

**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL**  
**SERVICES**

**BASIC FINANCIAL STATEMENTS**

**For Year Ended June 30, 2019**

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

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**INDEPENDENT AUDITORS' REPORT**

To the Board Members  
Orleans-Niagara  
Board of Cooperative Educational Services

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans-Niagara Board of Cooperative Educational Services, New York, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the BOCES' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans-Niagara Board of Cooperative Educational Services, New York, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress postemployment benefit plan, schedule of the BOCES' proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 12–19 and 43–47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Orleans-Niagara Board of Cooperative Educational Services, New York's basic financial statements. The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplemental information as listed in the table of contents and schedule of expenditures of federal awards, as required by the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2019 on our consideration of the Orleans-Niagara Board of Cooperative Educational Services, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orleans-Niagara Board of Cooperative Educational Services, New York's internal control over financial reporting and compliance.

*Raymond F. Wager, CPA, PC*

Rochester, New York  
October 3, 2019

**ORLEANS – NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**MEDINA, NEW YORK**  
**Management’s Discussion and Analysis (MD&A)**  
**June 30, 2019**

**Introduction**

Our discussion and analysis of the Board of Cooperative Educational Services Sole Supervisory District of Orleans and Niagara Counties’ (Orleans/Niagara BOCES) financial performance provides an overview of the BOCES’ financial activities for the year ended June 30, 2019. It should be read in conjunction with the basic financial statements to enhance understanding of the BOCES financial performance, which immediately follows this section.

**Financial Highlights**

Key financial highlights for the fiscal year 2019 are as follows:

The Board of Cooperative Educational Services (BOCES) is a public school district formed under New York State Public Education Law § 1950. It is formed to provide educational and management services to its 13 component school districts in Orleans and Niagara Counties, New York. Additionally, several other school districts purchase services from the BOCES by “cross contracting” through their own local BOCES. Since the BOCES receives no State Aid and has no taxing authority, the vast majority of its revenues are derived from the sale of its services to school districts. Revenues from providing school district services totaled more than \$61 million dollars for the fiscal year. In accordance with New York State Public Education Law, the BOCES does not maintain a General Fund unrestricted balance. Instead, all revenues collected in excess of annual expenditures are returned to participating school districts in direct proportion to the revenues collected from those districts. The refund for the fiscal year ended June 30, 2019 totaled \$3,778,210.

The BOCES governmental fund financial statements report a combined ending fund balance of \$10,248,607, a decrease of \$480,113. The fund balance is comprised of a number of sources:

- An amount of \$644,163 is available in the form of reserve funds for unemployment insurance.
- A total of \$123,819 is reserved for liability.
- A total of \$997,450 is reserved for a career and technical education equipment.
- A total of \$1,289,270 is reserved for a retirement contribution reserve.
- A reserve for encumbrances totals \$180,363.
- The Special Aid Fund Balance is \$1,080,163, which consists primarily of the adult continuing education programs.
- An amount of \$3,151,750 is available in the Capital Fund to complete current capital projects.
- An amount of \$1,408,992 is reserved for Employee Benefits Liability
- A total of \$972,637 is assigned for Other Post Employment Benefits pending legislation authorizing the deposit into an irrevocable trust

The BOCES Net Position remains steady for the year ended June 30, 2019 as it increased by \$175,061.

## **Overview of the Financial Statements**

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

## **Government-Wide Financial Statements**

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

The **Statement of Governmental Net Position** presents information on all of the BOCES' assets and liabilities, with the difference between the two reported as Net Position. Net Position are similar to total stockholders' equity presented by a commercial business. Although the purpose of BOCES is not to accumulate Net Position, over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of the BOCES is improving or deteriorating.

The **Statement of Activities** presents the revenue, expenses and corresponding change in Net Position of the BOCES during the most recent fiscal year. All revenues are reported when earned and expenses are reported when incurred, regardless of the timing of related cash flows.

The governmental activities of the BOCES include administration, career and technical education, instruction for the handicapped, itinerant services, general instruction, instructional support, other services, school store and depreciation.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is considered a separate accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. All of the funds of the BOCES can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, they are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements. In general, the fund financial statements have a short-term emphasis. They measure and account for cash and other assets that can be easily converted to cash, but do not include capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a very short period of time after the end of the fiscal year. Compensated absences are an example of liabilities that are not reflected in the fund financial statements, but are included as a liability in the statement of Net Position. The difference between a fund's total assets and total liabilities is labeled as the fund balance and indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash respectively during the current period, or very shortly after the end of the year. Therefore, depreciation is not reflected as an expense since it doesn't require a cash payment.

Since different accounting bases are used to prepare fund financial statements and government-wide financial statements, there are often significant differences between the totals presented in these financial statements. To reconcile the total fund balance to the amount of Net Position, an analysis is presented at the bottom of the balance sheet. Also, the Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances reconciles the total change in fund balances for all government funds to the change in Net Position as reported in the governmental activities statement.

The BOCES maintains four individual governmental funds; General Fund, Special Aid Fund, School Store Fund, and Capital Projects Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for each fund.

The BOCES adopts an annual budget for its General Fund. Supplementary schedules are provided in the Notes to Financial Statement section which compare revenue and expenditures to the budget and revisions to the budget which identifies sources of changes.

The **Fiduciary Funds** are used to account for assets held by the BOCES in an agency capacity which account for assets held on behalf of others. The BOCES, however, is responsible for ensuring that the assets reported in these funds are used only for their intended purpose. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are **not** available to support the BOCES' programs.

The BOCES fiduciary funds consist of student activity accounts, scholarships, retiree health insurance reserve, and two multi-district consortiums – health insurance and workers' compensation.

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

### **Notes to the Financial Statements**

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

### **Government-Wide Financial Analysis**

As mentioned earlier, Net Position may serve over time as a useful indicator of the BOCES' financial position. As of June 30, 2019, the BOCES assets exceeded the liabilities by \$15,757,414. A comparison of Net Position with the prior year follows:

**Net Position:**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Current Assets	\$ 25,429,326	\$ 29,123,395
Due From Districts	927,903	
Long Term Net Pension Asset	2,226,265	938,252
Capital Assets, Net	<u>20,221,099</u>	<u>19,726,116</u>
Total Assets	<u>\$ 48,804,593</u>	<u>\$ 49,787,763</u>
Deferred Outflow of Resources	\$ 13,320,769	\$ 14,805,636
Current Liabilities	\$ 16,108,622	\$ 18,394,675
Long-Term Liabilities	<u>26,706,684</u>	<u>25,488,685</u>
Total Liabilities	<u>\$ 42,815,306</u>	<u>\$ 43,883,360</u>
Deferred Inflow of Resources	\$ 3,552,642	\$ 5,127,686
Net Position:		
Investment in Capital Assets, Net of Related Debt	\$ 20,221,099	\$ 19,726,116
Restricted-Capital Projects	3,151,750	2,397,856
Restricted – Accrued Benefit Liability Reserve	1,408,992	1,396,930
Restricted- Other Reserves	3,454,702	3,093,149
Unrestricted	<u>(12,479,129)</u>	<u>(11,031,698)</u>
Total Net Position	<u>\$ 15,757,414</u>	<u>\$ 15,582,353</u>

The single largest component of the BOCES' Net Position, \$20,221,099, reflects its investment in capital assets. The BOCES uses these assets to provide programs and services to its component districts and students. Consequently, these assets are not available for future spending.

A large portion of the current assets is amounts which are due from other governments. A receivable from New York State of \$11,841,762 is for BOCES aid for the component districts which was not received as of June 30, 2019. This amount was also accounted for in the current liabilities as Due to School Districts. Other government receivables include the amount of \$1,942,328 in state and federal grants in the Special Aid Fund and \$4,807,459 due from school districts. The amount of \$10,938,823 is cash and cash equivalents (money market accounts) held by BOCES.

In addition to the BOCES aid due to school districts, the current liabilities reflect \$2,316,499 due to other funds. These items are internal cash flow borrowings among funds and are repaid when monies are received by the borrowing fund. Current Liabilities also includes an amount of \$2,785,009 for the Employee' and Teachers' Retirement System.

Long term liabilities has several components. The amount of \$1,221,063 is for compensated absences which is unused vacation and compensatory time which is due to certain employees upon separation from service. The amount of \$23,963,832 is for BOCES' net obligation for other postemployment benefit (OPEB) cost as determined in accordance with GASB Statement #45. Also included is a liability for the BOCES' proportionate share of the net pension liability for ERS in the amount of \$1,521,789.

