

**BOARD OF COOPERATIVE  
EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF  
ERIE COUNTY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2023**

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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## INDEPENDENT AUDITORS' REPORT

The Board of Education  
Board of Cooperative Educational Services  
First Supervisory District of Erie County

### 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 First Supervisory District of Erie County (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 November 8, 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.

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

November 8, 2023

## Management's Discussion and Analysis

June 30, 2023

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### Introduction

Management's Discussion and Analysis (MD&A) of Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES) provides an overview of BOCES' financial activities and performance for the year ended June 30, 2023. The information contained in the MD&A should be considered in conjunction with the information presented as part of BOCES' financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of BOCES' financial position and results of operations. BOCES' financial statements have 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.

The government-wide financial statements are designed to provide readers with a broad overview of BOCES' finances in a manner similar to a private-sector business. The statement of net position presents information on all of BOCES' assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how BOCES' net position changed during each 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about BOCES as a whole. All of the activities of BOCES are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating BOCES' near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of BOCES' near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

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. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support BOCES' 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.

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

<b>Condensed Statement of Net Position</b>	<b>2023</b>	2022	Change	
			\$	%
Current and other assets	\$ 79,966,000	\$ 127,546,000	\$ (47,580,000)	(37.3%)
Capital assets	116,629,000	99,002,000	17,627,000	17.8%
<b>Total assets</b>	<b>196,595,000</b>	226,548,000	(29,953,000)	(13.2%)
<b>Deferred outflows of resources</b>	<b>33,265,000</b>	34,727,000	(1,462,000)	(4.2%)
Long-term liabilities	75,635,000	50,775,000	24,860,000	49.0%
Other liabilities	36,875,000	41,208,000	(4,333,000)	(10.5%)
<b>Total liabilities</b>	<b>112,510,000</b>	91,983,000	20,527,000	22.3%
<b>Deferred inflows of resources</b>	<b>67,564,000</b>	114,935,000	(47,371,000)	(41.2%)
<b>Net position</b>				
Net investment in capital assets	82,908,000	65,836,000	17,072,000	25.9%
Restricted	15,418,000	15,954,000	(536,000)	(3.4%)
Unrestricted	(48,540,000)	(27,433,000)	(21,107,000)	76.9%
<b>Total net position</b>	<b>\$ 49,786,000</b>	\$ 54,357,000	\$ (4,571,000)	(8.4%)

Net position amounted to \$49,786,000 and \$54,357,000 as of June 30, 2023 and 2022, respectively. The largest portion of BOCES' net position reflects its investment in capital assets consisting of land, buildings and improvements, and technology and equipment, less related amounts owed on leases and installment purchase agreements. BOCES uses capital assets to provide services to students at component and non-component districts; consequently, these assets are not available for future spending.

BOCES' net position includes resources that are subject to external restrictions on how they may be used. These reserves are set aside for specific purposes governed by law and regulations and include the employee benefit accrued liability reserve, which must be used to pay future accumulated sick and vacation time earned; the retirement contribution reserve, which is used for contributions to the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS); and reserves for unemployment and workers' compensation insurance.

Current and other assets decreased \$47,580,000 (increase of \$64,803,000 in 2022) primarily due to BOCES' proportionate share of the TRS and ERS net pension positions resulting in a liability of \$25,313,000 compared to an asset of \$38,740,000 in 2022. Cash and investment balances decreased by \$6,074,000 (increase of \$4,391,000 in 2022) due to spending on the District-wide facilities project and current year operating results. Capital assets increased \$17,627,000 (increase of \$28,617,000 in 2022) due to capital project costs and technology and equipment purchases in excess of depreciation expense and disposals.

The increase in long-term liabilities of \$24,860,000 (increase of \$10,565,000 in 2022) is due to the previously mentioned change in the TRS and ERS net pension position. Other liabilities decreased \$4,333,000 (increase of \$5,665,000 in 2022) due to a reduction in construction-related accounts payable and decreases in state aid due to school districts, refunds to component districts, and unearned revenue.

Decreases in deferred outflows and deferred inflows of resources are primarily caused by changes in pension activity at the State level which are required to be reflected on 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 relative to pensions. Investment losses caused a significant change in net pension position and related deferred inflows of resources in 2023.

Offsetting some of the decrease in deferred inflows of resources related to pensions is an increase of \$12,709,000 in deferred inflows related to leases. BOCES leased \$30,905,000 of new technology and equipment to districts and recognized \$18,196,000 in rental income on existing leases. The majority of this technology and equipment was paid for in full by the districts, so there was no significant impact on corresponding leases receivable.

<b>Condensed Statement of Activities</b>	<b>2023</b>	2022	Change \$	%
<b>Revenues</b>				
Charges for services	<b>\$ 180,525,000</b>	\$ 178,046,000	\$ 2,479,000	1.4%
Operating and capital grants and contributions	<b>16,715,000</b>	19,771,000	(3,056,000)	(15.5%)
Interest and other	<b>1,302,000</b>	325,000	977,000	300.6%
Gain (loss) on disposal of assets	<b>(412,000)</b>	234,000	(646,000)	(276.1%)
<b>Total revenues</b>	<b>198,130,000</b>	198,376,000	(246,000)	(0.1%)
<b>Expenses</b>				
Administration	<b>4,067,000</b>	4,339,000	(272,000)	(6.3%)
Occupational education	<b>31,920,000</b>	23,714,000	8,206,000	34.6%
Instruction for special education	<b>31,774,000</b>	25,337,000	6,437,000	25.4%
Itinerant services	<b>9,037,000</b>	8,382,000	655,000	7.8%
General instruction	<b>14,827,000</b>	13,190,000	1,637,000	12.4%
Instructional support	<b>46,772,000</b>	43,578,000	3,194,000	7.3%
Other services	<b>64,127,000</b>	59,221,000	4,906,000	8.3%
Interest	<b>177,000</b>	200,000	(23,000)	(11.5%)
<b>Total expenses</b>	<b>202,701,000</b>	177,961,000	24,740,000	13.9%
Change in net position	<b>(4,571,000)</b>	20,415,000	(24,986,000)	(122.4%)
Net position – beginning	<b>54,357,000</b>	33,942,000	20,415,000	60.1%
<b>Net position – ending</b>	<b>\$ 49,786,000</b>	\$ 54,357,000	\$ (4,571,000)	(8.4%)

