

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Hamilton, Fulton and Montgomery Counties
Board of Cooperative Educational Services
Johnstown, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Board of Cooperative Educational Services Sole Supervisory District of Hamilton, Fulton and Montgomery Counties ("BOCES"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 auditors consider internal control relevant to the entity's 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 entity's 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 Board of Cooperative Educational Services Sole Supervisory District of Hamilton, Fulton and Montgomery Counties, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total other post-employment benefits liability and related ratios and schedules of local government's proportionate share of the net pension liability and contributions on pages 3 through 11 and pages 46 through 49 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 BOCES' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information on pages 50 through 51, as described in the table of contents and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of the BOCES' 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 this report is 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 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 the BOCES' internal control over financial reporting and compliance.

WEST & COMPANY CPAs PC

Gloversville, New York
September 30, 2020

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

MANAGEMENT’S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following is a discussion and analysis of the Hamilton-Fulton-Montgomery Counties BOCES’ financial performance for the fiscal year ended June 30, 2020. This section is a summary of the BOCES’ financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. This section is only an introduction and should be read in conjunction with the BOCES’ basic financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position decreased \$9,207,381 to a deficit of \$53,084,035.
- Revenues increased 2.0% from \$54.4 million to \$55.5 million.
- The BOCES continued to offer all programs, without reducing services, while maintaining the maximum fund balances allowed by law.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements, required supplementary information and supplementary information. The basic financial statements include two kinds of statements that present different views of the BOCES:

- The first two statements are *BOCES-wide financial statements* that provide both *short-term* and *long-term* information about the BOCES’ *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the BOCES, reporting the BOCES’ operations in *more detail* than the BOCES-wide statements.
- The *governmental funds statements* tell how basic services such as career and technical education, general instruction, educational support services and special education were financed in the *short-term* as well as what remains for future spending.
- The *fiduciary funds statements* provide information about the financial relationships in which the BOCES acts solely as a *trustee* or *agent* for the benefit of others, including component school districts.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES’ budget for the year.

BOCES-Wide Statements

The BOCES-wide statements report information about the BOCES as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the BOCES’ assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year’s revenues and expenses are accounted for in the Statement of Activities and Changes in Net Position regardless of when cash is received or paid.

The two BOCES-wide statements report the BOCES’ *net position* and how it has changed. Net position – the difference between the BOCES’ assets, deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the BOCES’ financial health or *position*.

- Over time, increases or decreases in the BOCES' net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the BOCES' overall health, you need to consider additional nonfinancial factors such as changes in enrollment and population shifts in component school districts, the economic climate of businesses within the BOCES' geographic location, changes in services requested by component districts and the condition of BOCES' buildings and other facilities.

In the BOCES-wide financial statements, the BOCES' activities are shown as *governmental activities*. Most of the BOCES' basic services are included here, such as career and technical education, special education, instructional support services and administration. Revenues from component school districts fund these services.

Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES' funds, focusing on its most significant or "major" funds – not the BOCES as a whole. Funds are accounting devices the BOCES uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The BOCES establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The BOCES has two kinds of funds:

- **Governmental Funds:** Most of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information at the bottom of the governmental funds' balance sheets explains the relationship (or differences) between them.
- **Fiduciary Funds:** The BOCES is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes. The BOCES excludes these activities from the BOCES-wide financial statements because it cannot use these assets to finance its operations.

Figure A-1 summarizes the major features of the BOCES' financial statements including the portion of the BOCES' activities they cover and the types of information they contain.

Figure A-1: Major Features of the BOCES-Wide and Fund Financial Statements

	Fund Financial Statements		
	BOCES-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not proprietary or fiduciary, such as instruction and special education	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities and deferred inflows of resources (if any), both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

Figures A-2 and A-3 highlight the BOCES' Net Position and the Changes in Net Position during the fiscal years ended June 30, 2020 and 2019.

The BOCES' net position was lower on June 30, 2020, than it was the year before, decreasing by \$9,207,381 to a deficit of \$53,084,035 as detailed in Tables A-2 and A-3.

Table A-2: Condensed Statement of Net Position

	Fiscal Year 2020	Fiscal Year 2019	Dollar Change	Percentage Change (Incr.;-Decr.)
ASSETS				
Current and other assets	\$ 20,791,745	\$ 21,283,129	\$ (491,384)	-2.3%
Noncurrent assets	2,684,664	2,128,245	556,419	26.1%
Total Assets	23,476,409	23,411,374	65,035	0.3%
DEFERRED OUTFLOWS OF RESOURCES				
Other post-employment benefits	27,083,965	11,924,521	15,159,444	127.1%
Pensions	9,047,447	7,003,122	2,044,325	29.2%
Total Deferred Outflows of Resources	36,131,412	18,927,643	17,203,769	90.9%
LIABILITIES				
Current liabilities	13,388,058	14,311,317	(923,259)	-6.5%
Long-term liabilities	95,174,041	67,937,564	27,236,477	40.1%
Total Liabilities	108,562,099	82,248,881	26,313,218	32.0%
DEFERRED INFLOWS OF RESOURCES				
Other post-employment benefits	1,613,597	1,889,201	(275,604)	-14.6%
Pensions	2,516,160	2,077,589	438,571	21.1%
Total Deferred Inflows of Resources	4,129,757	3,966,790	162,967	4.1%
NET POSITION				
Net investment in capital assets	1,061,002	1,021,112	39,890	3.9%
Restricted	6,036,627	5,807,909	228,718	3.9%
Unrestricted	(60,181,664)	(50,705,675)	(9,475,989)	-18.7%
TOTAL NET POSITION (DEFICIT)	\$ (53,084,035)	\$ (43,876,654)	\$ (9,207,381)	-21.0%

FINANCIAL HIGHLIGHTS

The BOCES' fiscal year 2020 revenues totaled \$55,480,538 (see Table A-3). Billings/charges to components accounted for most of the BOCES' revenue. The remainder came from fees, interest and earnings, operating grants and other miscellaneous sources.

The total cost of all programs and services totaled \$59,460,222 for fiscal year 2020. These expenses (approximately 90%) predominately support instruction. The BOCES' administrative and business activities accounted for the remainder of the total costs. This calculation includes an allocation of the building lease from administration to instruction.

Net position decreased by \$9,207,381.

Table A-3: Changes in Net Position from Operating Results

	Fiscal Year 2020	Fiscal Year 2019	Percentage Change (Incr.;-Decr.)
REVENUES			
Charges to components	50,920,540	49,345,097	3.2%
Charges to other BOCES	892,179	959,074	-7.0%
Interest and earnings	35,852	14,929	140.2%
Miscellaneous revenues	2,176,736	2,346,543	-7.2%
State sources	385,577	373,475	3.2%
Federal sources	1,069,654	1,379,275	-22.4%
Total Revenues	55,480,538	54,418,393	2.0%
EXPENSES			
Administration	6,351,651	5,511,159	15.3%
Occupational instruction	6,917,263	5,685,837	21.7%
Instruction for handicapped	18,534,103	15,751,271	17.7%
Itinerant services	813,299	771,206	5.5%
General instruction	10,179,747	9,539,005	6.7%
Instructional support	4,008,689	2,963,443	35.3%
Other services	12,416,160	11,197,648	10.9%
Expenditures - School Lunch	239,310	271,289	-11.8%
Total Expenses	59,460,222	51,690,858	15.0%
Excess (Deficiency) of Revenues over Expenses before Return of Surplus	(3,979,684)	2,727,535	-245.9%
Return of Surplus	(5,227,697)	(5,853,985)	10.7%
CHANGE IN NET POSITION	\$ (9,207,381)	\$ (3,126,450)	-194.5%

FINANCIAL HIGHLIGHTS

Revenues for the BOCES' governmental activities totaled \$55,480,538 while total expenses equaled \$59,460,222. After the refund of surplus to School Districts, the decrease in net position for governmental activities was \$9,207,381 in 2020. The continuation of the BOCES' good financial condition can be credited to:

- Continued leadership of the BOCES' board.
- Approval of the BOCES' proposed annual budget.
- Continued state and federal aid and support of programs from component districts.