The BOCES has \$20,221,099 in fixed asset valuation. This is a combination of all land, buildings, machinery and equipment less accumulated depreciation. The BOCES has a practice of systematically updating its facilities through annual capital expenditure charges to component school districts. The BOCES utilizes these funds to finance State approved capital building projects for its three campuses in Sanborn and Medina, New York. The amount of \$3,151,750 will be applied to the ongoing projects of security upgrades, lighting upgrades, and paving at both Niagara centers.

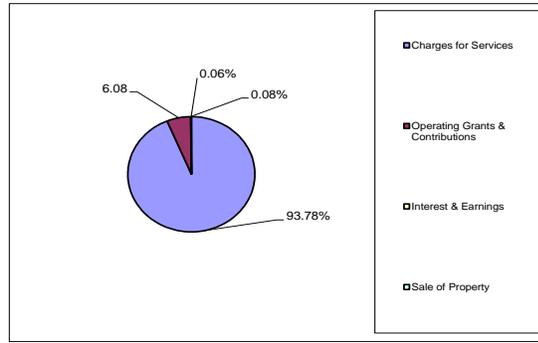
The general fund has created several reserves. The largest is the Employee Benefits Accrued Liability Reserve of \$1,408,992. This reserve is for benefits earned, but not yet used, by employees.

The BOCES has an unemployment reserve of \$644,163 which pays the costs of benefits to former employees. These employees are entitled to coverage under New York State Unemployment Insurance Law. The BOCES has elected to self-fund these benefits and reimburses New York State for all claims. The BOCES has a Career and Technical Education Equipment reserve of \$997,450 for the purposes of purchasing technologically advanced career and technical equipment. An Employee Retirement Contribution reserve in the amount of \$1,289,270 is for the purpose of off-setting rising retirement costs for staff in the NYS Employee Retirement System. New this is a Teacher Retirement Contribution reserve in the amount of \$400,000 to off-set retirement costs for staff in the NYS Teacher Retirement System. Additionally, there is a liability reserve of \$123,819 which is available to self-fund minor claims and mitigate insurance premium increases. Finally, the BOCES has encumbered or reserved an amount of \$180,363 from the 2019 budget for year-end purchases which were in process, but not completed, by June 30, 2019.

<b><u>Changes in Net Position:</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Revenues:		
Charges for Services	\$ 71,726,824	\$ 67,879,627
Operating Grants & Contributions	4,649,588	4,642,689
Capital Grants and Contributions	<u>-</u>	<u>3,300,000</u>
Total Program Revenues	<u>\$ 76,376,412</u>	<u>\$ 75,822,316</u>
General Revenue:		
Interest and Earnings	\$ 60,290	\$ 31,738
Miscellaneous	-	-
Sale of Property and Comp. for Loss	<u>44,353</u>	<u>15,706</u>
Total General Revenue	<u>\$ 104,643</u>	<u>\$ 47,444</u>
Program Expenses:		
Administration	\$ 1,993,580	\$ 2,050,174
Career & Tech Education	15,928,702	15,438,693
Instruction – Handicapped	27,647,028	25,020,048
Itinerant Services	2,563,751	2,326,766
General Instruction	4,350,384	4,342,336
Instructional Support	14,014,527	14,197,363
Other Services	<u>9,808,022</u>	<u>9,511,277</u>
Total Expenses	<u>\$ 76,305,994</u>	<u>\$ 72,886,657</u>
<b>Change in Net Position</b>	<b><u>\$ 175,061</u></b>	<b><u>\$ 2,983,103</u></b>

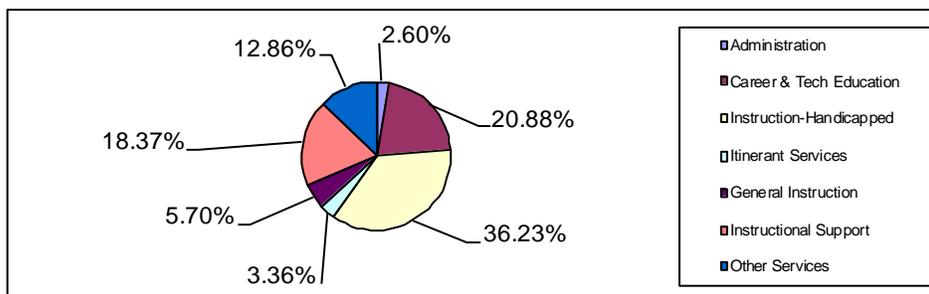
The BOCES' Net Position increased by \$175,061.

## Sources of Revenue for Fiscal Year 2019 – Governmental Activities



As illustrated above, the primary source of revenue for the BOCES is charges for services. It provided \$71,726,824, or 93.78%, of the total revenue. BOCES also obtains operating grants from federal, state, and local governments. These revenues totaled \$4,649,588, or 6.08% for the 2019 school year. Lastly, the amount of \$104,643 or .14% was received for interest and earnings and sale of property.

## Program Expenses for Fiscal Year 2019 – Governmental Activities



As noted in the graph of Program Expenses for the fiscal year 2019, instruction for the handicapped accounts for 36.23% of total expenses. The special education programs are designed for students with disabilities whose instructional needs cannot be appropriately served by their local school districts. Handicapped services represent the largest portion of our program expenses. These programs are not BOCES aidable, but do generate excess cost aid for the districts.

The second largest program expenditure is for career and technical education at 20.88%. These programs operate in cooperation with the new graduation requirements, approved by the Board of Regents. Most courses are offered with a “Technical Endorsement” on a student’s Regents Diploma. Additionally, several courses are offered with National Certification or State Licensure. The career and technical program is BOCES aidable.

The third largest program expenditure is for Instructional Support at 18.37%. Instructional services are geared toward teacher support in the form of professional development, curriculum development, materials distribution, central printing, and school improvement.

General instruction, or alternative education, provides 5.70% of program expenditures. These programs are provided to students who may not thrive in traditional classroom settings. It also includes the summer school program. Other services which total 18.82% of expenditures include administration, itinerant

teaching and many business services such as cooperative bidding, grant writing, health and workers' compensation consortiums, labor relations, safety risk services, and computer services from the Erie 1 BOCES.

### **Financial Analysis of the BOCES' Funds**

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

### **Governmental Funds**

The focus of the BOCES governmental funds is to provide information on near term inflows, outflows and balances of spendable resources. Such information is useful in assessing the BOCES' financing requirements. In particular, surplus distribution may serve as a useful measure of a government's consistency in budgeting.

As of the end of the 2019 fiscal year, the BOCES' governmental funds reported combined fund balances of \$10,248,607. This fund balance is comprised of a restricted balance of \$4,863,694, and an assigned balance of \$5,384,913. The amount classified as restricted includes a reserve for unemployment insurance of \$644,163, a Career and Technical Education Equipment reserve of \$997,450, a reserve for Retirement Contributions of \$1,289,270, a Teacher Retirement reserve for \$400,000, a reserve for Employee Benefits Accrued Liability of \$1,408,992, and a reserve for liability of \$123,819. The assigned fund balance includes a reserve for encumbrances of \$180,363, a reserve of \$972,637 for OPEB obligations, \$3,151,750 in the Capital Fund and \$1,080,163 in the Special Aid Fund.

The General Fund is the chief operating fund of the BOCES. At the end of the current fiscal year, the total fund balance of the General Fund was \$6,016,694. As a BOCES, we are not allowed to keep any unrestricted fund balances in the General Fund; therefore, 100% of the fund balance has been reserved to aid in the long-term financial plan of the BOCES. The fund balance of the BOCES' General Fund decreased by \$1,143,251 mainly due to the decrease of \$916,303 for funds available for OPEB and a decrease of \$21,608 in the unemployment funds.

### **General Fund Budgetary Highlights**

The difference between the original budget and the final amended budget was \$11,027,455. This change is attributable to the increased requests for services from school districts during the year above and beyond their original estimates. By May 1st of each year, the districts are required to have a signed commitment statement with the BOCES for the ensuing school year. After that date, the Orleans/Niagara BOCES components may increase requested services, but not decrease. The exception is in Special Education services. In accordance with New York State Education Law, these services are billed based on actual weekly enrollments. Therefore, the BOCES must adjust the program budget levels up and down to coincide with district service requests on an almost daily basis. Failure to follow this practice could lead the BOCES to a point where the program expenditures exceed revenues in the case of decreasing district enrollments.