BOCES' revenues decreased by \$246,000 (8.1% or \$14,786,000 increase in 2022). Fluctuations in revenue categories are the result of districts choosing to enlist more or less services and purchase more or less equipment from BOCES. These decisions are made annually based on equipment needs and whether BOCES-provided or district-provided services are deemed to be more cost effective by each district. Operating and capital grants and contributions decreased \$3,056,000 (increase of \$5,389,000 or 37.5% in 2022) due to a decrease in revenue recognized for the districts' payments on the District-wide capital project to the extent of project costs to date and a reduction in Coronavirus Relief Fund grants received. Charges for services increased \$2,479,000 (increase of \$8,983,000 or 5.3% in 2022) as a result of increases in instruction for special education and other services, specifically instructional resources, school/curricular planning, rental of facilities, and computer management services.

Total expenses on a full accrual basis increased \$24,740,000 (decrease of \$5,858,000 or 3.2% in 2022). Pension expense increased \$13,353,000 due to recognition of net pension expense of \$12,245,000 in the current year, compared to net pension income of \$1,108,000 in 2022, which was reflected as a negative expense. Additional expenditure increases due to costs of increased service requests from the districts including occupational education, special education, career pathway programs, and computer services. The increase in occupational education is also due to the change in location to a new facility, which resulted in additional costs for classroom setup, media, and technology. Payroll increased \$2,117,000 or 3.2% (\$3,726,000 or 6.0% increase in 2022) due to raises required under bargaining unit agreements offset by a decrease in the number of employees.

### Financial Analysis of BOCES' Funds

Total fund balance for the governmental funds decreased from a deficit of \$(3,898,000) to \$(21,115,000) as described below:

- BOCES' general fund expenditures exceeded revenues by \$9,413,000 in 2023 as compared to excess revenue over expenditures of \$7,011,000 in 2022. The excess of expenditures over revenue is the result of the recognition of lease activity in the current year. BOCES entered into new lease agreements with component and non-component districts for technology and equipment totaling \$30,905,000 during 2023. Of this total, only \$7,828,000 was financed by districts; the remainder of \$23,077,000 was paid up front by the districts but is still recognized as revenue over the five-year lease term. Because the districts paid for the equipment in full, BOCES also purchased the assets directly for purposes of leasing them to the districts. As a result, the revenue is deferred but the related purchase of the equipment by BOCES is recognized as an expense immediately, causing a net loss.
- Refunds to component school districts totaled \$7,653,000 in 2023 compared to \$8,688,000 in 2022.
- Expenditures for BOCES' District-wide capital project were \$6,523,000 compared to \$7,708,000 in 2022.



## General Fund Budgetary Highlights

The original revenue budget of \$166,495,000 was increased to \$202,440,000 based on changes in requested services by districts. Actual revenues totaled \$183,184,000, \$19,256,000 less than anticipated. The final general fund expenditure budget was \$216,364,000, which is \$14,369,000 or 6.6% less than actual expenditures and carryover encumbrances. The largest variances were in administration, instructional support, and other services.

## Capital Assets

	2023	2022
Land	\$ 300,000	\$ 300,000
Construction in progress	9,178,000	10,052,000
Buildings and improvements	45,106,000	37,695,000
Technology and equipment	192,598,000	172,315,000
	<u>247,182,000</u>	220,362,000
Accumulated depreciation	<u>(146,975,000)</u>	(137,561,000)
	100,207,000	82,801,000
Right-to-use building leases, net	16,422,000	16,201,000
	<u>\$ 116,629,000</u>	\$ 99,002,000

Current year additions of \$43,101,000, which consisted mainly of technology purchases and construction on BOCES' capital project, were offset by depreciation expense, amortization expense, and disposals of \$25,474,000.

## Debt

At June 30, 2023, BOCES had \$16,415,000 of outstanding installment purchase agreements, with \$6,400,000 due within one year (\$16,843,000 outstanding at June 30, 2022). Leases outstanding at June 30, 2023 were \$17,306,000 (\$16,323,000 at June 30, 2023), with \$4,072,000 due within one year. Outstanding compensated absences were \$12,523,000 (\$13,395,000 at June 30, 2022) with \$1,002,000 estimated to be paid within one year.

Additional information on BOCES' long-term liabilities can be found in the notes to the financial statements.

## Current Financial Issues and Concerns

Federal revenue sources have decreased as pandemic-related funding sources cease. As BOCES' component and non-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 will continue to make every attempt to mitigate the impact of rising costs of education on the overall budget. The property tax levy cap's impact on our component districts further emphasizes the importance of using reserves judiciously and implementing creative cost cutting measures.