Figure A-4: Sources of Revenues for Fiscal Year 2020

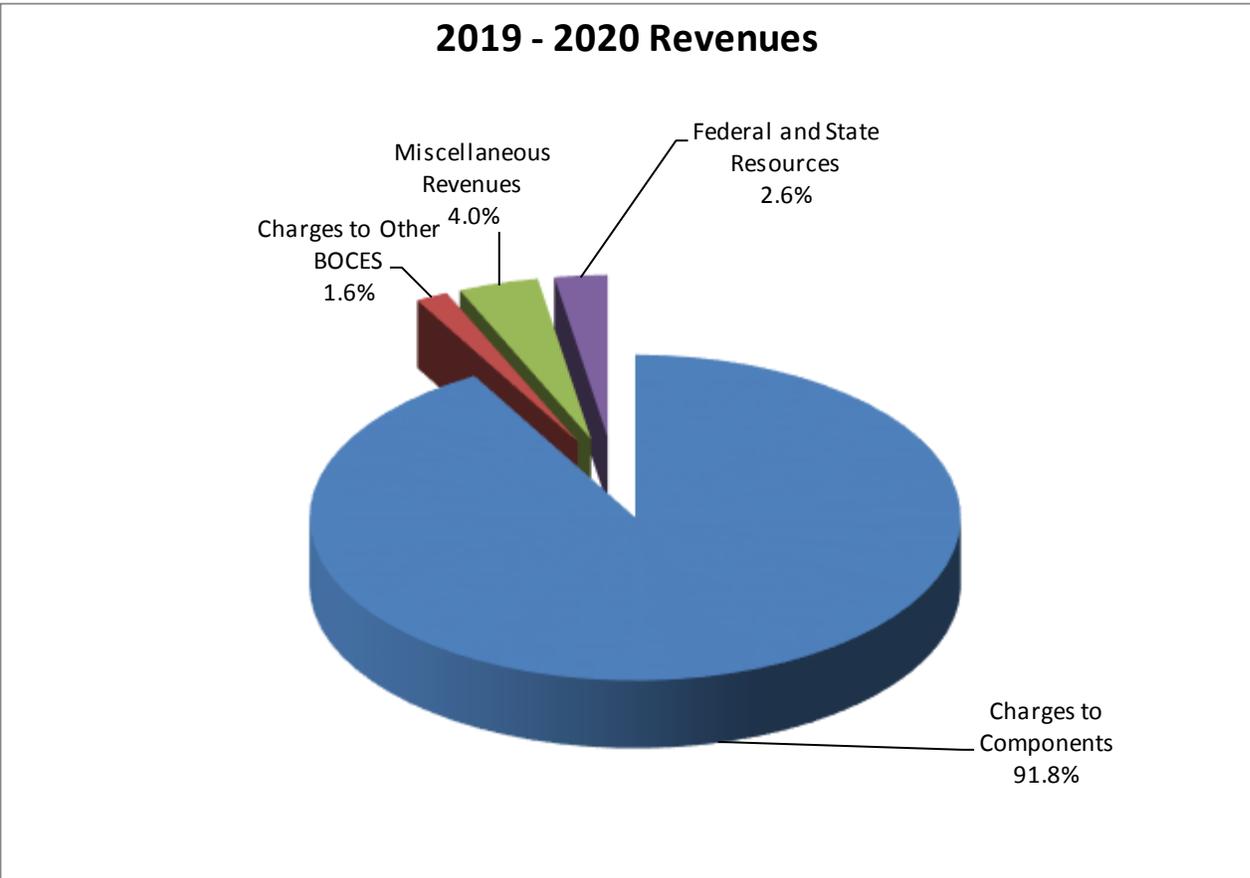
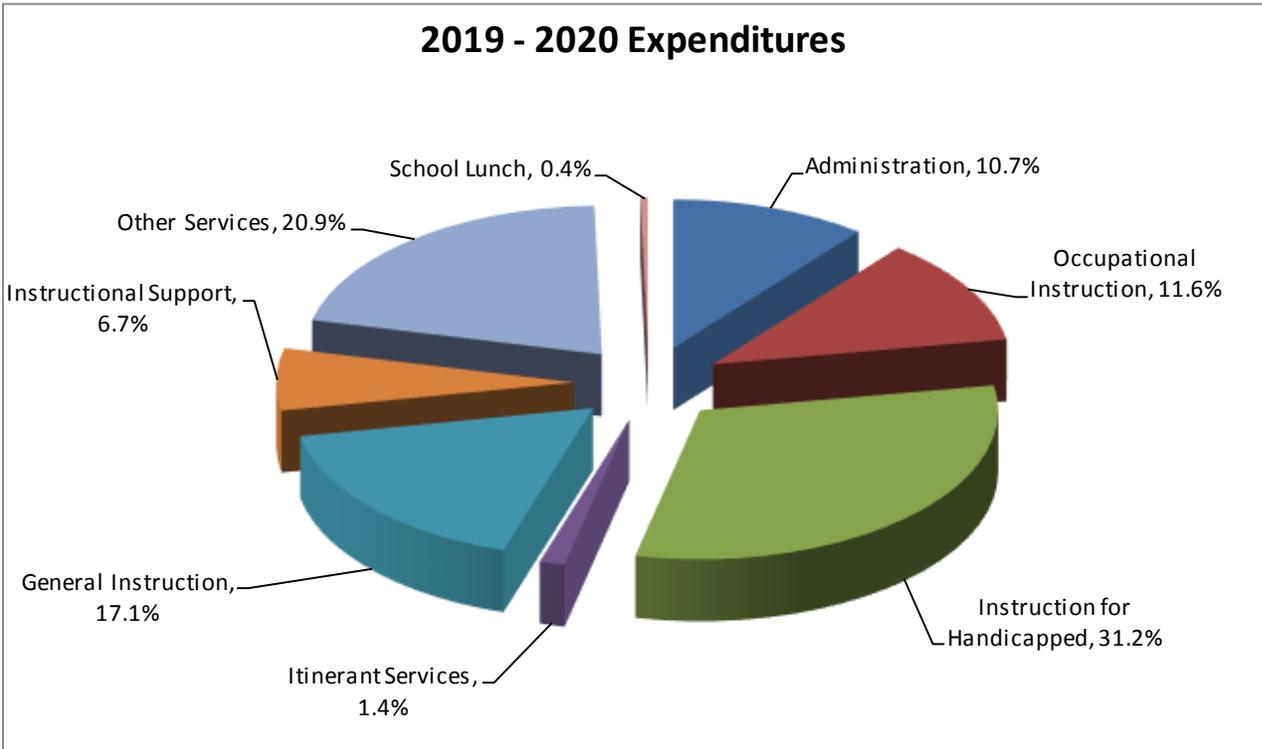


Figure A-5: Expenses for Fiscal Year 2020



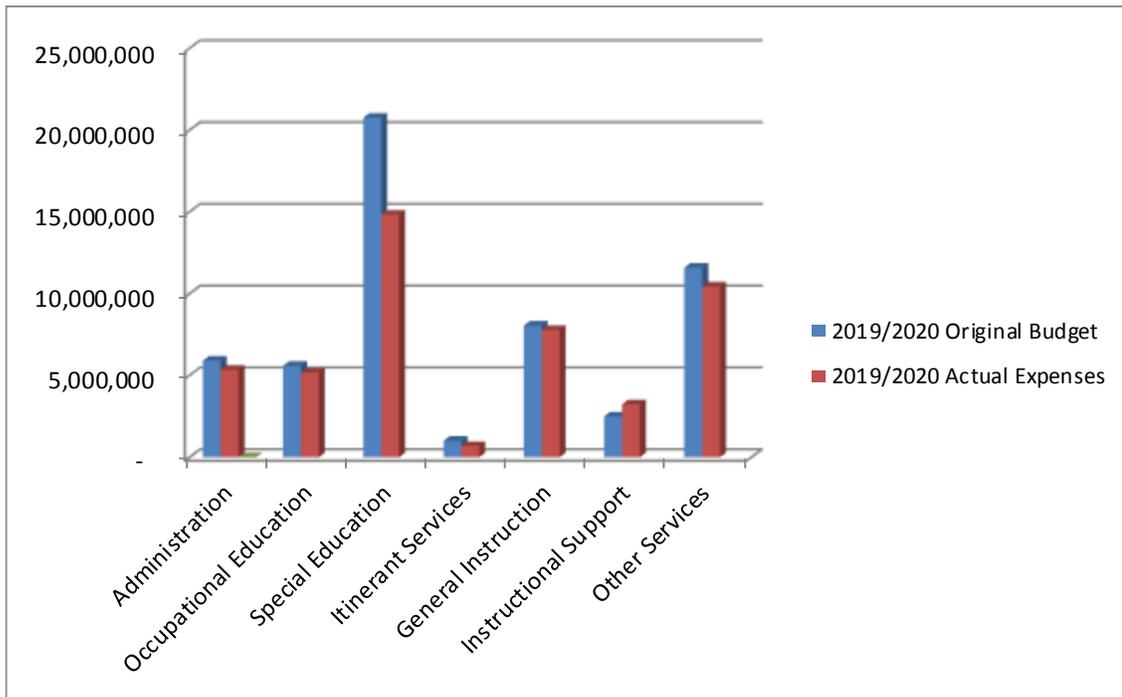
GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of the fiscal year, the original budget was amended several times. These budget amendments fell into two categories:

- Amendments and supplemental appropriations to reflect encumbrances carried over from the previous fiscal year.
- Changes made to original program budgets to accommodate increased or decreased levels of services requested by component districts, noncomponent districts and other BOCES.

Figure A-6 shows the original budget adopted for the year ended June 30, 2020, compared to the expenditures for the same period.

Figure A-6: Original Budget and Actual Expenditures



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

BOCES underwent a complete asset inventory in order to comply with Governmental Accounting Standards Board (GASB) Statement No. 34 reporting requirements. Table A-7 indicates the 2020 and 2019 categories of Capital Assets.

Table A-7: Capital Assets (net of depreciation)

<u>Category</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Percentage Change (Incr.;-Decr.)</u>
Buildings	\$ 3,356	\$ 6,584	-49.0%
Furniture and equipment	1,057,646	1,014,528	4.3%
TOTAL FIXED ASSETS	\$ 1,061,002	\$ 1,021,112	3.9%

Long-Term Debt

<u>Category</u>	<u>Fiscal Year 2020</u>	<u>Fiscal Year 2019</u>	<u>Percent Change (Incr.: -Decr.)</u>
Post-employment benefits	\$ 88,382,730	\$ 65,236,156	35.5%
Compensated absences	1,230,535	1,211,080	1.6%
TOTALS	\$ 89,613,265	\$ 66,447,236	34.9%

- The BOCES' compensated absences increased by \$19,455 or 1.6% from 2019 to 2020.
- As of June 30, 2020, the BOCES recorded the full accrual of other post-employment benefits (retiree health insurance) as required by GASB 75. The amount is \$88,382,730.

FACTORS BEARING ON THE FUTURE OF BOCES

HFM BOCES is committed to responding to the needs of our component school communities by providing efficient and innovative programs and services. Working in collaboration with our component school districts, HFM BOCES is a valued partner, advocate and leader in our region.

The following are some of the major factors bearing on the future of HFM BOCES.

PTECH Co-location

For the start of the 2020-2021 school year, HFM BOCES implemented changes to its three Pathways in Technology Early College High Schools (PTECHs) to strengthen the programs and better support students.

Our three PTECH programs previously operated separately in locations throughout the region, but are now co-located by grade level, which allows the schools to leverage efficiencies and opportunities for cooperation. The reconfiguration will not only benefit students but will also allow us to operate more efficiently helping ensure the long-term sustainability of the PTECH model in the HFM region.

COVID-19 Pandemic

In March 2020, the COVID-19 pandemic forced the cancelation of classes across the state and country resulting in an unprecedented disruption and increased costs for educational programs. As programs reopen for the start of the 2020-2021 school year, continued expenditures will be required to ensure the health and safety of students, staff and families.

As the pandemic continues, state health guidance requires school districts and BOCES take every precaution to protect all staff and students. In order to do so, purchases of personal protection equipment (PPE), additional cleaning supplies, technology upgrades and hardware for virtual learning are necessary. We plan to hire additional custodial staff due to the cleaning and disinfecting protocols that are required of all educational institutions. Additional nurses have been hired to support all of our student programs.

Health Insurance and Legacy Costs

Our BOCES has worked diligently to contain health insurance costs for employees and retirees, keeping annual increases to less than 5% for the past seven years.

One of the largest fiscal issues our BOCES faces is the health insurance legacy costs for retirees. Retirees age 65 and over utilize a Medicare Advantage program. Our health insurance agreement allows us the flexibility to seek out alternative health insurance providers and select the best plan with the lowest rate for both active employees and retirees. While we have this flexibility to change providers, retiree legacy costs will continue to make up a significant portion of our administrative budget.

CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This report is designed to provide citizens, taxpayers, customers and investors and creditors with a general overview of the finances of the BOCES and to demonstrate their accountability with the money they receive. If you have any questions about this report or need additional information, please contact:

Hamilton, Fulton and Montgomery Counties BOCES
Attention: Dr. David Ziskin – District Superintendent
2755 State Highway 67
Johnstown, NY 12095
(518) 736-4310

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Primary Government</u>
CURRENT ASSETS	
Cash and cash equivalents	\$ 11,288,901
Due to fiduciary funds	79,857
State and federal aid receivable	7,937,557
Prepaid expenses	829,553
Other receivables	642,004
Food inventory	13,873
Total Current Assets	20,791,745
NONCURRENT ASSETS	
Capital assets - net of accumulated depreciation	1,061,002
Net pension asset - proportionate share	1,623,662
Total Noncurrent Assets	2,684,664
Total Assets	23,476,409
DEFERRED OUTFLOWS OF RESOURCES	
Other post-employment benefits	27,083,965
Pensions	9,047,447
Total Deferred Outflows of Resources	36,131,412
CURRENT LIABILITIES	
Accounts payable/accrued liabilities	2,415,523
State aid due to school districts	7,369,863
Due to other governments	44
Due to retirement systems	1,365,597
Due to school districts	2,117,150
Unearned revenues	119,881
Total Current Liabilities	13,388,058
LONG-TERM LIABILITIES	
Compensated absences	1,230,535
Net pension liability - proportionate share	5,560,776
Other post-employment benefits	88,382,730
Total Long-Term Liabilities	95,174,041
Total Liabilities	108,562,099
DEFERRED INFLOWS OF RESOURCES	
Other post-employment benefits	1,613,597
Pensions	2,516,160
Total Deferred Inflows of Resources	4,129,757
NET POSITION	
Net investment in capital assets	1,061,002
Restricted	
Unemployment insurance reserve	395,849
Retirement contribution reserve - ERS	3,952,231
Retirement contribution reserve - TRS	408,112
Property loss and liability reserve	50,486
Employee benefit accrued liability reserve	1,229,949
Unrestricted	(60,181,664)
TOTAL NET POSITION (DEFICIT)	\$ (53,084,035)

See notes to basic financial statements.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020

	Expenses	Program Revenue		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS AND PROGRAMS:				
Administration	\$ 6,351,651	\$ 5,828,592	\$ 0	\$ (523,059)
Occupational instruction	6,917,263	5,643,576	358,381	(915,306)
Instruction for the handicapped	18,534,103	16,186,316	447,933	(1,899,854)
Itinerant services	813,299	746,324	0	(66,975)
General instruction	10,179,747	8,494,110	462,016	(1,223,621)
Instructional support	4,008,689	3,527,087	82,599	(399,003)
Other services	12,416,160	11,383,413	0	(1,032,747)
Expenditures - school lunch	239,310	3,301	119,552	(116,457)
Total Functions and Programs	\$ 59,460,222	\$ 51,812,719	\$ 1,470,481	(6,177,022)
GENERAL REVENUES:				
Interest and earnings				35,852
Miscellaneous				2,161,486
Total General Revenues				2,197,338
CHANGE IN NET POSITION				(3,979,684)
TRANSFER OF JUNE 30, 2020, SURPLUS TO SCHOOL DISTRICTS - PAYABLE				(5,227,697)
TOTAL NET POSITION (DEFICIT) – BEGINNING OF YEAR				(43,876,654)
TOTAL NET POSITION (DEFICIT) – END OF YEAR				\$ (53,084,035)