## Capital Assets

At June 30, 2019, the BOCES had \$20,221,099, net of accumulated depreciation, invested in a broad range of capital assets, including land, work in progress, buildings and improvements, and machinery and equipment. The capital assets, net of accumulated depreciation, are reflected below.

<b>CLASS</b>	<b><u>6/30/19</u></b>	<b><u>6/30/18</u></b>
Land	\$ 708,456	\$ 708,456
Work In Progress	195,692	3,338,962
Other Capital Assets	<u>19,316,951</u>	<u>15,678,698</u>
<b>Total Capital Assets, net of Accumulated Depreciation</b>	<b><u>\$20,221,099</u></b>	<b><u>\$19,726,116</u></b>

This schedule shows a net increase of \$3,638,253 in capital assets during the current fiscal year due to the completion of projects at both of our Orleans centers.

More detailed information about the BOCES' capital assets is presented in the notes to the financial statements.

## Long-Term Debt

At June 30, 2019, the BOCES had outstanding long-term obligations totaling \$26,706,684. This represents contractual obligations for compensated absences and BOCES' annual cost for other postemployment benefits (OPEB) as determined in accordance of GASB Statement #45. It also includes the BOCES share of the Net Pension Liability for ERS. More detailed information about the BOCES long-term liabilities is presented in the notes to the financial statements.

## Factors Bearing on the BOCES' Future

Salaries are the largest of the BOCES expenditures. At the end of the 2018-19 school year, BOCES received 4 staff retirements. It is expected that all of these staff will be replaced and the BOCES budget will benefit from lower costing staff.

Employee benefits is the second largest expenditure of the BOCES, and therefore, trends in employee benefits has a major impact on the BOCES budget. After several years of retirement system increases, we are seeing some relief, the Teachers Retirement contribution rate decreased to approximately 8.86% and the Employee Retirement contribution rate decreased to approximately 14.5%. These decreases will be helpful to the BOCES budget.

The Orleans/Niagara BOCES participates in a health consortium of nine districts. However, the premiums are substantial, exceeding \$8.4 million per year. Through collective bargaining, the BOCES continues to seek to mitigate the increases by negotiating increased cost share with the employees. We have had success in phasing out participation in the traditional indemnity plan. Several of the Affordable Care Act (ACA) taxes remain in effect. This adds to the cost of providing health insurance to the BOCES staff as taxes and fees are passed on to the health consortium.

The Clerical and Maintenance Worker collective bargaining agreements expired June 30, 2019.

The most significant factor bearing on the BOCES' future continues to be the financial well-being of the component districts. Even though the Gap Elimination Adjustment (GEA) has been restored, the components have incurred several years of state aid reductions which will not be recouped. In addition the Foundation Formula continues to lag years behind. This has resulted in large reductions in districts' reserves and resources to send students to BOCES programs. Additionally, the tax levy cap of 2% and new unfunded mandates (lead testing, CO detectors, Community Schools Set-Aside, feminine products) continue to burden district resources.

### **Requests for Information**

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

Orleans/Niagara BOCES  
Attn: Mrs. Melanie A. Conley  
Director of Business Services  
4232 Shelby Basin Road  
Medina, NY 14103  
(716) 731-6800, Extension 2210

**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Statement of Net Position**  
**June 30, 2019**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,938,823
Accounts receivable	14,490,503
Due from Districts	927,903
Long term net pension asset	2,226,265
<b>Capital Assets:</b>	
Land	708,456
Work in progress	195,692
Other capital assets (net of depreciation)	19,316,951
<b>TOTAL ASSETS</b>	<b><u>\$ 48,804,593</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflow of resources	<u>\$ 13,320,769</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 542,702
Accrued liabilities	425,619
Unearned revenue	500,018
Due to other governments	3,004
State aid due to districts	11,841,762
Due to teachers' retirement system	2,465,013
Due to employees' retirement system	319,996
Overpayments and collections in advance	10,508
<b>Long-Term Obligations:</b>	
Due in one year	305,266
Due in more than one year	26,401,418
<b>TOTAL LIABILITIES</b>	<b><u>\$ 42,815,306</u></b>
<b>DEFERRED INFLOW OF RESOURCES</b>	
Deferred inflow of resources	<u>\$ 3,552,642</u>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 20,221,099
<b>Restricted For:</b>	
Capital projects	3,151,750
CTE equipment reserve	997,450
Unemployment reserve	644,163
Retirement contribution reserve	1,289,270
Teacher retirement contribution reserve	400,000
Liability reserve	123,819
Accrued benefit liability reserve	1,408,992
Unrestricted	(12,479,129)
<b>TOTAL NET POSITION</b>	<b><u><u>\$ 15,757,414</u></u></b>

(See accompanying notes to financial statements)

**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Statement of Activities and Changes in Net Position**  
**For Year Ended June 30, 2019**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
<b><u>Primary Government -</u></b>				
Administration	\$ 1,993,580	\$ 3,966,122	\$ -	\$ 1,972,542
Career & tech education	15,928,702	13,227,259	1,291,040	(1,410,403)
Instruction for the handicapped	27,647,028	27,355,824	-	(291,204)
Itinerant services	2,563,751	2,560,721	-	(3,030)
General instruction	4,350,384	4,292,522	-	(57,862)
Instructional support	14,014,527	10,541,531	3,358,548	(114,448)
Other services	9,808,022	9,782,845	-	(25,177)
<b>Total Primary Government</b>	<b><u>\$ 76,305,994</u></b>	<b><u>\$ 71,726,824</u></b>	<b><u>\$ 4,649,588</u></b>	<b><u>\$ 70,418</u></b>

**General Revenues:**

Interest and Earnings	\$ 60,290
Sale of property and compensation for loss	44,353
<b>Total General Revenues</b>	<b><u>\$ 104,643</u></b>
Changes in Net Position	\$ 175,061
<b>Net Position, Beginning of Year</b>	<b><u>15,582,353</u></b>
<b>Net Position, End of Year</b>	<b><u>\$ 15,757,414</u></b>

**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2019**

	<b>General Fund</b>	<b>Special Aid Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 9,769,927	\$ 17,049	\$ 1,151,847	\$ 10,938,823
Receivables	12,245,065	2,245,438	-	14,490,503
Due from Districts	927,903	-	-	927,903
Due from other funds	316,499	-	2,000,000	2,316,499
<b>TOTAL ASSETS</b>	<b><u>\$ 23,259,394</u></b>	<b><u>\$ 2,262,487</u></b>	<b><u>\$ 3,151,847</u></b>	<b><u>\$ 28,673,728</u></b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b><u>Liabilities -</u></b>				
Accounts payable	\$ 336,214	\$ 206,488	\$ -	\$ 542,702
Accrued liabilities	320,164	105,455	-	425,619
Due to other funds	2,000,000	316,402	97	2,316,499
Due to other governments	3,004	-	-	3,004
State aid due to districts	11,841,762	-	-	11,841,762
Due to TRS	2,415,855	49,158	-	2,465,013
Due to ERS	315,193	4,803	-	319,996
Overpayments and collections in advance	10,508	-	-	10,508
Unearned revenues	-	500,018	-	500,018
<b>TOTAL LIABILITIES</b>	<b><u>\$ 17,242,700</u></b>	<b><u>\$ 1,182,324</u></b>	<b><u>\$ 97</u></b>	<b><u>\$ 18,425,121</u></b>
<b><u>Fund Balances -</u></b>				
Restricted	\$ 4,863,694	\$ -	\$ -	\$ 4,863,694
Assigned	1,153,000	1,080,163	3,151,750	5,384,913
<b>TOTAL FUND BALANCE</b>	<b><u>\$ 6,016,694</u></b>	<b><u>\$ 1,080,163</u></b>	<b><u>\$ 3,151,750</u></b>	<b><u>\$ 10,248,607</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 23,259,394</u></b>	<b><u>\$ 2,262,487</u></b>	<b><u>\$ 3,151,847</u></b>	

**Amounts reported for governmental activities in the  
Statement of Net Position are different because:**

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	20,221,099
The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:	
OPEB	(23,963,832)
Compensated absences	(1,221,063)
Net Pension Asset	2,226,265
Deferred Outflow of Resources - pension	13,165,018
Deferred Outflow of Resources - OPEB	155,751
Net Pension Liability	(1,521,789)
Deferred Inflow of Resources - OPEB	(79,223)
Deferred Inflow of Resources - pension	(3,473,419)
<b>Net Position of Governmental Activities</b>	<b><u>\$ 15,757,414</u></b>

(See accompanying notes to financial statements)