## Contacting BOCES' Financial Management

This financial report is designed to provide our citizens, investors, creditors, and component districts with a general overview of BOCES' finances and to demonstrate BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact James Fregelette, Executive Director, Administrative Services and Operations, Erie 1 BOCES, 355 Harlem Road, West Seneca, New York 14224.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Statement of Net Position**

June 30, 2023

(With comparative totals as of June 30, 2022)

	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$ 34,291,171	\$ 40,846,886
Due from school districts	9,575,500	11,733,828
Accounts receivable	2,540,367	3,049,955
State and federal aid receivable	18,391,882	18,700,288
Investments	1,482,913	1,001,504
Lease receivable	13,683,614	13,474,202
Net pension asset	-	38,739,862
Capital assets (Note 4)	277,624,212	247,675,485
Accumulated depreciation and amortization	(160,994,897)	(148,673,703)
<b>Total assets</b>	<b>196,594,762</b>	<b>226,548,307</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	32,798,225	34,290,177
Deferred outflows of resources related to OPEB	467,117	436,875
<b>Total deferred outflows of resources</b>	<b>33,265,342</b>	<b>34,727,052</b>
<b>Liabilities</b>		
Accounts payable	3,004,462	4,519,263
Accrued liabilities	1,280,591	1,312,270
State aid due to school districts	17,819,272	18,616,664
Refunds to component school districts	8,510,659	9,970,504
Due to retirement systems	4,667,359	4,386,252
Unearned revenue	1,593,178	2,403,042
Long-term liabilities		
Due within one year:		
Installment purchase agreements	6,400,447	6,982,599
Leases	4,071,807	3,759,989
Compensated absences	1,002,000	1,072,000
Due beyond one year:		
Installment purchase agreements	10,014,597	9,860,148
Leases	13,234,298	12,563,360
Compensated absences	11,521,000	12,323,000
Net pension liability	25,313,282	-
Total OPEB liability	4,077,215	4,214,420
<b>Total liabilities</b>	<b>112,510,167</b>	<b>91,983,511</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to leases	64,205,318	51,496,583
Deferred inflows of resources related to pensions	3,084,135	63,265,719
Deferred inflows of resources related to OPEB	274,506	172,532
<b>Total deferred inflows of resources</b>	<b>67,563,959</b>	<b>114,934,834</b>
<b>Net Position</b>		
Net investment in capital assets	82,908,166	65,835,686
Restricted	15,417,640	15,954,412
Unrestricted	(48,539,828)	(27,433,084)
<b>Total net position</b>	<b>\$ 49,785,978</b>	<b>\$ 54,357,014</b>

See accompanying notes.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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	\$ 4,066,889	\$ 7,518,069	\$ -	\$ 6,008,333	\$ 9,459,513	\$ 10,175,684
Occupational education	31,919,773	18,900,803	5,999,098	-	(7,019,872)	1,566,589
Instruction for special education	31,774,061	21,960,085	2,940,991	-	(6,872,985)	(2,109,404)
Itinerant services	9,036,958	7,081,614	-	-	(1,955,344)	(1,223,391)
General instruction	14,826,913	12,532,201	-	-	(2,294,712)	25,100
Instructional support	46,772,284	46,641,865	1,767,002	-	1,636,583	6,221,668
Other services	64,127,034	65,889,995	-	-	1,762,961	5,399,120
Interest	177,100	-	-	-	(177,100)	(200,262)
	<u>\$ 202,701,012</u>	<u>\$ 180,524,632</u>	<u>\$ 10,707,091</u>	<u>\$ 6,008,333</u>	<u>(5,460,956)</u>	<u>19,855,104</u>
<b>General revenues</b>						
					1,301,555	324,824
					(411,635)	234,282
					<u>889,920</u>	<u>559,106</u>
					(4,571,036)	20,414,210
					54,357,014	33,942,804
					<u>\$ 49,785,978</u>	<u>\$ 54,357,014</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Balance Sheet - Governmental Funds**

June 30, 2023

(With summarized comparative totals as of June 30, 2022)

				Total Governmental Funds	
	General	Capital Projects	Special Aid	2023	2022
<b>Assets</b>					
Cash and cash equivalents	\$ 30,527,206	\$ 1,433,304	\$ 2,330,661	\$ <b>34,291,171</b>	\$ 40,846,886
Due from school districts	9,575,500	-	-	<b>9,575,500</b>	11,733,828
Accounts receivable	18,467	-	2,521,900	<b>2,540,367</b>	3,049,955
State and federal aid receivable	17,819,272	-	572,610	<b>18,391,882</b>	18,700,288
Investments	1,482,913	-	-	<b>1,482,913</b>	1,001,504
Leases receivable	13,683,614	-	-	<b>13,683,614</b>	13,474,202
Due from other funds	-	19,679	-	<b>19,679</b>	25,431
<b>Total assets</b>	<b>\$ 73,106,972</b>	<b>\$ 1,452,983</b>	<b>\$ 5,425,171</b>	<b>\$ 79,985,126</b>	<b>\$ 88,832,094</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,719,673	\$ 71,514	\$ 213,275	\$ <b>3,004,462</b>	\$ 4,519,263
Accrued liabilities	1,159,406	-	121,185	<b>1,280,591</b>	1,312,270
State aid due to school districts	17,819,272	-	-	<b>17,819,272</b>	18,616,664
Refunds to component school districts	8,510,659	-	-	<b>8,510,659</b>	9,970,504
Due to retirement systems	4,667,132	-	227	<b>4,667,359</b>	4,386,252
Due to other funds	3,384	-	16,295	<b>19,679</b>	25,431
Unearned revenue	-	1,110,986	482,192	<b>1,593,178</b>	2,403,042
<b>Total liabilities</b>	<b>34,879,526</b>	<b>1,182,500</b>	<b>833,174</b>	<b>36,895,200</b>	<b>41,233,426</b>
<b>Deferred Inflows of Resources</b>					
Deferred inflows of resources related to leases	64,205,318	-	-	<b>64,205,318</b>	51,496,583
<b>Fund Balances</b>					
Restricted	15,147,157	270,483	-	<b>15,417,640</b>	15,954,412
Assigned	-	-	4,591,997	<b>4,591,997</b>	4,246,269
Unassigned	(41,125,029)	-	-	<b>(41,125,029)</b>	(24,098,596)
<b>Total fund balances</b>	<b>(25,977,872)</b>	<b>270,483</b>	<b>4,591,997</b>	<b>(21,115,392)</b>	<b>(3,897,915)</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 73,106,972</b>	<b>\$ 1,452,983</b>	<b>\$ 5,425,171</b>	<b>\$ 79,985,126</b>	<b>\$ 88,832,094</b>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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

