ 13,715,366</u>	<u>\$ 3,391,639</u>

## 8. 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](http://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](http://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 10.29% for 2023. 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 2023, these rates ranged from 8.3% - 16.0%.

The amount outstanding and payable to TRS for the year ended June 30, 2023 was \$2,537,204. A liability to ERS of \$575,455 is accrued based on BOCES' legally required contribution for employee services rendered from April 1 through June 30, 2023.

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

At June 30, 2023, BOCES reported a liability of \$2,664,365 for its proportionate share of the TRS net pension position and a liability of \$10,934,390 for its proportionate share of the ERS net pension position.

The TRS total pension liability at the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, with update procedures applied to roll forward the total pension liability to June 30, 2022. 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, 2022, BOCES' proportion was 0.138849%, a decrease of 0.013216 from its proportion measured as of June 30, 2021.

The ERS total pension liability at the March 31, 2023 measurement date was determined by an actuarial valuation as of April 1, 2022, with update procedures applied to roll forward the total pension liability to March 31, 2023. 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, 2023, BOCES' proportion was 0.0509904%, a decrease of 0.0036175 from its proportion measured as of March 31, 2022.

For the year ended June 30, 2023, BOCES recognized pension expense of \$7,393,015 on the government-wide statements (TRS expense of \$3,387,689 and ERS expense of \$4,005,326). At June 30, 2023, BOCES reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,791,918	\$ (53,389)	\$ 1,164,598	\$ (307,079)
Changes of assumptions	5,168,418	(1,073,282)	5,310,445	(58,690)
Net difference between projected and actual earnings on pension plan investments	3,442,613	-	-	(64,239)
Changes in proportion and differences between BOCES' contributions and proportionate share of contributions	724,229	(470,643)	587,477	(413,346)
BOCES' contributions subsequent to the measurement date	2,537,204	-	575,455	-
	<u>\$ 14,664,382</u>	<u>\$ (1,597,314)</u>	<u>\$ 7,637,975</u>	<u>\$ (843,354)</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	
2024	\$	1,991,299	\$	1,556,181
2025		1,020,284		(479,696)
2026		(405,536)		2,224,358
2027		6,837,045		2,918,323
2028		971,900		-
Thereafter		114,872		-
	\$	10,529,864	\$	6,219,166

### Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2021 valuation, with update procedures used to roll forward the total pension liability to June 30, 2022, 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-2021, 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, 2022 valuation, with update procedures used to roll forward the total pension liability to March 31, 2023, were based on the results of an actuarial experience study for the period April 1, 2015 to March 31, 2020. These assumptions are:

*Inflation* – 2.9%

*Salary increases* – 4.4%

*COLA* – 1.5% annually

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

*Mortality* – Society of Actuaries' Scale MP-2021

*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%	6.5%	32%	4.3%
Global and international equities	20%	6.9%-7.2%	15%	6.9%
Private equities	8%	9.9%	10%	7.5%
Real estate equities	11%	6.2%	9%	4.6%
Domestic fixed income securities	16%	1.1%	23%	1.5%
Global fixed income securities	2%	0.6%	-	-
Bonds and mortgages	6%	2.4%	-	-
Short-term	1%	(0.3)%	1%	-
Other	3%	3.3%-5.3%	10%	5.4%-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)	\$ (24,566,699)	\$ (2,664,365)	\$ 15,755,353
BOCES's proportionate share of the ERS net pension asset (liability)	\$ (26,423,731)	\$ (10,934,390)	\$ 2,008,756

## 9. 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 and have met vesting requirements. 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, 2023, employees covered by the Plan include:

Active employees	531
Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	-
	589

**Total OPEB Liability**

BOCES’ total OPEB liability of \$2,578,567 was measured as of March 31, 2023 and was determined by an actuarial valuation as of June 30, 2023.

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 2014-2030 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2023 version 1f (updated October 2022) for long-term rates, initially 5.5%, with an ultimate rate of 4.0% after 2075
- Salary increases* – 3.53%
- Mortality* – Pub-2010 Public Retirement Plans Mortality Tables, headcount-weighted, without separate contingent survivor mortality, fully generational using scale MP-2021
- Discount rate* – 3.78% based on the Fidelity Municipal GO AA 20-Year Bond rate as of the measurement date
- Inflation rate* – 2.53%

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2022	\$ 3,089,736
Changes for the year:	
Service cost	184,878
Interest	87,716
Changes of benefit terms	-
Differences between expected and actual experience	(470,543)
Changes of assumptions or other inputs	(138,120)
Benefit payments	(175,100)
Net changes	(511,169)
Balance at June 30, 2023	\$ 2,578,567