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

	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Aid</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>				
Charges for services	\$ 123,481	\$ 386,557	\$ -	\$ 510,038
Charges to components	71,656,421	-	-	71,656,421
Chargest to non-components and other BOCES	845,109	-	-	845,109
Interest and earnings	19,335	-	-	19,335
Sale of property and compensation for loss	30,833	13,520	-	44,353
Miscellaneous	1,081,217	2,421,841	-	3,503,058
Interfund revenues	-	-	2,250,000	2,250,000
State sources	-	2,278,710	-	2,278,710
Federal sources	-	2,370,878	-	2,370,878
<b>TOTAL REVENUES</b>	<b><u>\$ 73,756,396</u></b>	<b><u>\$ 7,471,506</u></b>	<b><u>\$ 2,250,000</u></b>	<b><u>\$ 83,477,902</u></b>
<b>EXPENDITURES</b>				
Administration	\$ 4,062,710	\$ -	\$ -	\$ 4,062,710
Career and tech education	13,001,139	1,999,293	-	15,000,432
Instruction for the handicapped	25,788,866	1,630,092	-	27,418,958
Itinerant services	2,560,654	-	-	2,560,654
General instruction	4,313,310	-	-	4,313,310
Instructional support	10,064,082	3,932,641	-	13,996,723
Other services	9,778,396	236	-	9,778,632
Capital outlay	-	-	1,496,106	1,496,106
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 69,569,157</u></b>	<b><u>\$ 7,562,262</u></b>	<b><u>\$ 1,496,106</u></b>	<b><u>\$ 78,627,525</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>				
<b>OVER EXPENDITURES</b>	\$ 4,187,239	\$ (90,756)	\$ 753,894	\$ 4,850,377
<b>OTHER CHANGES IN FUND BALANCE</b>				
Surplus to be distributed	(3,778,210)	-	-	(3,778,210)
E-rate distribution/other BOCES refunds	(1,009,592)	-	-	(1,009,592)
Net teacher retirement contribution reserve transactions	400,000	-	-	400,000
Net unemployment reserve transactions	(21,608)	-	-	(21,608)
Net capital reserve transactions	(2,881)	-	-	(2,881)
Net retirement contribution reserve transactions	(15,334)	-	-	(15,334)
Net assigned OPEB change	(916,303)	-	-	(916,303)
Net employee benefit accrued liability reserve transactions	12,062	-	-	12,062
Net liability retention transactions	1,376	-	-	1,376
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>7,159,945</b>	<b>1,170,919</b>	<b>2,397,856</b>	<b>10,728,720</b>
<b>FUND BALANCE, END OF YEAR</b>	<b><u>\$ 6,016,694</u></b>	<b><u>\$ 1,080,163</u></b>	<b><u>\$ 3,151,750</u></b>	<b><u>\$ 10,248,607</u></b>

(See accompanying notes to financial statements)

**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Reconciliation of Governmental Funds Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances to Statement of Activities**  
**For Year Ended June 30, 2019**

**NET CHANGE IN FUND BALANCES -**

**TOTAL GOVERNMENTAL FUNDS** \$ (480,113)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets exceeded depreciation in the current period:

Capital Outlay	\$ 1,496,106	
Addition of Assets, Net	233,714	
Depreciation	<u>(1,234,837)</u>	
		494,983

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. (291,250)

(Increase) decrease in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds

Teachers' Retirement System		496,594
Employees' Retirement System		(121,092)

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

Compensated Absences		<u>75,939</u>
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**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 175,061**

**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Statement of Fiduciary Net Position**  
**June 30, 2019**

	<u>Private Purpose Trust</u>	<u>Agency Funds</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 50,889	\$ 15,127,329
Accounts receivable	-	747,566
<b>Total Assets</b>	<u>\$ 50,889</u>	<u>\$ 15,874,895</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ -	\$ 253,466
Student activity balance	-	80,113
Other liabilities	-	281,521
Other liabilities - employee contributions	-	416,202
Other liabilities - worker's comp consortium	-	2,522,176
Other liabilities - health consortium	-	12,321,417
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 15,874,895</u>
<b>Net Assets</b>		
Restricted for scholarships	<u>\$ 50,889</u>	
<b>Total Net Assets</b>	<u>\$ 50,889</u>	

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

	<u>Private Purpose Trust</u>
<b>Additions</b>	
Interest and earnings	\$ 85
Donations	20,703
<b>Deductions</b>	
Scholarships and other trust expenses	<u>(7,595)</u>
<b>Change in Net Assets</b>	\$ 13,193
<b>Net Assets, Beginning of Year</b>	<u>37,696</u>
<b>Net Assets, End of Year</b>	<u>\$ 50,889</u>

(See accompanying notes to financial statements)

**ORLEANS - NIAGARA**

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**Notes To The Basic Financial Statements**

**June 30, 2019**

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

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

**A. Reporting Entity**

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

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

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

Albion	Barker	Lewiston Porter
Lockport	Lyndonville	Medina
Newfane	Niagara Falls City School	Niagara Wheatfield
North Tonawanda	Royalton Hartland	Starpoint
Wilson		

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

**( I. ) (Continued)**

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

**1. Extraclassroom Activity Funds**

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

**B. Basic Financial Statements**

**1. BOCES-wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

Non-major funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category of the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements.

( I. ) (Continued)

The BOCES reports the following funds:

a. **Major Governmental Funds**

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

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

**Capital Projects Fund** - This fund is used to account for and report financial resources to be used for acquisition, construction, or renovation of major capital facilities or equipment.

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

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

**Agency Funds** - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

C. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The BOCES-Wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. Component tuitions together with state and federal aid for grants are susceptible to accrual and have been recognized as revenues of the current fiscal period.

**( I. ) (Continued)**

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

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

**D. Restricted Resources**

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

**E. Interfund Transactions**

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

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

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

Refer to Note VI for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

**F. Estimates**

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

**G. Cash and Cash Equivalents / Investments**

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

( I. ) (Continued)

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

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

**H. Receivables**

Receivables are shown net of an allowance for uncollectible accounts, when applicable.

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

**I. Prepaid Items**

Prepaid items represent payments made by the BOCES for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the BOCES-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

**J. Capital Assets - Property, Plant and Equipment**

In the BOCES-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 is used to report capital assets. The range of estimated useful lives by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	15-50 Years
Machinery and Equipment	\$ 5,000	SL	5-25 Years

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

( I. ) (Continued)

**K. Unearned Revenue**

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

**L. Vested Employee Benefits**

**1. Compensated Absences**

It is BOCES' policy to pay employees for unused vacation and compensatory time when there is a separation from service. For governmental activities the unfunded compensated absences are not considered current financial resources and are not reported in the governmental funds. On the BOCES-wide Statement of Net Assets these amounts are reported as long-term obligations with the current amount reported as due in one year and the long term portion is reported as due in more than one year.

**M. Other Benefits**

BOCES employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the BOCES provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the BOCES and the retired employee. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

**N. Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the BOCES-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, other postemployment benefits payable and compensated absences that will be paid from governmental funds are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the BOCES' future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

( I. ) (Continued)

**O. Deferred Outflows and Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The BOCES may have three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the BOCES contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES may have two items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue-property taxes. The second item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension liability (ERS System) and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense.

**P. Equity Classifications**

**1. BOCES-Wide Statements**

In the BOCES-wide statements there are three classes of net position:

- a. **Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.
- b. **Restricted Net Position** - reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the BOCES.

**2. Fund Statements**

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

- a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The BOCES had no nonspendable fund balance at June 30, 2019.

( I. ) (Continued)

**b. Restricted Fund Balances** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the general fund are classified as restricted fund balance. The BOCES has established the following restricted fund balances:

**Career & Technical Education Equipment Reserve** - established to fund the purchase of equipment in accordance with New York State guidelines.

**Unemployment Insurance Reserve** - as allowed by General Municipal Law Section 6-m, is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated.

**Retirement Contribution Reserve** - as allowed by General Municipal Law Section 6-r, is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board.

**Reserve for Liability** - is established to pay for unanticipated liability claims incurred against the BOCES.

**Employee Benefit Accrued Liability Reserve** - as allowed by General Municipal Law Section 6-p, is used to reserve funds for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the General Fund.

**Teachers' Retirement Reserve** – General Municipal Law §6r was amended to include a Teachers' Retirement Reserve (TRS) sub-fund. The reserve has an annual funding limit of 2% of the prior year TRS salaries and a maximum cumulative total balance of 10% of the previous years' TRS salary.