June 30, 2023

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**Total fund balances - governmental funds** \$ (21,115,392)

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. 116,629,315

BOCES' proportionate share of the 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	32,798,225	
Net pension liability	(25,313,282)	
Deferred inflows of resources related to pensions	<u>(3,084,135)</u>	4,400,808

BOCES' 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	467,117	
Total OPEB liability	(4,077,215)	
Deferred inflows of resources related to OPEB	<u>(274,506)</u>	(3,884,604)

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

Installment purchase agreements	(16,415,044)	
Leases	(17,306,105)	
Compensated absences	<u>(12,523,000)</u>	(46,244,149)

**Net position - governmental activities** \$ 49,785,978

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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	Total Governmental Funds	
				2023	2022
<b>Revenues</b>					
Charges to components	\$ 102,773,691	\$ -	\$ 2,362,330	\$ 105,136,021	\$ 103,291,331
Charges to non-components and other BOCES	75,557,486	-	98,715	75,656,201	77,297,186
Charges for services	209,599	-	4,139,541	4,349,140	4,032,312
Capital contributions from components	-	6,008,333	-	6,008,333	8,222,968
Use of money and property	1,343,295	32,723	-	1,376,018	420,923
Sale of property and compensation for loss	338,339	-	-	338,339	622,103
Miscellaneous	2,961,878	-	212,683	3,174,561	2,637,196
State sources	-	-	8,256,747	8,256,747	8,185,860
Federal sources	-	-	2,237,661	2,237,661	2,741,043
<b>Total revenues</b>	<b>183,184,288</b>	<b>6,041,056</b>	<b>17,307,677</b>	<b>206,533,021</b>	<b>207,450,922</b>
<b>Expenditures</b>					
Administration	3,081,122	-	-	3,081,122	2,699,766
Occupational education	22,369,676	-	5,999,098	28,368,774	22,960,460
Instruction for special education	22,911,859	-	5,244,453	28,156,312	23,951,264
Itinerant services	7,838,901	-	-	7,838,901	7,875,473
General instruction	12,860,962	-	-	12,860,962	12,628,084
Instructional support	57,364,779	-	1,299,220	58,663,999	55,719,278
Other services	62,233,228	-	4,419,178	66,652,406	62,534,599
Capital outlay	-	19,108,328	-	19,108,328	17,934,496
Debt service					
Lease principal	3,759,989	-	-	3,759,989	3,702,918
Lease interest	177,100	-	-	177,100	200,262
<b>Total expenditures</b>	<b>192,597,616</b>	<b>19,108,328</b>	<b>16,961,949</b>	<b>228,667,893</b>	<b>210,206,600</b>
Excess revenues (expenditures)	(9,413,328)	(13,067,272)	345,728	(22,134,872)	(2,755,678)
<b>Other financing sources (uses)</b>					
Proceeds from installment purchases	-	7,827,721	-	7,827,721	8,041,015
Proceeds from leases	-	4,742,745	-	4,742,745	1,908,014
Refunds to component school districts	(7,653,071)	-	-	(7,653,071)	(8,687,767)
<b>Total other financing sources (uses)</b>	<b>(7,653,071)</b>	<b>12,570,466</b>	<b>-</b>	<b>4,917,395</b>	<b>1,261,262</b>
Net change in fund balances	(17,066,399)	(496,806)	345,728	(17,217,477)	(1,494,416)
Fund balances (deficit) - beginning	(8,911,473)	767,289	4,246,269	(3,897,915)	(2,403,499)
<b>Fund balances (deficit) - ending</b>	<b>\$ (25,977,872)</b>	<b>\$ 270,483</b>	<b>\$ 4,591,997</b>	<b>\$ (21,115,392)</b>	<b>\$ (3,897,915)</b>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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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** \$ (17,217,477)

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 their estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays exceed depreciation and amortization expense and disposals. 17,627,533

Principal payments on leases and installment purchase agreements are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position. 12,015,413

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

2023 TRS and ERS contributions	6,775,769	
2023 ERS accrued contribution	1,019,654	
2022 ERS accrued contribution	(913,876)	
2023 TRS pension expense	(4,356,953)	
2023 ERS pension expense	<u>(7,888,106)</u>	(5,363,512)

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. 65,473

Installment purchase agreements for capital assets are reported as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position. (7,827,721)

Leases are recorded as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position. (4,742,745)