See notes to basic financial statements.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2020

	Governmental Fund Types				Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	
ASSETS					
Cash and cash equivalents	\$ 9,938,947	\$ 243,368	\$ 160,619	\$ 945,967	\$ 11,288,901
Other receivables	549,524	91,370	1,110	0	642,004
State and federal aid receivable	7,369,863	567,694	0	0	7,937,557
Due from other funds	878,783	0	0	50,000	928,783
Prepaid expenses	828,053	1,500	0	0	829,553
Food inventory	0	0	13,873	0	13,873
TOTAL ASSETS	\$ 19,565,170	\$ 903,932	\$ 175,602	\$ 995,967	\$ 21,640,671
LIABILITIES					
Accounts payable	\$ 1,314,867	\$ 560	\$ 20	\$ 0	\$ 1,315,447
Accrued liabilities	1,045,772	45,327	8,977	0	1,100,076
State aid to school districts	7,369,863	0	0	0	7,369,863
Due to other funds	50,000	738,425	60,501	0	848,926
Due to school districts	2,117,150	0	0	0	2,117,150
Due to other governments	0	0	44	0	44
Due to Teachers' Retirement System	1,093,023	0	0	0	1,093,023
Due to Employees' Retirement System	272,574	0	0	0	272,574
Unearned revenues	0	119,620	261	0	119,881
Total liabilities	13,263,249	903,932	69,803	0	14,236,984
FUND BALANCE					
Nonspendable					
Reserve for inventory	0	0	13,873	0	13,873
Prepaid expenses	828,053	1,500	0	0	829,553
Restricted:					
Unemployment insurance reserve	395,849	0	0	0	395,849
Retirement contribution reserve - TRS	408,112	0	0	0	408,112
Retirement contribution reserve - ERS	3,952,231	0	0	0	3,952,231
Employee benefit accrued liability reserve	1,229,949	0	0	0	1,229,949
Property loss and liability reserve	50,486	0	0	0	50,486
Assigned	265,294	0	91,926	995,967	1,353,187
Unassigned	(828,053)	(1,500)	0	0	(829,553)
Total fund balance	6,301,921	0	105,799	995,967	7,403,687
TOTAL LIABILITIES AND FUND BALANCE	\$ 19,565,170	\$ 903,932	\$ 175,602	\$ 995,967	\$ 21,640,671
RECONCILIATION OF FUND BALANCE TO NET ASSETS:					
Amounts reported for activities in the statement of net position are different because:					
Total fund balance at June 30, 2020					\$ 7,403,687
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 funds					1,061,002
Proportionate share of long-term asset and liability associated with participation in state retirement systems					2,594,173
Long-term liabilities, including capitalized lease payables, other post-employment benefits and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds					(64,142,897)
TOTAL NET POSITION – STATEMENT OF ACTIVITIES					\$ (53,084,035)

See notes to basic financial statements.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Fund Types				Totals
	General	Special Aid	School Lunch	Capital Projects	
REVENUES					
Charges to components	\$ 50,192,323	\$ 724,916	\$ 0	\$ 0	\$ 50,917,239
Charges to other BOCES	864,248	27,931	0	0	892,179
Interest and earnings	30,786	0	0	5,066	35,852
Miscellaneous	619,331	176,164	15,250	0	810,745
Interfund revenues	1,365,991	0	0	0	1,365,991
Sales	0	0	3,301	0	3,301
State sources	0	382,973	2,604	0	385,577
Federal sources	0	967,956	101,698	0	1,069,654
Total revenues	53,072,679	2,279,940	122,853	5,066	55,480,538
EXPENDITURES					
Administration	5,341,468	0	0	0	5,341,468
Occupational instruction	5,171,915	602,336	0	0	5,774,251
Instruction for the handicapped	14,833,548	752,846	0	0	15,586,394
Itinerant services	683,950	0	0	0	683,950
General instruction	7,784,216	776,517	0	0	8,560,733
Instructional support	3,232,311	138,825	0	0	3,371,136
Other services	10,432,046	9,416	0	0	10,441,462
Cost of sales	0	0	239,310	0	239,310
Capital outlay	0	0	0	50,980	50,980
Total expenditures	47,479,454	2,279,940	239,310	50,980	50,049,684
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	5,593,225	0	(116,457)	(45,914)	5,430,854
OTHER FINANCING SOURCES (USES)					
Interfund transfer	(166,457)	0	116,457	50,000	0
Unemployment insurance reserve - net	(15,240)	0	0	0	(15,240)
Retirement reserve	224,952	0	0	0	224,952
Employee benefit accrued liability reserve	18,908	0	0	0	18,908
Property loss and liability reserve	98	0	0	0	98
Refund of surplus	(5,227,697)	0	0	0	(5,227,697)
Total other financing sources (uses)	(5,165,436)	0	116,457	50,000	(4,998,979)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES					
	427,789	0	0	4,086	431,875
FUND BALANCE – BEGINNING OF YEAR	5,874,132	0	105,799	991,881	6,971,812
FUND BALANCE – END OF YEAR	\$ 6,301,921	\$ 0	\$ 105,799	\$ 995,967	\$ 7,403,687

See notes to basic financial statements.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2020

REVENUES - GOVERNMENTAL FUNDS		\$ 55,480,538
EXPENDITURES - GOVERNMENTAL FUNDS	\$ 50,049,684	
Add:		
Depreciation	202,111	
Other post-employment benefits	7,711,526	
Change in compensated absences	19,455	
Pensions	1,948,165	
	<u>9,881,257</u>	
Deduct:		
Change in capital assets	242,001	
Increase in reserves	228,718	
	<u>470,719</u>	
 EXPENDITURES - STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION		 <u>59,460,222</u>
CHANGE IN NET POSITION BEFORE REFUND OF SURPLUS		<u><u>\$ (3,979,684)</u></u>

See notes to basic financial statements.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2020

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Restricted cash	\$ 44,157	\$ 104,587
Accounts receivable	0	10,388
Total assets	\$ 44,157	\$ 114,975
LIABILITIES		
Extraclassroom activity funds	\$ 0	\$ 24,792
Due to other funds	0	79,857
Other liabilities	0	10,326
Total liabilities	0	114,975
NET POSITION		
Held in trust for:		
Endowment scholarships	44,157	0
TOTAL NET POSITION	\$ 44,157	\$ 0

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2020

	Private Purpose Trust Funds
ADDITIONS:	
Private donations	\$ 429
Interest and earnings	90
Total additions	519
DEDUCTIONS:	
Scholarships expenses	2,500
Total deductions	2,500
CHANGE IN NET POSITION	(1,981)
NET POSITION – BEGINNING OF YEAR	46,138
NET POSITION – END OF YEAR	\$ 44,157

See notes to basic financial statements.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the BOCES are described below:

A) Reporting Entity

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

The reporting entity of the BOCES is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units*. 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 (BOCES) 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 districts in a geographic area that share planning, services and programs which 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 15 school districts in New York's Hamilton, Fulton and Montgomery Counties:

Amsterdam Enlarged City School District
Broadalbin-Perth Central School District
Canajoharie Central School District
Edinburg Common School District
Fonda-Fultonville Central School District
Fort Plain Central School District
Gloversville Enlarged City School District
Greater Johnstown City School District
Lake Pleasant Central School District
Mayfield Central School District
Northville Central School District
Oppenheim-Ephratah-St. Johnsville Central School District
Piseco Elementary School District
Wells Central School District
Wheelerville Union Free School District

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A) Reporting Entity – (Continued)

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

The accompanying financial statements present the activities of the BOCES. The BOCES is not a component unit of another reporting entity. 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 description of an entity included in the BOCES' reporting entity.

i) Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the BOCES represent funds of the students of the BOCES. The Board of Cooperative Educational Services exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the BOCES with respect to financial transactions and designation of student management. Audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found bound with these basic financial statements. The BOCES accounts for assets held as an agent for various student organizations in an agency fund.