Restricted fund balances include the following:

<b><u>General Fund -</u></b>	
CTE - Equipment Reserve	\$ 997,450
Employee Benefit Accrued Liability	1,408,992
Liability	123,819
Employees' Retirement Contribution	1,289,270
Teachers' Retirement Contribution	400,000
Unemployment Insurance	644,163
<b>Total Restricted Funds</b>	<b><u><u>\$ 4,863,694</u></u></b>

( I. ) (Continued)

b. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES' highest level of decision making authority, i.e., the Board of Education. The BOCES has no committed fund balances as of June 30, 2019.

c. **Assigned Fund Balance** – Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the BOCES' purchasing agent through their authorization of a purchase order prior to year end. The BOCES assignment is based on the functional level of expenditures.

Management has determined significant encumbrances for the General Fund to be \$96,000. The BOCES reports the following significant encumbrances: Career and Tech Education \$108,254. There were no encumbrances in the Capital Fund or the Special Aid Fund.

Assigned fund balances include the following:

Assigned for Retiree Health	\$ 972,637
Assigned for Encumbrances	180,363
Capital Projects	3,151,750
Special Aid Fund	1,080,163
<b>Total Assigned Fund Balance</b>	<b><u>\$ 5,384,913</u></b>

3. **Order of Use of Fund Balance**

The BOCES' policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, the remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

Q. **New Accounting Standards**

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2019, the BOCES implemented the following new standards issued by GASB:

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

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for reporting periods beginning after June 15, 2018.

( I. ) (Continued)

**R. Future Changes in Accounting Standards**

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

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

GASB has issued Statement 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for reporting periods beginning after December 15, 2019.

GASB has issued Statement No. 90, *Majority equity Interests* – an amendment of GASB statements No. 14 and No. 61, which will be effective for reporting periods beginning after December 15, 2018.

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

The BOCES will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**II. Stewardship, Compliance and Accountability:**

By its nature as a local government unit, the BOCES is subject to various federal, state and local laws and contractual regulations. An analysis of the BOCES' compliance with significant laws and regulations and demonstration of its stewardship over BOCES resources follows.

**A. Budgetary Information**

Section 1950 §4(b) of the Education Law required adoption of a final budget by no later than May 15, of the ensuing year.

BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES board for the general fund.

Appropriations for educational services are adopted at the program level and lapse at the end of each fiscal year.

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

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

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

( II. ) (Continued)

**B. Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**III. Cash and Cash Equivalents**

**Credit risk:** In compliance with the State Law, BOCES investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the State, and obligations issued by other municipalities and authorities within the State.

**Concentration of Credit risk:** To promote competition in rates and service cost, and to limit the risk of institutional failure, BOCES deposits and investments are placed with multiple institutions. The BOCES's investment policy limits the amounts that may be deposited with any one financial institution.

**Interest rate risk:** The BOCES has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

The BOCES' aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year end, collateralized as follows:

Uncollateralized	\$ -
Collateralized with securities held by the pledging financial institution	10,257,324
Collateralized within Trust department or agent	14,433,580
<b>Total</b>	<b><u><u>\$ 24,690,904</u></u></b>

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end included \$4,863,694 within the governmental funds and \$50,889 in the fiduciary funds.

**IV. Investments**

The BOCES' investments are recorded at fair value and have been categorized based upon a fair market value. See Note III for a discussion of the BOCES' policies.

The following table presents information about the BOCES' investments measured at fair value as of June 30, 2019:

( IV. ) (Continued)

	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Rating</u>
U.S. Treasury Notes	\$ 2,325,745	N/A	02/29/20	AAA
NYLAF - pooled investments	1,071	1.97%	N/A	AAA
<b>Total</b>	<b><u>\$ 2,326,816</u></b>			

The fair value measurements of the investments noted above have been classified by the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the investments. The levels of the fair value hierarchy are as follows:

1. **Level 1** – Quoted price for identical assets in an active market.
2. **Level 2** – (A) Quoted prices for similar assets or liabilities in active markets; (B) Quoted prices for identical or similar assets or liabilities in markets that are not active; (C) Inputs other than quoted prices that are observable for the assets or liability, such as (1) invest rates and yield curves observable at commonly quoted intervals (2) implied volatilities (3) credit spreads; (D) Market-corroborated inputs.
3. **Level 3** – Unobservable inputs for an asset or liability are significant to the fair value measurement.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Government Securities	\$ 2,325,745	\$ 2,325,745		
NYLAF - pooled investments	1,071	N/A	N/A	N/A *
<b>Total</b>	<b><u>\$ 2,326,816</u></b>			

\* Not required to be measured in the fair value hierarchy for purpose of paragraph 81a(2) of Statement No. 72.

The BOCES does not typically purchase investments for a long enough duration to cause it to believe that it is exposed to any material interest rate risk.

**V. Receivables**

Receivables at June 30, 2019 for individual major funds and non-major funds, are as follows:

<u>Description</u>	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Total</u>
Accounts Receivable	\$ 403,303	\$ 303,110	\$ 706,413
State and Federal Aid	11,841,762	1,942,328	13,784,090
<b>Total</b>	<b><u>\$ 12,245,065</u></b>	<b><u>\$ 2,245,438</u></b>	<b><u>\$ 14,490,503</u></b>

**VI. Interfund Receivables and Payables**

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

	<b>Interfund</b>	
	<b>Receivables</b>	<b>Payables</b>
General Fund	\$ 316,499	\$ 2,000,000
Special Aid Fund	-	316,402
Capital Fund	2,000,000	97
<b>Total government activities</b>	<b>\$ 2,316,499</b>	<b>\$ 2,316,499</b>

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

Transfers are used to finance certain special aid programs and support capital project expenditures.

**VII. Changes In Capital Assets**

Capital asset balances and activity were as follows:

<u>Type</u>	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
<b><u>Governmental Activities:</u></b>				
<b><u>Capital assets that are not depreciated -</u></b>				
Land	\$ 708,456	\$ -	\$ -	\$ 708,456
Work in progress	3,338,962	1,496,106	(4,639,376)	195,692
<i>Total Nondepreciable</i>	<u>\$ 4,047,418</u>	<u>\$ 1,496,106</u>	<u>\$ (4,639,376)</u>	<u>\$ 904,148</u>
<b><u>Capital assets that are depreciated -</u></b>				
Buildings and improvements	\$ 33,863,596	\$ 4,639,376	\$ -	\$ 38,502,972
Machinery and equipment	3,481,670	245,096	(102,871)	3,623,895
<i>Total Depreciable</i>	<u>\$ 37,345,266</u>	<u>\$ 4,884,472</u>	<u>\$ (102,871)</u>	<u>\$ 42,126,867</u>
<b><u>Less accumulated depreciation -</u></b>				
Buildings and improvements	\$ 19,862,864	\$ 1,002,819	\$ -	\$ 20,865,683
Machinery and equipment	1,803,704	232,018	(91,489)	1,944,233
<i>Total accumulated depreciation</i>	<u>\$ 21,666,568</u>	<u>\$ 1,234,837</u>	<u>\$ (91,489)</u>	<u>\$ 22,809,916</u>
<i>Total capital assets depreciated, net of accumulated depreciation</i>	<u>\$ 15,678,698</u>	<u>\$ 3,649,635</u>	<u>\$ (11,382)</u>	<u>\$ 19,316,951</u>
<b>Total Capital Assets</b>	<b><u>\$ 19,726,116</u></b>	<b><u>\$ 5,145,741</u></b>	<b><u>\$ (4,650,758)</u></b>	<b><u>\$ 20,221,099</u></b>

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

<b><u>Governmental Activities:</u></b>	
Administration	\$ 119,510
Career and Tech Education	839,503
Instruction for the Handicapped	195,222
General Instruction	41,960
Instructional Support	33,336
Other Services	5,306
<b>Total Depreciation Expense</b>	<b><u>\$ 1,234,837</u></b>

**VIII Long-Term Debt**

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

<u>Governmental Activities:</u>	<u>Balance</u> <u>7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2019</u>	<u>Due Within</u> <u>One Year</u>
<u>Other Liabilities -</u>					
Compensated Absences	\$ 1,297,002	\$ -	\$ 75,939	\$ 1,221,063	\$ 305,266
OPEB	23,495,477	468,355	-	23,963,832	-
Net Pension Liability	696,206	825,583	-	1,521,789	-
<b>Total Other Liabilities</b>	<b>\$ 25,488,685</b>	<b>\$ 1,293,938</b>	<b>\$ 75,939</b>	<b>\$ 26,706,684</b>	<b>\$ 305,266</b>
<b>Total Long-Term Obligations</b>	<b>\$ 25,488,685</b>	<b>\$ 1,293,938</b>	<b>\$ 75,939</b>	<b>\$ 26,706,684</b>	<b>\$ 305,266</b>

The General fund has typically been used to liquidate long-term liabilities such as compensated absences.