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. 872,000

**Change in net position - governmental activities** \$ (4,571,036)

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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	\$ 103,133,240	\$ 114,942,970	\$ 102,773,691		\$ (12,169,279)
Charges to non-components and other BOCES	63,147,000	83,332,719	75,557,486		(7,775,233)
Charges for services	-	209,599	209,599		-
Use of money and property	-	954,289	1,343,295		389,006
Sale of property and compensation for loss	-	338,335	338,339		4
Miscellaneous	214,500	2,661,875	2,961,878		300,003
<b>Total revenues</b>	<b>166,494,740</b>	<b>202,439,787</b>	<b>183,184,288</b>		<b>(19,255,499)</b>
<b>Expenditures</b>					
Administration	13,883,248	11,131,639	3,081,122	473,897	(7,576,620)
Occupational education	23,800,603	24,063,342	22,369,676	1,544,593	(149,073)
Instruction for special education	22,755,389	23,151,290	22,911,859	76,835	(162,596)
Itinerant services	7,424,991	8,285,758	7,838,901	82,805	(364,052)
General instruction	12,001,936	13,993,231	12,860,962	635,269	(497,000)
Instructional support	45,262,189	61,829,963	57,364,779	1,897,233	(2,567,951)
Other services	55,290,170	69,971,261	62,233,228	4,686,043	(3,051,990)
Debt service					
Lease principal	-	3,593,464	3,759,989	-	166,525
Lease interest	-	343,625	177,100	-	(166,525)
<b>Total expenditures</b>	<b>180,418,526</b>	<b>216,363,573</b>	<b>192,597,616</b>	<b>9,396,675</b>	<b>(14,369,282)</b>
Excess revenues (expenditures)	(13,923,786)	(13,923,786)	(9,413,328)	(9,396,675)	(4,886,217)
<b>Other financing sources (uses)</b>					
Carryover encumbrances	13,923,786	13,923,786	-		(13,923,786)
Refunds to component school districts	-	-	(7,653,071)		7,653,071
<b>Total other financing sources (uses)</b>	<b>13,923,786</b>	<b>13,923,786</b>	<b>(7,653,071)</b>		<b>(21,576,857)</b>
<b>Excess revenues (expenditures) and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (17,066,399)</b>	<b>\$ (9,396,675)</b>	<b>\$ (26,463,074)</b>

See accompanying notes.



BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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

June 30, 2023

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**Assets**

Cash \$ 11,584

**Net Position**

Extraclassroom activities balances \$ 11,584

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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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 \$ 43,388

**Deductions**

Student activity deductions 56,288

Change in net position (12,900)

Net position - beginning 24,484

**Net position - ending** **\$ 11,584**

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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 First Supervisory District of Erie County (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 seven members. BOCES' 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 19 school districts in the State's First Supervisory District of Erie County:

Akron	Cleveland Hill	Lancaster
Alden	Depew	Lackawanna
Amherst	Frontier	Sweet Home
Cheektowaga	Grand Island	Tonawanda
Cheektowaga-Maryvale	Hamburg	West Seneca
Cheektowaga-Sloan	Kenmore-Town of Tonawanda	Williamsville
Clarence		

BOCES' programs and services include special and vocational education, academic and alternative programs, summer school, staff development, computer 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 NY44 Health Benefits Plan Trust and the Erie #1 Self-Funded Workers' Compensation Consortium, which are public entity risk pools. These plans are designed to provide health insurance and workers' compensation coverage for participating entities. These activities are further discussed in Note 8.

## 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 and net proceeds from the sale of capital assets, 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.

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 the District's 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. Equipment purchased or used under installment purchase or lease agreements and refunds to component school districts are reported as other financing sources.

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

## **Estimates**

The preparation of financial statements in conformity with 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 the 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 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 and non-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.

### Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and repurchase agreements with original maturities of 90 days or less. Investments include U.S. Treasury securities held in external investment pools recorded at amortized cost.

### 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	15-20
Equipment	\$ 5,000	5-25
Technology	\$ 299	5

### Short-Term Debt

To meet its short-term cash flow needs, 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, the general fund of the fund financial statements must result in a matching of the total service expenditures and 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 and allocation of BOCES' equipment leased to districts on a cash basis. 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 of BOCES' defined benefit healthcare plan (Note 7) 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 at retirement or the option of converting this vested amount to provide for payment of health insurance 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

The District 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 is not included in the determination of net investment in capital assets or the restricted component of net position and therefore is 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:

Restricted:	
Capital	\$ 270,483
Employee benefit accrued liability	9,777,920
Retirement contribution	3,601,917
Unemployment insurance	850,000
Workers' compensation	917,320
Assigned	4,591,997
Unassigned	(41,125,029)
	<u>\$ (21,115,392)</u>

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 Board action for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Fund balance restrictions include the following reserves:

- *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.
- *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 \$2,082,184 for TRS and \$1,519,733 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, if any, are authorized by the Board of Education as recommended by BOCES’ management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end.

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. Cash, Cash Equivalents, and Investments**

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’ banking policies permit the Treasurer to use demand accounts, certificates of deposit, and external investment pools. 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 or in an undivided security interest in pooled assets in BOCES’ name.

Credit risk is the risk of loss attributed to the magnitude of BOCES’ investment in a single issuer. BOCES’ external investment pool is rated AAAM by S&P Global Ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit its exposure, BOCES' external investment pool limits the purchase of investments to a maturity date of no more than 397 days from the purchase date. The maximum dollar weighted average maturity of the pool's investments is 60 days or less.

### 3. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable
General	\$ -	\$ 3,384
Capital projects	19,679	-
Special aid	-	16,295
	<u>\$ 19,679</u>	<u>\$ 19,679</u>

The capital projects fund is awaiting reimbursement from the general and special aid funds for project costs.

### 4. Capital Assets

	July 1, 2022	Increases	Retirements/ Reclassifications	June 30, 2023
Non-depreciable and non-amortizable capital assets:				
Land	\$ 299,968	\$ -	\$ -	\$ 299,968
Construction in progress	10,051,466	6,537,862	(7,410,886)	9,178,442
Total non-depreciable and non-amortizable assets	<u>10,351,434</u>	<u>6,537,862</u>	<u>(7,410,886)</u>	<u>9,478,410</u>
Depreciable capital assets:				
Buildings and improvements	37,695,123	-	7,410,886	45,106,009
Technology and equipment	172,314,962	31,820,402	(11,537,713)	192,597,651
Total depreciable assets	<u>210,010,085</u>	<u>31,820,402</u>	<u>(4,126,827)</u>	<u>237,703,660</u>
Accumulated depreciation:				
Buildings and improvements	(25,168,410)	(678,291)	-	(25,846,701)
Technology and equipment	(112,392,660)	(19,522,809)	10,787,739	(121,127,730)
Total accumulated depreciation	<u>(137,561,070)</u>	<u>(20,201,100)</u>	<u>10,787,739</u>	<u>(146,974,431)</u>
Total depreciable assets, net	<u>72,449,015</u>	<u>11,619,302</u>	<u>6,660,912</u>	<u>90,729,229</u>
Right-to-use lease assets:				
Buildings	27,313,966	4,742,745	(1,614,569)	30,442,142
Accumulated amortization	(11,112,633)	(4,522,402)	1,614,569	(14,020,466)
Total right-to-use assets, net	<u>16,201,333</u>	<u>220,343</u>	<u>-</u>	<u>16,421,676</u>
	<u>\$ 99,001,782</u>	<u>\$ 18,377,507</u>	<u>\$ (749,974)</u>	<u>\$ 116,629,315</u>