B) Joint Venture

There are 15 participating school districts in the BOCES. The BOCES is a joint venture in which the participating districts have an ongoing financial responsibility, no equity interest and no single participant controls the financial or operating policies of the BOCES. The BOCES was formed under State law for the purpose of providing shared educational programs and instruction in subjects approved by the State Education Commissioner. The BOCES' governing board is elected based on the vote of members of the participating districts' governing boards. The BOCES charges districts for program costs based on participation and for administrative costs. During the year ended June 30, 2020, the BOCES billed its component districts and other BOCES \$51,067,848 for administrative and program costs.

C) Basis of Presentation

1. BOCES-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary.

Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through charges to components and other BOCES, intergovernmental revenues and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C) Basis of Presentation – (Continued)

1. BOCES-Wide Statements – (Continued)

The Statement of Net Position presents the financial position of the BOCES at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the BOCES' governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods and 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, including all taxes, are presented as general revenues.

2. Funds 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.

The BOCES reports the following 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 Revenue Funds – These funds account for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes, child nutrition or 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 – These funds are used to account for the financial resources used for acquisition, construction or major repair of capital facilities. For these funds, each capital project is assessed to determine whether it is a major or nonmajor fund. Those capital projects that are determined to be major are reported in separate columns in the financial statements. Those that are determined to be nonmajor are reported in the supplemental schedules either separately or in the aggregate. Currently only the CTE Reserve is recorded in the Capital Fund.

CTE Reserve – The BOCES maintains a CTE Reserve for future major equipment purchases and funds the reserve annually through budgetary provisions in the General Fund. The equipment reserve is maintained in the Capital Projects Fund.

The BOCES reports on the following fiduciary funds:

Fiduciary Funds

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 funds financial statements, because their resources do not belong to the BOCES and are not available to be used.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C) Basis of Presentation – (Continued)

2. Funds Statements – (Continued)

Fiduciary Funds – (Continued)

There are two classes of fiduciary funds:

- i) **Private Purpose Trust Funds** – These funds are used to account for trust arrangements in which principal and income benefit 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.
- ii) **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.

D) Measurement Focus and Basis of Accounting

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

The BOCES-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the BOCES gives or receives value without directly receiving or giving equal value in exchange, include state aid, grants and donations. On an accrual basis, revenues from state aid are recognized in the fiscal year it is appropriated by the state and revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund 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 financial sources.

E) Inventories and Prepaids

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

E) Inventories and Prepaids – (Continued)

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.

A portion of the fund balance in the amount of these non-liquid assets (inventories and prepaid items) has been identified as not available for other subsequent expenditures.

F) 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.

G) Capital Assets

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on direct costing, standard costing or normal costing methods, were used. Donated assets are reported at estimated fair market value at the time received.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the BOCES-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	Straight-line	50
Site improvements	5,000	Straight-line	20
Vehicles	5,000	Straight-line	8
Computer equipment	5,000	Straight-line	5
Equipment	5,000	Straight-line	5 – 10

H) Vested Employee Benefits

Compensated Absences

Compensated absences consist of unpaid accumulated annual sick leave, vacation and sabbatical time.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

H) Vested Employee Benefits – (Continued)

Compensated Absences – (Continued)

BOCES employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the BOCES-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

Vacation leave is recorded as an expenditure when paid.

Nonvesting sick leave is allowed to accumulate up to a maximum of 200 days and becomes vested after age 50 and upon retirement.

I) 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. The 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 (expense/expenditure) until then. The BOCES has three items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second is the BOCES contributions to the pension systems (TRS and ERS Systems) and OPEB subsequent to the measurement date. The third item relates to OPEB reporting in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the actual and expected experience.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has three items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES' proportion of the collective net pension liability (ERS System) and net pension asset (TRS 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. The second item is revenues from grants received that have met all other eligibility requirements except those related to time restrictions. The third item is related to OPEB reporting in the BOCES-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I) Deferred Outflows and Inflows of Resources – (Continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the BOCES reported the following asset (liability) for its proportionate share of the net pension asset (liability) for each of the Systems. The net pension asset (liability) was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension asset (liability) used to calculate the net pension asset (liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset (liability) was based on a projection of the BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the BOCES.

	<u>ERS</u>	<u>TRS</u>
	March 31, 2020	June 30, 2019
Measurement date		
BOCES' proportionate share of the net pension asset (liability)	\$ (5,560,776)	\$ 1,623,662
BOCES's portion of the Plan's total net pension asset (liability)	(0.0209995%)	0.062496%
Change in proportion since the prior measurement date	(0.0000346%)	0.00127%

For the year ended June 30, 2020, the BOCES' recognized pension expense of \$873,367 for ERS and \$1,196,413 for TRS. At June 30, 2020 the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources were:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 327,274	\$ 1,100,314	\$ 0	\$ 120,739
Changes of assumptions	111,968	3,067,315	96,682	747,898
Net difference between projected and actual earnings on pension plan investments	2,850,724	0	0	1,302,093
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	74,855	46,010	4,141	244,607
BOCES' contributions subsequent to the measurement date	272,574	1,196,413	0	0
Total	\$ 3,637,395	\$ 5,410,052	\$ 100,823	\$ 2,415,337

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I) Deferred Outflows and Inflows of Resources – (Continued)

Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – (Continued)

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, 2021. 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>ERS</u>		<u>TRS</u>
Year ended:				
	2021	\$ 559,548	\$	(4,500)
	2022	823,066		680,795
	2023	1,047,082		455,509
	2024	834,302		49,811
	2025	0		(66,770)
	Thereafter	0		0

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:

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.8%	7.10%
Salary scale	4.2%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015	July 1, 2009 - June 30, 2014
	System's experience	System's experience
Inflation rate	2.5%	2.20%
Cost of living adjustments	1.3%	1.3%

For ERS, annuitant mortality rates are based on April 1, 2010 through March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. For TRS, annuitant mortality rates are based on July 1, 2009 through June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 through March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I) Deferred Outflows and Inflows of Resources – (Continued)

Actuarial Assumptions – (Continued)

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 weighing the expected future real rates of return by each 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 below:

Measurement date	<u>ERS</u> March 31, 2020	<u>TRS</u> June 30, 2019
<u>Asset type</u>		
Domestic equity	4.05%	6.3%
International equity	6.15	7.8
Global equities	0	7.2
Real estate	4.95	4.6
Domestic fixed income securities	0	1.3
Global fixed income securities	0	0.9
High-yield fixed income securities	0	3.6
Mortgages	0	2.9
Private debt	0	6.5
Short-term	0	0
Private equity/alternative investments	6.75	9.9
Absolute return strategies	3.25	0
Opportunistic portfolio	4.65	0
Bonds and mortgages	0.75	0
Cash	0.00	0.3
Inflation index bonds	0.50	0
Real assets	5.95	0

Discount Rate

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

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

The following presents the BOCES's proportionate share of the net pension asset (liability) calculated using the discount rate of 6.8% for ERS and 7.10% for TRS, as well as what the BOCES's proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.8% for ERS and 6.10% for TRS) or 1 percentage point higher (7.8% for ERS and 8.10% for TRS) than the current rate:

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I) Deferred Outflows and Inflows of Resources – (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption – (Continued)

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
<u>ERS</u> BOCES' proportionate share of the net pension asset (liability)	\$ (10,205,594)	\$ (5,560,776)	\$ (1,282,879)
	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<u>TRS</u> BOCES' proportionate share of the net pension asset (liability)	\$ (7,329,042)	\$ 1,623,662	\$ 9,133,971

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:

	(Dollars in thousands)		
	<u>ERS</u> March 31, 2020	<u>TRS</u> June 30, 2019	<u>Total</u>
Measurement date			
Employers' total pension asset (liability)	\$ (194,596,261)	\$ (119,879,474)	\$ (314,475,735)
Plan fiduciary net position asset (liability)	168,115,682	122,477,481	290,593,163
Employers' net pension asset (liability)	(26,480,579)	2,598,007	(23,882,572)
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	86.39%	102.2%	92.4%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$272,574.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amount to \$1,093,023.