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 (2.78%)	Discount Rate (3.78%)	1.0% Increase (4.78%)
Total OPEB liability	\$ (2,755,869)	\$ (2,578,567)	\$ (2,415,198)

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

	1.0% Decrease (4.5% to 3.0%)	Healthcare Cost Trend Rate (5.5% to 4.0%)	1.0% Increase (6.5% to 5.0%)
Total OPEB liability	\$ (2,347,019)	\$ (2,578,567)	\$ (2,850,298)

## OPEB Expense and Deferred Outflows and Deferred Inflows of Resources

For the year ended June 30, 2023, BOCES recognized OPEB expense of \$402,238. At June 30, 2023, 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	\$ 478,053	\$ (449,721)
Changes of assumptions or other inputs	230,618	(233,574)
Benefits paid subsequent to the measurement date	43,775	-
	<u>\$ 752,446</u>	<u>\$ (683,295)</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,	
2024	\$ 197,076
2025	208,676
2026	(18,422)
2027	(60,701)
2028	(61,482)
Thereafter	(239,771)
	<u>\$ 25,376</u>

## 10. 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, 2022 (the most recent information available).

BOCES has 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, 2022, which can be obtained from BOCES' administrative offices.

## Health Insurance

The BOCES maintains a self-funded health insurance plan for its collective bargaining units. BOCES provides a monthly premium equivalent equal to adjusted actual claims and an excess amount to fund an allowance for claims run-off and other uncertainties. The District purchases excess insurance that limits their self-funded exposure per incident.

Claims activity for the plan is as follows:

	Beginning of Year	Current Claims and Changes in Estimates	Claims Paid	End of Year
2023	\$ 804,000	\$ 12,039,000	\$ 11,209,000	\$ 1,634,000
2022	\$ 954,000	\$ 11,777,000	\$ 11,927,000	\$ 804,000

The estimated liability has been accrued on the government-wide and governmental funds financial statements as it is expected to be paid with currently available financial resources.

## 11. 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.

### Construction Commitments

BOCES has entered into contracts with various construction companies for its outstanding capital projects. Project budgets total \$3,021,000 and \$1,420,000 has been spent as of June 30, 2023.

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,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
BOCES' proportion of the net pension position	0.138849%	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)	\$ (2,664,365)	\$ 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	\$ 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
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	10.83%	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	98.57%	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%	2.4%	2.2%	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%	3.0%
Salary increases	1.95%-5.18%	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%	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%	1.625%
Investment rate of return	6.95%	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Discount rate	6.95%	6.95%	7.1%	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2021	MP-2020	MP-2019	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA	AA

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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,537,204	\$ 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
Contribution in relation to the contractually required contribution	(2,537,204)	(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)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 24,656,987	\$ 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
Contributions as a percentage of covered payroll	10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	15.90%

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,	2023	2022	2021	2020	2019	2018	2017	2016	2015
BOCES' proportion of the net pension position	0.0509904%	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)	\$ (10,934,390)	\$ 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	\$ 15,240,361	\$ 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	71.75%	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	90.78%	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	2.9%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.4%	4.4%	4.4%	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	5.9%	5.9%	5.9%	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2021	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,	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,593,028	\$ 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
Contribution in relation to the contractually required contribution	(1,593,028)	(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)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 15,240,361	\$ 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
Contributions as a percentage of covered payroll	10.45%	14.42%	13.31%	13.64%	14.18%	14.72%	15.42%	18.68%	18.62%	20.67%

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
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**Required Supplementary Information**  
**Schedule of Changes in BOCES'**  
**Total OPEB Liability and Related Ratios**

For the years ended June 30,	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 3,089,736	\$ 2,971,661	\$ 1,694,741	\$ 1,694,606	\$ 2,136,677	\$ 2,529,299	\$ 2,263,119
Changes for the year:							
Service cost	184,878	192,033	118,170	118,364	108,193	132,107	120,822
Interest	87,716	67,700	42,324	58,950	74,108	95,035	75,018
Changes of benefit terms	-	-	-	-	-	(485,364)	-
Differences between expected and actual experience	(470,543)	196,775	699,355	(179,320)	(86,436)	(373)	267,810
Changes of assumptions or other inputs	(138,120)	(157,104)	523,385	101,436	(345,926)	26,471	(52,860)
Benefit payments	(175,100)	(181,329)	(106,314)	(99,295)	(192,010)	(160,498)	(144,610)
Net change in total OPEB liability	(511,169)	118,075	1,276,920	135	(442,071)	(392,622)	266,180
Total OPEB liability - ending	\$ 2,578,567	\$ 3,089,736	\$ 2,971,661	\$ 1,694,741	\$ 1,694,606	\$ 2,136,677	\$ 2,529,299
Covered-employee payroll	\$ 25,790,984	\$ 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	10.0%	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 2023, census data reflected a large decrease in covered employees. 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	5.5%-4.0%	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	2.53%	2.44%	2.11%	2.22%	2.36%	2.31%	2.31%
Salary increases	3.53%	3.44%	3.11%	3.22%	3.36%	3.31%	3.31%
Discount rate	3.78%	2.83%	2.27%	2.48%	3.44%	3.61%	3.80%
Society of Actuaries' mortality scale	MP-2021	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