Depreciation and amortization expense have been allocated to the following functions: administration \$900,984, occupational education \$2,871,374, instruction for special education \$2,940,991, itinerant services \$1,006,240, general instruction \$1,650,785, instructional support \$7,364,204, and other services \$7,988,924.

Various technology and equipment assets owned by BOCES are leased to component and non-component districts through 2028. Such assets have a net book value of \$64,205,317 at June 30, 2023. BOCES recognized \$18,196,258 of rental income on such assets during 2023 and also recognized \$389,012 of interest income on the corresponding leases receivable.



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

Capital assets, net of accumulated depreciation and amortization	\$ 116,629,315
Installment purchase agreements	(16,415,044)
Lease liability	(17,306,105)
	<u>\$ 82,908,166</u>

## 5. Long-Term Liabilities

	July 1, 2022	Increases	Decreases	June 30, 2023	Amount Due in One Year
Installment purchase agreements	\$ 16,842,747	\$ 7,827,721	\$ 8,255,424	\$ 16,415,044	\$ 6,400,447
Leases	16,323,349	4,742,745	3,759,989	17,306,105	4,071,807
Compensated absences	13,395,000	-	872,000	12,523,000	1,002,000
	<u>\$ 46,561,096</u>	<u>\$ 12,570,466</u>	<u>\$ 12,887,413</u>	<u>\$ 46,244,149</u>	<u>\$ 11,474,254</u>

## Existing Obligations

Description	Maturity	Rate	Balance
Installment purchase agreements – 2019	May 2024	2.04%-3.16%	\$ 109,884
Installment purchase agreements – 2020	April 2025	1.37%-2.90%	1,754,251
Installment purchase agreements – 2021	June 2026	1.18%-2.38%	2,691,503
Installment purchase agreements – 2022	June 2027	1.99%-2.87%	5,292,105
Installment purchase agreements – 2023	June 2028	3.90%-5.26%	6,567,301
Building lease – 2015	June 2025	1.0%	1,315,286
Building lease – 2020	June 2029	1.0%	4,879,930
Building lease – 2020	June 2027	1.0%	2,254,278
Building lease – 2021	June 2024	1.0%	287,005
Building lease – 2022	August 2031	1.0%	3,165,310
Building lease – 2022	June 2024	1.0%	661,551
Building lease – 2023	June 2026	2.0%	1,401,278
Building lease – 2023	June 2030	2.0%	3,341,467
			<u>\$ 33,721,149</u>

## Debt Service Requirements

Years ending June 30,	Installment Purchase Agreements		Leases	
	Principal	Interest	Principal	Interest
2024	\$ 6,400,447	\$ 453,754	\$ 4,071,807	\$ 234,771
2025	5,018,411	278,725	3,231,220	171,409
2026	2,849,946	145,244	2,674,307	130,246
2027	1,830,496	51,973	2,268,807	94,140
2028	315,744	4,524	1,746,918	66,705
2029-2032	-	-	3,313,046	70,630
	<u>\$ 16,415,044</u>	<u>\$ 934,220</u>	<u>\$ 17,306,105</u>	<u>\$ 767,901</u>

## 6. 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 \$3,264,214. A liability to ERS of \$1,019,654 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 \$3,437,579 for its proportionate share of the TRS net pension position and a liability of \$21,875,703 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 0.179144%, an increase of 0.005602 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 0.1020130%, a decrease of 0.004007 from its proportion measured as of March 31, 2022.

For the year ended June 30, 2023, BOCES recognized pension expense of \$12,245,059 on the government-wide statements (TRS expense of \$4,356,953 and ERS expense of \$7,888,106). 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	\$ 3,602,147	\$ (68,883)	\$ 2,329,933	\$ (614,352)
Changes of assumptions	6,668,321	(1,384,754)	10,624,252	(117,418)
Net difference between projected and actual earnings on pension plan investments	4,441,678	-	-	(128,519)
Changes in proportion and differences between BOCES' contributions and proportionate share of contributions	142,443	(510,903)	705,583	(259,306)
BOCES' contributions subsequent to the measurement date	3,264,214	-	1,019,654	-
	<u>\$ 18,118,803</u>	<u>\$ (1,964,540)</u>	<u>\$ 14,679,422</u>	<u>\$ (1,119,595)</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	\$ 2,558,936	\$ 3,048,234
2025	1,267,675	(1,033,015)
2026	(660,351)	4,586,899
2027	8,639,028	5,938,055
2028	1,063,855	-
Thereafter	20,906	-
	<u>\$ 12,890,049</u>	<u>\$ 12,540,173</u>

### 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 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’ proportionate share of the TRS net pension asset (liability)	\$ (31,696,086)	\$ (3,437,579)
BOCES’ proportionate share of the ERS net pension asset (liability)	\$ (52,864,192)	\$ (21,875,703)	\$ 4,018,784

## 7. OPEB

### Plan Description

BOCES maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance benefits for retired District Superintendents and their spouses. The Plan is also open to all eligible employees and provides continued insurance through the conversion of sick time or by payment of monthly premiums by retirees through participation in BOCES' policies. BOCES thereby provides an implicit rate subsidy on behalf of eligible employees. Eligibility for benefits is based on covered employees who retire from BOCES and have met vesting requirements. The Plan has no assets, does not issue financial statements, and is not a trust.