Additional pension information can be found in Note 8.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

J) 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.

K) Receivables

Receivables 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.

L) 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 insurance coverage and survivor benefits for retired employees and their survivors 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. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year, the cost of which is 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 in the General Fund in the year paid, and is reimbursed by transfer from the Reserve for Retiree Health Insurance maintained in the Trust and Agency Fund.

M) Short-term Debt

The BOCES may issue Revenue Anticipation Notes (RANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The BOCES had no short-term debt at June 30, 2020.

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 post-employment 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.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

O) Equity Classifications

BOCES-Wide Statements

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

i) 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.

ii) 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.

iii) 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.

Funds Statements

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

1. Nonspendable

Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance in the General Fund and Special Aid Fund for prepaid expenses was \$828,053 and \$1,500, respectively, and in the School Lunch Fund for inventory was \$13,873.

2. Restricted

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:

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

O) Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the BOCES:

Unemployment Insurance Reserve

According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Employee Benefit Accrued Liability

According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due 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. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Retirement Contributions

According to General Municipal Law §6-r, must be used for 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. Under the new amendments to General Municipal Law §6-r, the Board of Education, by resolution, can establish a sub-fund within its retirement contribution reserve fund to finance retirement contributions to the New York State Teacher Retirement System. In addition, the amount of monies contributed annually to the sub-fund cannot exceed 2%, nor can the balance of the sub-fund exceed 10% of the compensation or salaries of the TRS members during the immediate preceding fiscal year. This reserve is accounted for in the General Fund under Restricted Fund Balance.

Property Loss and Liability Reserve

According to Education Law §1709(8)(c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by BOCES with a population under 125,000. This reserve is accounted for in the General Fund under Restricted Fund Balance.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

O) Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the BOCES:

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 restrictions or assignments 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.

3. 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, 2020.

4. Assigned

Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

5. Unassigned

Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for use by the BOCES and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

Order of Use of Fund Balance

The BOCES' policy is to annually determine the appropriate use of fund balance upon recommendation of the Superintendent and Board of Cooperative Educational Services.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

P) New Accounting Standards

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

GASB has issued Statement No. 92, *Omnibus 2020*, portions of the Statement are effective for the year ending June 30, 2020. The statement aims to improve the consistency of various authoritative accounting literature including items such as changing the effective date of Statement No. 87, *Leases*, and updating terminology.

GASB has issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, effective for the year ending June 30, 2020. This statement postponed the effective dates of various GASB Statements as a result of the COVID-19 pandemic.

GASB has issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective dates vary by the particular paragraph of the Statement. The first items become effective for the year ending June 30, 2020. This statement aims to provide more consistent financial reporting for defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans.

Q) Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2021. This statement establishes criteria for identifying fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2022. This statement requires the recognition of certain lease assets and liabilities for leases previously classified as operating leases along with recognition of inflows and outflows of resources, as appropriate.

GASB has issued Statement No. 89, *Accounting Interest Cost Incurred before the End of a Construction Period*, effective for the year ending June 30, 2022. This statement requires that interest cost incurred during construction be expensed in that period rather than being included in the cost of the capital asset.

GASB has issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending June 30, 2021. This statement requires the reporting of majority equity interests which meet the definition of an investment at fair value and requires the reporting of majority equity interests which do not meet the definition of an investment as a component unit.

GASB has issued Statement No. 91, *Conduit Debt Obligations*, effective for the year ending June 30, 2023. This statement provides a single method of reporting conduit debt obligations by issuers.

GASB has issued Statement No. 92, *Omnibus 2020*, portions of the Statement are effective for the year ending June 30, 2021. The statement aims to improve the consistency of various authoritative accounting literature including items such as reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan, the applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to postemployment benefit arrangements, and measurement of liabilities related to asset retirement obligations (AROs) in a government acquisition.

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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Q) Future Changes in Accounting Standards – (Continued)

GASB has issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the year ending June 30, 2021. This statement addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rates (IBOR).

GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the year ending June 30, 2023. This statement improves the financial reporting related to Public-Private and Public-Public Partnerships to provide services.

GASB has issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the year ending June 30, 2023. This statement requires the recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements for government end users.

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.

R) Budgetary Procedures and Budgetary Accounting

Budget Policies

The budget policies are as follows:

- a. Section 1950 of the Education Law requires adoption of a final budget by no later than May 15 of the ensuing year.
- b. BOCES' administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES' Board for the General Fund.
- c. Appropriations for educational services are adopted at the program level.
- d. A tentative administrative budget is provided to the component districts for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority 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.
- e. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. The BOCES' Board can approve supplemental appropriations based upon requests for additional services and surplus revenues.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R) Budgetary Procedures and Budgetary Accounting – (Continued)

Budget Policies – (Continued)

The following is a summary of General Fund budget revisions for the year ended June 30, 2020:

<u>Program</u>	<u>Original Budget</u>	<u>Budget Revisions</u>		<u>Revised Budget</u>
		<u>Purpose</u>	<u>Amount</u>	
Administration	\$ 5,903,795	All revisions	\$ (258,930)	\$ 5,644,865
Occupational Instruction	5,586,000	were made to	300,332	5,886,332
Instruction for Handicapped	20,753,109	meet the program	(4,591,657)	16,161,452
Itinerant Services	1,011,998	service needs to	(178,028)	833,970
General Instruction	8,046,178	the component	1,116,265	9,162,443
Instructional Support	2,485,050	school districts.	1,090,424	3,575,474
Other Services	11,595,012		(198,129)	11,396,883
TOTALS	\$ 55,381,142		\$ (2,719,723)	\$ 52,661,419

Budget Basis of Accounting

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 budget and actual comparison for Special Revenue Funds has not been presented because the funds are not required to establish a legally authorized budget.

S) Interfund Transactions

The operations of the BOCES include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. 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, with the exception of those due from or to the fiduciary 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 4 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

T) 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 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, other post-employment benefits, potential contingent liabilities and useful lives of long-lived assets.

U) Cash (and Cash Equivalents)/Investments

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

New York State law governs the BOCES's 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 deposits not covered by FIDC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and Districts.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND BOCES-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the funds statements and the BOCES-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the BOCES-wide statements, compared with the current financial resources focus of the governmental funds.

A) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the BOCES' governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund balance sheets, as applied to the reporting of capital assets and long-term liabilities, including pensions.

B) Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories. The amounts shown below represent:

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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND STATEMENTS AND BOCES-
WIDE STATEMENTS – (CONTINUED)**

**B) Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities –
Continued)**

i) Long-Term Revenue Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

ii) Capital Related Differences

Capital related differences include the difference between proceeds for the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statements of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

iii) Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the fund statements, whereas interest payments are recorded in the Statement of Activities as incurred and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension Differences

Pension differences occur as a result of changes in the BOCES’ proportion of the collective net pension asset (liability) and differences between the BOCES’ contributions and its proportionate share of the total contributions to the pension systems.

v) OPEB Differences

OPEB differences occur as a result of changes in the BOCES’ total OPEB liability and differences between the BOCES’ contributions and OPEB expense.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 3 – CASH (AND CASH EQUIVALENTS) – CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS

Custodial credit risk is the risk that in the event of a bank failure, the BOCES’ deposits may not be returned to it. While the BOCES does not have a specific policy for custodial credit risk, New York State statutes govern the BOCES’ investment policies, as discussed previously in these Notes.

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

Uncollateralized	\$	0
Collateralized with securities held by the pledging financial institution, or its trust department or agent, but not in the BOCES’ name		17,565,225

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 includes \$6,036,627 within the governmental funds and \$148,744 in fiduciary funds.