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

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

	<u>Deferred</u> <u>Inflows</u>	<u>Deferred</u> <u>Outflows</u>
Pension	\$ 3,473,419	\$ 13,165,018
OPEB	79,223	155,751
<b>Total</b>	<b>\$ 3,552,642</b>	<b>\$ 13,320,769</b>

**X. Pension Plans**

**A. General Information**

The BOCES participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**B. Provisions and Administration**

A 10 member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the system, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

( X. ) (Continued)

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php).

**C. Funding Policies**

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The BOCES paid 100% of the required contributions as billed by the TRS and ERS for the current year.

The BOCES' share of the required contributions, based on covered payroll paid for the BOCES' year ended June 30, 2019:

<u>Contributions</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2019	\$ 1,917,453	\$ 1,023,273

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

At June 30, 2019, the BOCES reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset/(liability) was based on a projection of the BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the BOCES.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date	March 31, 2019	June 30, 2018
Net pension assets/(liability)	\$ (1,521,789)	\$ 2,226,265
District's portion of the Plan's total net pension asset/(liability)	0.02147%	0.123116%

( X. ) (Continued)

For the year ended June 30, 2019, the BOCES recognized pension expenses of \$1,154,621 for ERS and \$1,721,678 for TRS. At June 30, 2019, the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expended and actual experience	\$ 299,672	\$ 1,663,670	\$ 102,155	\$ 301,356
Changes of assumptions	382,516	7,782,256	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	390,575	2,471,324
Changes in proportion and differences between the District's contributions and proportionate share of contributions	337,761	161,894	25,237	182,772
Subtotal	<u>\$ 1,019,949</u>	<u>\$ 9,607,820</u>	<u>\$ 517,967</u>	<u>\$ 2,955,452</u>
District's contributions subsequent to the measurement date	<u>319,996</u>	<u>2,217,253</u>	<u>-</u>	<u>-</u>
<b>Grand Total</b>	<b><u>\$ 1,339,945</u></b>	<b><u>\$ 11,825,073</u></b>	<b><u>\$ 517,967</u></b>	<b><u>\$ 2,955,452</u></b>

BOCES contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2019	-	2,225,342
2020	452,806	1,508,914
2021	(216,598)	153,658
2022	33,295	1,503,669
2023	232,479	1,013,408
Thereafter	-	247,377
<b>Total</b>	<b><u>\$ 501,982</u></b>	<b><u>\$ 6,652,368</u></b>

**E. Actuarial Assumptions**

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

(X.) (Continued)

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

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

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

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

( X. ) (Continued)

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

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

**F. Discount Rate**

The discount rate used to calculate the total pension liability was 7% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	<b>1% Decrease <u>(6%)</u></b>	<b>Current Assumption <u>(7%)</u></b>	<b>1% Increase <u>(8%)</u></b>
<b><u>ERS</u></b>			
Employer's proportionate share of the net pension asset (liability)	\$ (6,653,507)	\$ (1,521,789)	\$ 2,789,217
	<b>1% Decrease <u>(6.25%)</u></b>	<b>Current Assumption <u>(7.25%)</u></b>	<b>1% Increase <u>(8.25%)</u></b>
<b><u>TRS</u></b>			
Employer's proportionate share of the net pension asset (liability)	\$ (15,294,803)	\$ 2,226,265	\$ 16,904,051

( X. ) (Continued)

**H. Pension Plan Fiduciary Net Position**

The components of the current year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	<b>(In Thousands)</b>		
	<b><u>ERS</u></b>	<b><u>TRS</u></b>	<b><u>Total</u></b>
Measurement date	March 31, 2019	June 30, 2018	
Employers' total pension liability	\$ 189,803,429	\$ 118,107,253	\$ 118,297,056
Plan net position	<u>182,718,124</u>	<u>119,915,517</u>	<u>120,098,235</u>
Employers' net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ 1,808,264</u>	<u>\$ (5,277,041)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	96.27%	101.53%	

**I. Payables to the Pension Plan**

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$315,193.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$2,415,855.

**XI. Postemployment Benefits**

**A. General Information About the OPEB Plan**

*Plan Description* – The BOCES' defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the BOCES. The plan is a single-employer defined benefit OPEB plan administered by the BOCES. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

*Benefits Provided* – The BOCES provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the BOCES offices and are available upon request.

( XI. ) (Continued)

*Employees Covered by Benefit Terms* – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	75
Active Employees	<u>439</u>
<b>Total</b>	<b><u><u>514</u></u></b>

**B. Total OPEB Liability**

The BOCES' total OPEB liability of \$23,963,832 was measured as of June 30, 2019, and was determined by an actuarial valuation as of that date.

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

Inflation	2.25%
Salary Increases	2.50%
Discount Rate	3.13%
Healthcare Cost Trend Rates	Initial rate of 6.75% for pre-65 medical, and 4.75% for post-65 medical, decreasing to and ultimate rate of 0% for 2075 and later years
Retirees' Share of Benefit-Related Costs	BOCES pays 90-100% for a varying number of years based on contract, after which the retiree pays

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond index.

Mortality rates were based on the sex distinct RPH-2014 Mortality Tables for employees and healthy annuitants adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with the scale MP-2018 mortality improvement scale on a generational basis.

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

Balance at June 30, 2018	<u>\$ 23,495,477</u>
<u>Changes for the Year -</u>	
Service cost	\$ 1,178,418
Interest	863,592
Changes of benefit terms	(112,354)
Changes in assumptions or other inputs	174,249
Benefit payments	<u>(1,635,550)</u>
Net Changes	<u>\$ 468,355</u>
<b>Balance at June 30, 2019</b>	<b><u><u>\$ 23,963,832</u></u></b>

( XI ) (Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 3.62 percent in 2018 to 3.13 percent in 2019.

Changes in benefit terms: As of June 30<sup>th</sup>, 2019, changes in retiree contribution percentages for Administrators, Staff Specialists, and Teacher Aides were values as plan changes

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the BOCES, as well as what the BOCES’ total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.13 percent) or 1-percentage-point higher (4.13 percent) than the current discount rate:

	<b>1% Decrease</b>	<b>Discount Rate</b>	<b>1% Increase</b>
	<b><u>(2.13%)</u></b>	<b><u>(3.13%)</u></b>	<b><u>(4.13%)</u></b>
Total OPEB Liability	\$ 25,681,070	\$ 23,963,832	\$ 22,360,215

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the BOCES, as well as what the BOCES’ total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	<b>1% Decrease</b>	<b>Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 21,553,154	\$ 23,963,832	\$ 26,856,748

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

For the year ended June 30, 2019, the BOCES recognized OPEB expense of \$1,926,800. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expensed and actual experience	\$ 155,751	\$ 79,223
<b>Total</b>	<b>\$ 155,751</b>	<b>\$ 79,223</b>

## **XII. Risk Management**

### **A. General Information**

The BOCES is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

### **B. Health Plan**

The BOCES incurs costs related to the Orleans-Niagara Experience Rated Health Insurance Group Plan (Plan) sponsored by the Orleans-Niagara Board of Cooperative Educational Services and its component districts. The Plan's objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage. Membership in the Plan may be offered to only public school districts and BOCES served by Blue Cross/Blue Shield of Western New York or by any other health or medical insurance organizations as determined by the Board of Governors. There is a required waiting period of one year from request of enrollment to actual enrollment date. Also, during the year prior to requested membership acceptance the new members experience rating should equal or better the experience rating of the group as then constituted.

Voluntary withdrawal from the Plan is subject to the following constraints:

1. Irrevocable notice of withdrawal must be given in writing to the Chairperson of the Board of Directors and the Treasurer prior to January 1<sup>st</sup>.
2. Any withdrawing Participant shall be responsible for payment of its pro-rata share of any Plan deficit or entitled to receive any pro-rata share of surplus existing as of the last day of the Plan year.