At May 12, 2023, employees covered by the Plan include:

Active employees	850
Inactive employees or beneficiaries currently receiving benefits	200
Inactive employees entitled to but not yet receiving benefits	-
	<u>1,050</u>

### Total OPEB Liability

BOCES's total OPEB liability of \$4,077,215 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% in 2023, with an ultimate rate of 4.0% after 2070

*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	<u>\$ (4,214,420)</u>
Changes for the year:	
Service cost	(150,593)
Interest	(112,112)
Changes of benefit terms	26,198
Differences between expected and actual experience	(245,187)
Changes of assumptions or other inputs	215,447
Benefit payments	<u>403,452</u>
Net changes	<u>137,205</u>
Balance at June 30, 2023	<u>\$ (4,077,215)</u>

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

	1.0% Decrease (2.78%)	Discount Rate (3.78%)	1.0% Increase (4.78%)
Total OPEB liability	<u>\$ (4,385,540)</u>	<u>\$ (4,077,215)</u>	<u>\$ (3,803,186)</u>

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

	Healthcare Cost		
	1.0% Decrease (4.5% to 3.0%)	Trend Rate (5.5% to 4.0%)	1.0% Increase (6.5% to 5.0%)
Total OPEB liability	\$ (3,772,080)	\$ (4,077,215)	\$ (4,427,618)

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

For the year ended June 30, 2023, BOCES recognized OPEB expense of \$327,688. 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	\$ 354,228	\$ -
Changes of assumptions or other inputs	12,026	(274,506)
Benefit payments subsequent to the measurement date	100,863	-
	<u>\$ 467,117</u>	<u>\$ (274,506)</u>

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for 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	\$ 64,228
2025	9,678
2026	3,966
2027	3,966
2028	3,966
Thereafter	5,944
	<u>\$ 91,748</u>

## 8. Risk Management

### General Liability

BOCES purchases commercial insurance for various risk 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.

### Health Insurance

BOCES administers and participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 19 participating members as of June 30, 2022 (the most recent information available).

BOCES has transferred all 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. Refunds are not made nor additional assessments charged other than the annual premium equivalent. If the Plan's assets were to be exhausted, members would be equally responsible for the remaining liabilities.

The Plan has published its own financial report for the year ended June 30, 2022, which can be obtained from BOCES' administrative offices.

### **Workers' Compensation**

BOCES also administers and participates in the Erie #1 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 eight participating members as of June 30, 2022 (the most recent information available).

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

## **9. 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 capital improvements project which is expected to cost \$21,156,000. As of June 30, 2023, \$16,275,000 has been expended and numerous open contracts are in place.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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	0.179144%	0.173542%	0.173531%	0.167334%	0.167075%	0.168309%	0.171915%	0.171213%	0.185514%	0.192114%
BOCES' proportionate share of the net pension asset (liability)	\$ (3,437,579)	\$ 30,073,167	\$ (4,795,122)	\$ 4,347,338	\$ 3,021,162	\$ 1,279,317	\$ (1,841,283)	\$ 17,783,588	\$ 20,665,137	\$ 1,264,599
BOCES' covered payroll	\$ 31,739,786	\$ 29,446,716	\$ 29,457,878	\$ 27,930,697	\$ 27,214,684	\$ 26,671,468	\$ 26,528,228	\$ 25,715,118	\$ 27,396,758	\$ 28,140,574
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	10.83%	102.13%	16.28%	15.56%	11.10%	4.80%	6.94%	69.16%	75.43%	4.49%
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  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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	\$ 3,264,214	\$ 3,110,499	\$ 2,806,272	\$ 2,609,968	\$ 2,966,240	\$ 2,667,039	\$ 3,125,896	\$ 3,517,643	\$ 4,507,860	\$ 4,451,973
Contribution in relation to the contractually required contribution	(3,264,214)	(3,110,499)	(2,806,272)	(2,609,968)	(2,966,240)	(2,667,039)	(3,125,896)	(3,517,643)	(4,507,860)	(4,451,973)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 31,722,196	\$ 31,739,786	\$ 29,446,716	\$ 29,457,878	\$ 27,930,697	\$ 27,214,684	\$ 26,671,468	\$ 26,528,228	\$ 25,715,118	\$ 27,396,758
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%	16.25%

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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	0.1020130%	0.1060200%	0.1010696%	0.1030058%	0.1029779%	0.1014298%	0.1094205%	0.1036747%	0.1027231%
BOCES' proportionate share of the net pension asset (liability)	\$ (21,875,703)	\$ 8,666,695	\$ (100,639)	\$ (27,276,532)	\$ (7,296,297)	\$ (3,273,591)	\$ (10,281,395)	\$ (16,640,085)	\$ (3,470,238)
BOCES' covered payroll	\$ 30,901,934	\$ 31,527,850	\$ 30,451,370	\$ 29,382,450	\$ 28,293,624	\$ 27,270,071	\$ 28,854,972	\$ 25,915,969	\$ 26,669,954
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	70.79%	27.49%	0.33%	92.83%	25.79%	12.00%	35.63%	64.21%	13.01%
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  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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	\$ 3,511,555	\$ 5,000,668	\$ 4,381,422	\$ 4,304,669	\$ 4,171,734	\$ 4,093,560	\$ 4,442,749	\$ 4,761,288	\$ 5,074,862	\$ 5,227,193
Contribution in relation to the contractually required contribution	(3,511,555)	(5,000,668)	(4,381,422)	(4,304,669)	(4,171,734)	(4,093,560)	(4,442,749)	(4,761,288)	(5,074,862)	(5,227,193)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 30,901,934	\$ 31,527,850	\$ 30,451,370	\$ 29,382,450	\$ 28,293,624	\$ 27,270,071	\$ 28,854,972	\$ 25,915,969	\$ 26,669,954	\$ 25,668,478
Contributions as a percentage of covered payroll	11.36%	15.86%	14.39%	14.65%	14.74%	15.01%	15.40%	18.37%	19.03%	20.36%