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

For the year ended June 30, 2023

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July 1, 2022 - net debit balance	\$ (699,103)
Debits:	
Billings to school districts	111,134,470
Refund of balances due to school districts	699,103
Encumbrances - June 30, 2023	1,269,199
E-rate reimbursement paid to school districts	244,792
Funding of reserves and committed fund balance	745,025
Total debits	<u>114,092,589</u>
Credits:	
Collections from school districts	108,960,732
Adjustment - credits to school districts - revenues in excess of expenditures, net of transfers	5,192,652
Encumbrances - June 30, 2022	605,835
Total credits	<u>114,759,219</u>
June 30, 2023 - net debit balance	<u>\$ (1,365,733)</u>
Balance represented by:	
Due from school districts	\$ 2,173,738
Refunds to component school districts	<u>(3,539,471)</u>
	<u>\$ (1,365,733)</u>

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

**Supplementary Information**  
**Schedule of Capital Project Expenditures**

June 30, 2023

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
2020-2021 Capital Projects	\$ 1,994,130	\$ 760,494	\$ 691,059	\$ 24,329	\$ 715,388	\$ 45,106
2021-2022 Capital Projects	760,494	760,494	42,473	588,819	631,292	129,202
2022-2023 Capital Projects	760,494	1,500,000	50,645	22,600	73,245	1,426,755
	<u>\$ 3,515,118</u>	<u>\$ 3,020,988</u>	<u>\$ 784,177</u>	<u>\$ 635,748</u>	<u>\$ 1,419,925</u>	<u>\$ 1,601,063</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, 2023

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	\$ 127,671
Federal Direct Student Loans	84.268	N/A	114,698
Total Student Financial Assistance Cluster			242,369
Passed Through New York State Education Department:			
Adult Education - Basic Grants to States	84.002	0040-22-3015	3,139
Adult Education - Basic Grants to States	84.002	2338-22-3164	349
Adult Education - Basic Grants to States	84.002	0138-23-5303	33,194
Career and Technical Education - Basic Grants to States	84.048	8000-22-0064	7,542
Career and Technical Education - Basic Grants to States	84.048	8000-23-0064	353,152
Career and Technical Education - Basic Grants to States	84.048	8000-22-9007	5,786
Total U.S. Department of Education			645,531
<u>U.S. Department of Justice</u>			
STOP School Violence	16.839	2018-YS-BX-0015	22,105
STOP School Violence	16.839	2020-YS-BX-0021	208,181
STOP School Violence	16.839	2020-YS-BX-0046	191,198
			421,484
<u>Federal Communications Commission</u>			
Emergency Connectivity Fund Program	32.009	EECF202102583	22,146
<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	960,617
<u>U.S. Department of Agriculture</u>			
Passed Through New York State Office of Temporary and Disability Assistance:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C00260GG	78,237
Passed Through New York State Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	96,700 <sup>1</sup>
National School Lunch Program	10.555	N/A	283,674 <sup>1</sup>
Pandemic EBT Administrative Costs	10.649	N/A	3,140
Child Nutrition Discretionary Grants Limited Availability	10.579	0005-22-0039	22,823
Passed Through New York State Office of General Services:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	26,933 <sup>1</sup>
Passed Through New York State Department of Agriculture and Markets:			
Farm to School Grant Program	10.575	CN-F2S-IMPL-21-NY-5	38,543
Total U.S. Department of Agriculture			550,050
Total Expenditures of Federal Awards			\$ 2,599,828

<sup>1</sup> Total Child Nutrition Cluster - \$407,307

**Notes to Schedule of Expenditures of Federal Awards**

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**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, 2023, BOCES used \$26,933 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, 2023 were:

Federal Direct Loans	\$	47,398
Unsubsidized Federal Direct Loans		67,300
	\$	<u>114,698</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, 2023, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements, and have issued our report thereon dated September 27, 2023.

**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 27, 2023

**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, 2023. 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, 2023.

***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.

*Suzman & McCormick, LLP*

September 27, 2023

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

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**Schedule of Findings and Questioned Costs**

For the year ended June 30, 2023

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**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	\$ 960,617

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.