NOTE 4 – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2020, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 878,783	\$ 50,000	\$ 0	\$ 166,457
School Lunch Fund	0	60,501	116,457	0
Capital Fund	50,000	0	50,000	0
Special Aid Fund	0	738,425	0	0
Total governmental activities	928,783	848,926	166,457	166,457
Fiduciary Agency Fund	0	79,857	0	0
TOTALS	\$ 928,783	\$ 928,783	\$ 166,457	\$ 166,457

Interfund receivables and payables, other than between governmental activities and fiduciary funds, 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 expected to be repaid within one year.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 5 – RECEIVABLES

Other receivables at June 30, 2020, consisted of the following, which are stated at net realizable value. BOCES management has deemed the amounts to be fully collectible.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Miscellaneous	\$ 549,524
Special Aid Fund	Local aid	91,370
School Lunch Fund	Miscellaneous	1,110

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirement/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are depreciated:				
Buildings and improvements	\$ 12,361	\$ 0	\$ 0	\$ 12,361
Furniture and equipment	3,263,185	249,512	42,235	3,470,462
Total depreciable historical cost	<u>3,275,546</u>	<u>249,512</u>	<u>42,235</u>	<u>3,482,823</u>
Less accumulated depreciation:				
Buildings	5,777	3,228	0	9,005
Furniture and equipment	2,248,657	198,883	34,724	2,412,816
Total accumulated depreciation	<u>2,254,434</u>	<u>202,111</u>	<u>34,724</u>	<u>2,421,821</u>
Total historical cost, net	<u>\$ 1,021,112</u>	<u>\$ 47,401</u>	<u>\$ 7,511</u>	<u>\$ 1,061,002</u>

Depreciation was allocated to programs as follows:

Administration	\$ 21,696
Occupational instruction	23,454
Instruction for the handicapped	63,307
Itinerant services	2,778
General instruction	34,772
Instructional support	13,693
Other services	42,411
	<u>\$ 202,111</u>

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 7 – LONG-TERM DEBT

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Compensated absences	\$ 1,211,080	\$ 19,455	\$ 0	\$ 1,230,535	\$ 0
Other post-employment retirement benefits	65,236,156	23,146,574	0	88,382,730	0
TOTAL LONG-TERM LIABILITIES	<u>\$ 66,447,236</u>	<u>\$ 23,166,029</u>	<u>\$ 0</u>	<u>\$ 89,613,265</u>	<u>\$ 0</u>

The General Fund has typically been used to liquidate long-term liabilities.

NOTE 8 – PENSION PLANS

General Information

The BOCES participates in the New York State Employees' Retirement System (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). 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.

Plan Descriptions and Benefits Provided:

Teachers' Retirement System (TRS)

The BOCES participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as, death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. 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. The System issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 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.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 8 – PENSION PLANS – (CONTINUED)

Plan Descriptions and Benefits Provided: – (Continued)

Employees’ Retirement System (ERS)

The BOCES participates in the New York State and Local Employees’ Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System 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. The New York State Retirement and Social Security Law (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. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees’ Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3% 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% 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 ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during the Systems’ fiscal year ending March 31. For TRS, contribution rates are established annually by the New York State Teachers’ Retirement Board pursuant to Article 11 of the Education Law.

The BOCES is required to contribute at a rate determined actuarially by the Systems. The BOCES contributions made to the Systems were equal to 100% of the contributions required for each year. Required contributions for the current and two preceding years were:

	<u>NYSERS</u>	<u>NYSTRS</u>
2020	\$ 873,367	\$ 1,196,413
2019	852,810	1,236,959
2018	873,222	983,781

Since 1989, the NYSERS billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System’s fiscal years ending March 31, 1988 and 1989 over a 17 year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability, which the BOCES did not exercise.

ERS has provided additional disclosures through entities that elected to participate in Chapter 260, 57 and 105.

Additional pension information can be found in Note 1 I.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

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 benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the BOCES offices and are available upon request.

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	144
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>357</u>
Total	<u><u>501</u></u>

Total OPEB Liability:

The BOCES' total OPEB liability of \$88,382,730 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary Increases	Varied by years of service and retirement system
Discount Rate	2.21%
Healthcare Cost Trend Rates	5.40% for 2019, decreasing to an ultimate rate of 3.84% for 2075.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Actuarial Assumptions and Other Inputs – (Continued)

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

Mortality rates were based on the Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2019.

Changes in the Total OPEB Liability:

Balance at June 30, 2019	\$ 65,236,156
Changes for the year:	
Service cost	3,564,247
Interest	2,388,151
Changes in benefit terms	0
Differences between expected and actual experience	80,732
Changes in assumptions or other inputs	18,650,528
Benefit payments	<u>(1,537,084)</u>
Net changes	<u>23,146,574</u>
Balance at June 30, 2020	<u>\$ 88,382,730</u>

The following assumptions have been updated since the last full valuation:

1. Changes in assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020
2. Implicit liability is now valued prior to Medicare eligibility while aging subsidy is value for Medicare retirees
3. Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2019
4. Termination and retirement rates have been updated based on NYS ERS assumptions first adopted on April 1, 2015 and NYS TRS assumptions first adopted on June 30, 2015
5. Health care trend rates have been updated to 2019 Getzen model with initial trend rate of 5.40% decreasing gradually to an ultimate rate of 3.84% in 2075
6. Actual spousal health coverage election is used for existing retirees instead of assuming that 50% of male retirees and 35% of female retirees elected health coverage for their spouses

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 107,565,515	\$ 88,382,730	\$ 73,520,213

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 (4.40% decreasing to 2.84%) or 1 percentage point higher (6.40% decreasing to 4.84%) than the current healthcare cost trend rate:

	<u>1% Decrease (4.40% Decreasing to 2.84%)</u>	<u>Healthcare Cost Trend Rates (5.40% Decreasing to 3.84%)</u>	<u>1% Increase (6.40% Decreasing to 4.84%)</u>
Total OPEB Liability	\$ 70,452,428	\$ 88,382,730	\$ 112,628,868

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the BOCES recognized OPEB expense of \$7,711,526. At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,397,837	\$ 0
Changes of assumptions or other inputs	<u>25,686,128</u>	<u>(1,613,597)</u>
Total	<u>\$ 27,083,965</u>	<u>\$ (1,613,597)</u>

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS – (CONTINUED)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

<u>Fiscal Year Ending June 30:</u>	
2021	\$ 3,296,212
2022	3,296,212
2023	3,296,212
2024	3,296,212
2025	3,296,212
Thereafter	<u>8,989,308</u>
Total	<u>\$ 25,470,368</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Risk Financing and Related Insurance

General Information

The BOCES is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

Non-Pool, Risk Retention

The BOCES has established a self-insured plan for risks associated with unemployment benefits to former employees, which is accounted for in the BOCES' General Fund.

A reserve has been established for this purpose which has a balance of \$395,849 at June 30, 2020. Management is confident that the reserve will be sufficient to absorb unemployment costs for many years at current claim levels.

Operating Leases

The BOCES leases properties and equipment under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2020, were approximately \$804,497. All leases are renewable annually or fully cancelable; therefore, there are no noncancelable provisions.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 10 – COMMITMENTS AND CONTINGENCIES – (CONTINUED)

Vested Sick Leave

The BOCES' employees are allowed to accumulate up to 200 days of unused sick leave (220 for administrative, teachers and twelve months CSEA employees) which becomes fully vested after age 50 and upon retirement and can be paid to them at the rate of \$50 per day (\$55 per day for administrative employees). The total vested accumulated sick pay as of June 30, 2020, amounted to \$1,230,535. The BOCES maintains a reserve for employee benefit accrued liability in the General Fund for this purpose which had a balance of \$1,229,949 as of June 30, 2020.

Other Items

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

NOTE 11 – NONCANCELABLE LEASE

The BOCES entered into a lease with the Montgomery County Industrial Development Agency (MCIDA) on January 12, 2005, for the lease of land and building located in the Town of Johnstown. The lease was modified during 2016-2017 to add two additional years to the lease.

Under the terms of the lease, the BOCES is responsible for all maintenance, insurance, taxes (if any), and utilities, in addition to the lease payments and certain fees and costs of the MCIDA for the bonding and construction of the building.