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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	\$ 4,214,420	\$ 4,169,829	\$ 4,139,545	\$ 4,192,845	\$ 3,133,435	\$ 3,181,640	\$ 2,977,034
Changes for the year:							
Service cost	150,593	140,379	118,006	113,738	63,842	64,763	60,067
Interest	112,112	87,749	97,307	134,304	104,300	110,883	91,267
Changes of benefit terms	(26,198)	316,751	-	-	300,011	21,797	-
Differences between expected and actual experience	245,187	102,179	91,745	(179,247)	893,137	51,985	444,078
Changes of assumptions or other inputs	(215,447)	(157,851)	57,122	280,315	6,202	30,793	(78,079)
Benefit payments	(403,452)	(444,616)	(333,896)	(402,410)	(308,082)	(328,426)	(312,727)
Net change in total OPEB liability	(137,205)	44,591	30,284	(53,300)	1,059,410	(48,205)	204,606
Total OPEB liability - ending	\$ 4,077,215	\$ 4,214,420	\$ 4,169,829	\$ 4,139,545	\$ 4,192,845	\$ 3,133,435	\$ 3,181,640
Covered-employee payroll	\$ 52,884,471	\$ 51,081,301	\$ 49,382,542	\$ 47,830,746	\$ 46,338,642	\$ 44,853,975	\$ 44,853,975
Total OPEB liability as a percentage of covered-employee payroll	7.7%	8.3%	8.4%	8.7%	9.0%	7.0%	7.1%

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

Changes of benefit terms for 2023 include requirement of a health insurance contribution for a Superintendent who retired in 2022. For 2019, such changes included the addition of life insurance benefits for one former Superintendent. Differences between expected and actual experience include changes in the census data and healthcare trend rates. For 2020, such amounts also include the repeal of the Cadillac Tax as part of the Further Consolidated Appropriations Act of 2020. Changes of assumptions or other inputs include changes in the discount rate and updated mortality tables.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	5.5%-4.0%	6.10%-4.37%	4.08%-4.0%	5.2%-4.18%	5.2%-4.32%	6.2%-4.17%	5.3%-4.17%
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%
Inflation	2.53%	2.44%	2.11%	2.22%	2.36%	2.31%	2.31%
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  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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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	\$ 1,763,324
Debits:	
Billings to school districts	178,331,177
Refund of balances due to school districts	8,687,767
Adjustment - expenditures in excess of revenues	9,413,328
Encumbrances - June 30, 2023	9,396,675
E-rate - June 30, 2022 portion paid subsequent to year end	1,282,736
E-rate - June 30, 2023 portion paid prior to year end	341,071
Total debits	<u>207,452,754</u>
Credits:	
Collections from school districts	192,988,826
Encumbrances - June 30, 2022	13,923,786
E-rate - June 30, 2023	1,198,659
Net usage of reserves	39,966
Total credits	<u>208,151,237</u>
June 30, 2023 - net debit balance	<u>\$ 1,064,841</u>
Balance represented by:	
Due from school districts	\$ 9,575,500
Refunds to component school districts	<u>(8,510,659)</u>
	<u>\$ 1,064,841</u>

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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

June 30, 2023

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Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
2021 Capital Expenditure Project	\$ 294,598	\$ 314,115	\$ 299,496	\$ 14,619	\$ 314,115	\$ -
District-Wide Facilities Project	21,156,378	21,156,378	9,751,970	6,523,243	16,275,213	4,881,165
	<u>\$ 21,450,976</u>	<u>\$ 21,470,493</u>	<u>\$ 10,051,466</u>	<u>\$ 6,537,862</u>	<u>\$ 16,589,328</u>	<u>\$ 4,881,165</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**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>			
Direct Program:			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	n/a	\$ 1,086,967
Federal Direct Student Loans	84.268	n/a	1,600,775
Total Student Financial Assistance Cluster			2,687,742
Passed Through New York State Education Department:			
Career and Technical Education - Basic Grants to States	84.048	8000-23-0065	409,022
Career and Technical Education - Basic Grants to States	84.048	8000-22-9005	155,633
English Language Acquisition State Grants	84.365	0293-22-3009	53,242
English Language Acquisition State Grants	84.365	0293-23-3009	69,401
Education Stabilization Fund			
Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	84.425E	P425E204608	463,396
Total Expenditures of Federal Awards			\$ 3,838,436

**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 First Supervisory District of Erie County (BOCES), an entity as defined in Note 1 to BOCES' 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.

**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	\$	633,104
Unsubsidized Federal Direct Loans		938,165
Federal Direct PLUS Loans		29,506
	\$	<u>1,600,775</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  
First Supervisory District of Erie County

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 First Supervisory District of Erie County (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 November 8, 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 "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

November 8, 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  
First Supervisory District of Erie County

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Board of Cooperative Educational Services First Supervisory District of Erie County's (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.

*Symons & McCormick, LLP*

November 8, 2023

**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
Student Financial Assistance Cluster:		
Federal Pell Grant Program	84.063	\$ 1,086,967
Federal Direct Student Loans	84.268	1,600,775
		<u>\$ 2,687,742</u>

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.