Plan members include Orleans-Niagara BOCES and eight districts bearing an equal and proportionate share of the Plan's assets and claim liabilities. Pursuant to the Municipal Cooperative Agreement as signed by the participants, the Plan is a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a participant and no assessment shall be charged to a participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

The Plan purchases, on an annual basis, stop-loss insurance policies to limit its exposure for claims paid within any fiscal year.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2019, the BOCES incurred premiums or contribution expenditures totaling \$9,807,948.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2018, revealed that the Plan was fully funded.

( XII ) ( Continued )

**C. Workers' Compensation**

The BOCES incurs costs related to the Orleans-Niagara Workers' Compensation Consortium sponsored by the Orleans-Niagara Board of Cooperative Educational Services and its component districts. The Consortium's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings. Membership in the Consortium may be offered to any component district of the Orleans-Niagara BOCES with the approval of the Board of Directors. Voluntary withdrawal from the Consortium may be effective only once annually on the last day of the Plan year as may be established by the Board of Directors. Notice of the Intention to Withdraw must be given in writing to the Chairman of the Board of Directors and the Treasurer not less than one year prior to the end of the Plan year.

Plan membership is currently comprised of BOCES and five districts. If a surplus of participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments shall be charged to a participant other than the annual assessment. However, if it appears to the Board of Directors that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board shall determine the amount needed to meet such deficiency and shall assess such amount against all participants pro-rata per enrollee.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2019, the BOCES incurred premiums or contribution expenditures totaling \$480,158.

The Plan is audited on an annual basis and is available at the BOCES administrative offices. The most recent audit available for the year ended June 30, 2018, revealed that the Plan is fully funded.

**D. Unemployment**

BOCES employees are entitled to coverage under the New York State Unemployment Insurance Law. The BOCES has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The BOCES has established a self insurance fund to pay these claims. The claim and judgment expenditures of this program for the 2018-19 fiscal year totaled \$26,412. The balance of the fund at June 30, 2019 was \$644,163 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2019, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

**XIII. Commitments and Contingencies**

**A. Litigation**

There is no pending litigations as of the audit report date.

**B. Lease Agreements**

**1. Operating Leases**

The BOCES leases buildings and equipment under several leases extending to 2028.

Total rent expense under the noncancelable operating leases was \$617,339 during the year ended June 30, 2019. Minimum rental commitments as of June 30, 2019 for these leases are as follows:

	<u>2020</u>	<u>2021-25</u>	<u>2026-28</u>	<u>Total</u>
7170 Group LLC - 606 6th Street	\$ 157,404	\$ 787,020	\$ 314,808	\$ 1,259,232
Royalton Hartland - ES	18,624	-	-	18,624
North Tonawanda-MS	56,145	-	-	56,145
Newfane	144,000	288,000	-	432,000
Christ Comm. Church	20,160	-	-	20,160
Wilson	4,300	-	-	4,300
<b>Total Long-Term Obligations</b>	<b>\$ 400,633</b>	<b>\$ 1,075,020</b>	<b>\$ 314,808</b>	<b>\$ 1,790,461</b>

**C. Grants and reimbursements**

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

**XIV. Leased Assets:**

The BOCES also leased out land for \$1,200 annually, and classrooms for \$8,000 annually at Saunders Settlement. Road.

**XV. Budget Revisions:**

<u>Program</u>	<u>Original 2018-19 Budget</u>	<u>Purpose</u>	<u>Amount</u>	<u>Revised Budget</u>
Administration	\$ 3,407,643	Carryover encumbrances	\$ (75,349)	\$ 3,332,294
Career & Tech Education	13,866,280	Less services	(309,149)	13,557,131
Handicapped Instruction	22,958,427	Increase in enrollment	5,430,711	28,389,138
Itinerant Service	2,488,219	Increase in service requests	245,330	2,733,549
General Instruction	4,218,535	Increase in enrollment	454,979	4,673,514
Instructional Support	7,073,227	Increase in cross contract	3,111,689	10,184,916
Other Services	8,376,802	Increase in cross contract	2,169,244	10,546,046
<b>Totals</b>	<b>\$ 62,389,133</b>		<b>\$ 11,027,455</b>	<b>\$ 73,416,588</b>

**Required Supplementary Information**  
**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Changes in District's Total OPEB Liability and Related Ratio**  
**(Unaudited)**  
**Statement of Activities and Changes in Net Position**

<b>TOTAL OPEB LIABILITY</b>		
	<u><b>2019</b></u>	<u><b>2018</b></u>
Service cost	\$ 1,178,418	\$ 1,162,762
Interest	863,592	840,256
Changes in benefit terms	(112,354)	(3,993)
Changes of assumptions or other inputs	174,249	(100,577)
Benefit payments	<u>(1,635,550)</u>	<u>(1,685,828)</u>
<b>Net Change in Total OPEB Liability</b>	<b>\$ 468,355</b>	<b>\$ 212,620</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 23,495,477</b>	<b>\$ 23,282,857</b>
<b>Total OPEB Liability - Ending</b>	<b><u><u>\$ 23,963,832</u></u></b>	<b><u><u>\$ 23,495,477</u></u></b>
 Covered Employee Payroll	 \$ 25,758,113	 \$ 28,380,000
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 93.03%	 82.79%

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

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

**NYSERS Pension Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.0215%	0.0216%	0.0216%	0.0023%	0.0224%
Proportionate share of the net pension liability (assets)	\$ 1,521,789	\$ 696,206	\$ 2,028,469	\$ 3,668,219	\$ 755,396
Covered-employee payroll	\$ 6,686,486	\$ 6,687,782	\$ 6,465,922	\$ 6,463,474	\$ 6,215,543
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	22.759%	10.410%	31.372%	56.753%	12.153%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%

**NYSTRS Pension Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability (assets)	0.12319%	0.1234%	0.1199%	0.1206%	0.1250%
Proportionate share of the net pension liability (assets)	\$ (2,226,265)	\$ (938,252)	\$ 1,283,639	\$ (12,522,757)	\$ (13,918,900)
Covered-employee payroll	\$ 20,884,410	\$ 20,100,935	\$ 19,556,814	\$ 18,456,325	\$ 18,623,108
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	-10.660%	-4.668%	6.564%	-67.851%	-74.740%
Plan fiduciary net position as a percentage of the total pension liability	101.53%	100.66%	99.01%	110.46%	111.48%

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

**Required Supplementary Information**  
**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of District Contributions**  
**(Unaudited)**  
**For Year Ended June 30, 2019**

**NYSERS Pension Plan Last Two Fiscal Years**

	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contributions	\$ 983,233	\$ 1,023,273	\$ 1,009,625	\$ 1,250,800	\$ 1,194,821
Contributions in relation to the contractually required contribution	(983,233)	(1,023,273)	(1,009,625)	(1,250,800)	(1,194,821)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 6,686,486	\$ 6,687,782	\$ 6,465,922	\$ 6,463,474	\$ 6,215,543
Contributions as a percentage of covered-employee payroll	14.70%	15.30%	15.61%	19.35%	19.22%

**NYSTRS Pension Plan Last Two Fiscal Years**

	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Contractually required contributions	\$ 2,415,855	\$ 1,917,453	\$ 2,504,094	\$ 2,627,791	\$ 3,174,752
Contributions in relation to the contractually required contribution	(2,415,855)	(1,917,453)	(2,504,094)	(2,627,791)	(3,174,752)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 20,884,410	\$ 20,100,935	\$ 19,556,814	\$ 18,456,325	\$ 18,623,108
Contributions as a percentage of covered-employee payroll	11.57%	9.54%	12.80%	14.24%	17.05%

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

**Required Supplementary Information**  
**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund**  
**(Unaudited)**  
**For Year Ended June 30, 2019**

<u>REVENUES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Current Year's Revenues</u>	<u>Variance Favorable (Unfavorable)</u>
Administration 001-002	\$ 3,407,643	\$ 3,332,294	\$ 3,798,929	\$ 466,635
Career and Tech Education 100-199	13,866,280	13,557,132	13,587,709	30,577
Instruction for Handicapped 200-299	22,958,427	28,389,137	28,569,166	180,029
Itinerant 300-399	2,488,219	2,733,549	2,748,744	15,195
General Instruction 400-499	4,218,535	4,673,514	4,682,499	8,985
Instructional Support 500-599	7,073,227	10,184,916	10,308,270	123,354
Other Services 600-699	<u>8,376,802</u>	<u>10,546,046</u>	<u>10,061,079</u>	<u>(484,967)</u>
<b>TOTAL REVENUES</b>	<b><u><u>\$ 62,389,133</u></u></b>	<b><u><u>\$ 73,416,588</u></u></b>	<b><u><u>\$ 73,756,396</u></u></b>	<b><u><u>\$ 339,808</u></u></b>

(See Independent Auditors' Report)

**Required Supplementary Information**  
**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Schedule of Revenues, Expenditures and**  
**Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund**  
**(Unaudited)**  
**For Year Ended June 30, 2019**

<b><u>EXPENDITURES</u></b>	<b><u>Original Budget</u></b>	<b><u>Revised Budget</u></b>	<b><u>Current Year's Expenditures</u></b>	<b><u>Encumbrances</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
Administration 001-002	\$ 3,407,643	\$ 3,332,294	\$ 4,062,710	\$ 26,971	\$ (757,387)
Career and Tech Education					
100-199	13,866,280	13,557,131	13,001,139	108,254	447,738
Instruction for Handicapped					
200-299	22,958,427	28,389,138	25,788,866	27,869	2,572,403
Itinerant 300-399	2,488,219	2,733,549	2,560,654	67	172,828
General Instruction					
400-499	4,218,535	4,673,514	4,313,310	5,667	354,537
Instructional Support					
500-599	7,073,227	10,184,916	10,064,082	3,896	116,938
Other Services					
600-699	8,376,802	10,546,046	9,778,396	7,639	760,011
<b>TOTAL EXPENDITURES</b>	<b>\$ 62,389,133</b>	<b>\$ 73,416,588</b>	<b>\$ 69,569,157</b>	<b>\$ 180,363</b>	<b>\$ 3,667,068</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,187,239</b>		

**Note to Required Supplementary Information:**

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

**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**Analysis of Account A431 - School Districts**  
**For Year Ended June 30, 2019**

	<b>2019</b>
<b>July 1, 2018 - DEBIT (CREDIT) BALANCE</b>	<b>\$ (4,047,134)</b>
<b>DEBITS:</b>	
Billings to school districts	\$ 72,501,531
Refund of balances made to school districts	6,737,596
Encumbrances - June 30, 2019	180,363
<b>Total Debits</b>	<b>\$ 79,419,490</b>
<b>TOTAL</b>	<b>\$ 75,372,356</b>
 <b>CREDITS:</b>	
Collections from school districts	\$ 69,476,288
Adjustment - credits to school districts - revenues in excess of expenditures	4,187,239
Encumbrances - June 30, 2018	780,926
<b>Total Credits</b>	<b>\$ 74,444,453</b>
 <b>JUNE 30, 2019 - DEBIT (CREDIT) BALANCE</b>	<b>\$ 927,903</b>

**ORLEANS - NIAGARA**  
**BOARD OF COOPERATIVE EDUCATIONAL SERVICES**  
**SCHEDULE OF CAPITAL PROJECTS FUND**  
**PROJECT EXPENDITURES AND FINANCING RESOURCES**  
**For Year Ended June 30, 2019**

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Authorization</u>	<u>Methods of Financing</u>			<u>Fund Balance</u>
			<u>Prior Year's</u>	<u>Current Year</u>	<u>Total</u>		<u>Local Sources</u>	<u>Transfers</u>	<u>Total</u>	
Unallocated project balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,255	-	\$ 588,477
Niagara Academy	1,593,800	1,593,800	-	91,727	91,727	1,502,073	1,085,290	508,965	1,594,255	1,502,528
Niagara Center	1,406,200	1,406,200	-	103,965	103,965	1,302,235	1,164,710	-	1,164,710	1,060,745
Orleans Learning Center	625,000	625,000	209,866	94,224	304,090	320,910	625,000	(320,910)	304,090	-
Orleans Center	<u>2,499,900</u>	<u>1,902,220</u>	<u>480,500</u>	<u>1,206,190</u>	<u>1,686,690</u>	<u>215,530</u>	<u>2,225,000</u>	<u>(538,310)</u>	<u>1,686,690</u>	<u>-</u>
<b>Total</b>	<u>\$ 6,124,900</u>	<u>\$ 5,527,220</u>	<u>\$ 690,366</u>	<u>\$ 1,496,106</u>	<u>\$2,186,472</u>	<u>\$ 3,340,748</u>	<u>\$5,100,000</u>	<u>\$ -</u>	<u>\$ 4,749,745</u>	<u>\$ 3,151,750</u>

**ORLEANS - NIAGARA  
BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Grantor / Pass - Through Agency</u> <u>Federal Award Cluster / Program</u>	<u>CFDA</u> <u>Number</u>	<u>Grantor</u> <u>Number</u>	<u>Pass-Through</u> <u>Agency</u> <u>Number</u>	<u>Total</u> <u>Expenditures</u>
<b><u>U.S. Department of Education:</u></b>				
<b><u>Direct Programs:</u></b>				
<b><u>Student Financial Assistance Program Cluster -</u></b>				
Federal Pell Grant Program	84.063	N/A	N/A	\$ 166,386
Federal Direct Student Loans	84.268	N/A	N/A	250,142
<i>Total Student Financial Assistance Program Cluster</i>				<u>\$ 416,528</u>
<b><u>U.S. Department of Veterans Affairs:</u></b>				
<b><u>Direct Program:</u></b>				
Department of Veterans Affairs	64.028	N/A	N/A	20,645
<b>Total Direct Programs</b>				<u>\$ 437,173</u>
<b><u>Indirect Programs:</u></b>				
<b><u>Passed Through NYS Education Department -</u></b>				
<b><u>Special Education Cluster -</u></b>				
RSETASC	84.027	N/A	C010303	\$ 235,917
<i>Total Special Education Cluster</i>				<u>\$ 235,917</u>
Perkins IV	84.048	N/A	8000-19-0131	262,553
WIOA, Title II - ABE - Orleans	84.002	N/A	2338-19-3134	89,761
WIOA, Title II - ABE - Niagara	84.002	N/A	2338-19-3133	95,673
Literacy Zone - Medina	84.002	N/A	2338-19-3240	108,075
Literacy Zone - Lockport	84.002	N/A	2338-19-3222	118,408
Literacy Zone - Niagara Falls	84.002	N/A	2338-19-3240	122,350
WIA, Title II - Corr. Ed. - Niagara	84.002	N/A	0138-19-2043	150,975
WIA, Title II - Corr. Ed - Niagara	84.002	N/A	0040-19-2095	252,046
<b>Total InDirect Programs</b>				<u>\$ 1,435,758</u>
<b>Total U.S. Department of Education</b>				<u>\$ 1,872,931</u>
<b><u>U.S. Department of Agriculture:</u></b>				
<b><u>Indirect Programs:</u></b>				
<b><u>Passed through NYS Office of Temporary and Disability Insurance -</u></b>				
<b><u>SNAP Cluster -</u></b>				
Supplemental Nutrition Assistance Venture	10.561	N/A	C00258GG	\$ 333,405
<i>Total SNAP Cluster</i>				<u>\$ 333,405</u>
<b>Total U.S. Department of Agriculture</b>				<u>\$ 333,405</u>
<b><u>U.S. Department of Labor:</u></b>				
<b><u>Indirect Programs:</u></b>				
<b><u>Passed Through Niagara County Workforce Development Board -</u></b>				
Workforce Innovation and Opportunity Act	17.259	N/A	PY2018-Y-03	\$ 4,130
Workforce Innovation and Opportunity Act	17.259	N/A	PY2019-Y-03	127,898
<b>Total U.S. Department of Labor</b>				<u>\$ 132,028</u>
<b><u>U.S. Department of Health and Human Services:</u></b>				
<b><u>Indirect Program:</u></b>				
<b><u>Passed through NYS Office of Temporary and Disability Insurance -</u></b>				
Temporary Assistance for Needy Families	93.558	N/A	C0013GC	\$ 27,639
Temporary Assistance for Needy Families	93.558	N/A	C0013GC	4,875
<b>Total U.S. Department of Health and Human Services</b>				<u>\$ 32,514</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<u>\$ 2,370,878</u>

**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

**Independent Auditors' Report**

To the Board Members  
Orleans - Niagara  
Board of Cooperative Educational Services, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Orleans-Niagara Board of Cooperative Educational Services, New York, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Orleans-Niagara Board of Cooperative Educational Services, New York's basic financial statements, and have issued our report thereon dated October 3, 2019.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Orleans-Niagara Board of Cooperative Educational Services, New York's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Orleans-Niagara Board of Cooperative Educational Services, New York's internal control. Accordingly, we do not express an opinion on the effectiveness of the Orleans-Niagara Board of Cooperative Educational Services, New York's internal control.

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

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

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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



Rochester, New York  
October 3, 2019