The lease is noncancelable and ends on January 11, 2037. Required lease payments for the 2019-2020 year amounted to \$1,701,131 and the next five years and thereafter are as follows:

2020-2021	\$ 1,699,731
2021-2022	1,697,481
2022-2023	1,697,981
2023-2024	1,700,981
2024-2025	1,701,231
Thereafter	<u>16,109,459</u>
TOTAL	<u>\$ 24,606,864</u>

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the issuance date of the financial statements. On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic. As a result of the economic challenges and uncertainties caused by the pandemic, New York State began withholding 20% of most local aid payments in June, 2020. The State is expected to continue to withhold payments through September, 2020. Depending on the size and timing of federal aid provided to the State, if any, all or a portion of the amounts withheld may be converted to permanent reductions. Other financial impacts could occur though such potential impact is unknown at this time.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET (NON-GAAP BASIS) AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Fav; (Unfav)</u>
REVENUES				
Local Sources:				
Charges to components	\$ 52,429,533	\$ 50,192,323	\$ 50,192,323	\$ 0
Charges to other BOCES	1,077,937	864,248	864,248	0
Interest and earnings	0	30,786	30,786	0
Miscellaneous	382,965	420,571	619,331	198,760
Interfund revenues	1,655,707	1,365,991	1,365,991	0
Total revenues	<u>55,546,142</u>	<u>52,873,919</u>	<u>53,072,679</u>	<u>198,760</u>
EXPENDITURES				
Current:				
Administration	5,903,795	5,644,865	5,341,468	303,397
Occupational instruction	5,586,000	5,886,332	5,171,915	714,417
Instruction for handicapped	20,753,109	16,161,452	14,833,548	1,327,904
Itinerant services	1,011,998	833,970	683,950	150,020
General instruction	8,046,178	9,162,443	7,784,216	1,378,227
Instructional support	2,485,050	3,575,474	3,232,311	343,163
Other services	11,595,012	11,396,883	10,432,046	964,837
Total expenditures	<u>55,381,142</u>	<u>52,661,419</u>	<u>47,479,454</u>	<u>5,181,965</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 165,000</u>	<u>\$ 212,500</u>	5,593,225	<u>\$ 5,380,725</u>
OTHER FINANCING SOURCES (USES)				
Interfund transfers - out			(166,457)	
Unemployment insurance reserve - net			(15,240)	
Employee benefit accrued liability			18,908	
Retirement reserve			224,952	
Property loss and liability reserve			98	
Refund of surplus			(5,227,697)	
Total other financing sources (uses)			<u>(5,165,436)</u>	
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			427,789	
FUND BALANCE – BEGINNING OF YEAR			<u>5,874,132</u>	
FUND BALANCE – END OF YEAR			<u>\$ 6,301,921</u>	

See paragraph on supplemental schedules included in independent auditors' report.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF CHANGES IN TOTAL OTHER POST-EMPLOYMENT BENEFITS
LIABILITY AND RELATED RATIOS**

FOR THE YEARS ENDED JUNE 30, 2020, 2019 AND 2018

Measurement Date	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability			
Service cost	\$ 3,564,247	\$ 2,248,126	\$ 2,320,253
Interest	2,388,151	1,960,237	1,725,264
Change of benefit terms	0	0	0
Differences between expected and actual experience	80,732	1,704,953	0
Change of assumptions or other inputs	18,650,528	11,710,133	(2,440,409)
Benefit payments	<u>(1,537,084)</u>	<u>(1,567,705)</u>	<u>(1,232,868)</u>
Net change in total OPEB liability	23,146,574	16,055,744	372,240
Total OPEB Liability - beginning	<u>65,236,156</u>	<u>49,180,412</u>	<u>48,808,172</u>
Total OPEB Liability - ending	<u><u>\$ 88,382,730</u></u>	<u><u>\$ 65,236,156</u></u>	<u><u>\$ 49,180,412</u></u>
Covered-employee payroll	\$ 15,528,389	\$ 15,930,848	\$ 15,243,208
Total OPEB liability as a percentage of covered-employee payroll	569.17%	409.50%	322.64%
Plan's fiduciary net position	\$ 0	\$ 0	\$ 0
Net OPEB Liability	\$ 88,382,730	\$ 65,236,156	\$ 49,180,412

See paragraph on supplemental schedules included in independent auditors' report.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY**

FOR THE YEARS ENDED JUNE 30, 2020, 2019, 2018, 2017, 2016 AND 2015

<u>NYS Teachers' Retirement System</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
BOCES' proportion of the net pension liability (asset)	0.062496%	0.061226%	0.062081%	0.060427%	0.057785%	0.056688%
BOCES' proportionate share of the net pension liability (asset)	\$ (1,623,662)	\$ (1,107,133)	\$ (471,880)	\$ 647,195	\$ (6,002,048)	\$ (6,314,638)
BOCES' covered-employee payroll	11,074,303	11,649,950	10,039,950	9,910,298	9,324,434	9,088,032
BOCES' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(14.7%)	(9.5%)	(4.7%)	6.5%	(64.4%)	(69.5%)
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.20%	101.53%	100.70%	99.00%	110.46%	111.48%
<u>NYS Employees' Retirement System</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
BOCES' proportion of the net pension liability (asset)	0.0209995%	0.0210341%	0.0206494%	0.0203699%	0.0206675%	0.0200040%
BOCES' proportionate share of the net pension liability (asset)	\$ 5,560,776	\$ 1,490,328	\$ 666,449	\$ 1,914,000	\$ 3,317,190	\$ 675,784
BOCES' covered-employee payroll	6,387,308	6,146,472	5,938,452	5,688,403	5,581,513	6,033,704
BOCES' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	87.1%	24.2%	11.2%	33.6%	59.4%	11.2%
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%

See paragraph on supplemental schedules included in independent auditors' report.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30, 2020, 2019, 2018, 2017, 2016 AND 2015

<u>NYS Teachers' Retirement System</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 981,201	\$ 1,236,959	\$ 983,781	\$ 1,161,487	\$ 1,245,072	\$ 1,530,344
Contributions in relation to the contractually required contribution	<u>981,201</u>	<u>1,236,959</u>	<u>983,781</u>	<u>1,161,487</u>	<u>1,245,072</u>	<u>1,530,344</u>
Contribution deficiency (excess)	<u>\$ 0</u>					
BOCES' covered-employee payroll	\$ 11,074,303	\$ 11,649,950	\$ 10,039,950	\$ 9,910,298	\$ 9,324,434	\$ 9,088,032
Contribution as a percentage of covered-employee payroll	8.86%	10.62%	9.80%	11.72%	13.35%	16.84%
<u>NYS Employees' Retirement System</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 873,367	\$ 852,810	\$ 873,222	\$ 872,669	\$ 927,709	\$ 1,404,668
Contributions in relation to the contractually required contribution	<u>873,367</u>	<u>852,810</u>	<u>873,222</u>	<u>872,669</u>	<u>927,709</u>	<u>1,404,668</u>
Contribution deficiency (excess)	<u>\$ 0</u>					
BOCES' covered-employee payroll	\$ 6,387,308	\$ 6,146,472	\$ 5,938,452	\$ 5,688,403	\$ 5,581,513	\$ 6,033,704
Contribution as a percentage of covered-employee payroll	13.67%	13.87%	14.70%	15.34%	16.62%	23.28%

See paragraph on supplemental schedules included in independent auditors' report.

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

SUPPLEMENTARY INFORMATION

ANALYSIS OF ACCOUNT A431 – SCHOOL DISTRICTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
DEBIT (CREDIT) BALANCE - BEGINNING OF YEAR	\$ (4,061,967)	\$ (3,124,051)
DEBITS		
Billings to school districts and other BOCES	51,067,848	49,559,499
Refund of balances due school districts	5,816,165	5,076,020
Encumbrances - end of year	265,294	66,223
Total Debits	<u>57,149,307</u>	<u>54,701,742</u>
CREDITS		
Collections from school districts	49,711,499	49,719,450
Revenues in excess of expenditures	5,426,768	5,920,208
Encumbrances - beginning of year	66,223	0
Total Credits	<u>55,204,490</u>	<u>55,639,658</u>
DEBIT (CREDIT) BALANCE - END OF YEAR	<u><u>\$ (2,117,150)</u></u>	<u><u>\$ (4,061,967)</u></u>

See paragraph on supplemental schedules included in independent auditors' report

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES AND ENCUMBRANCES – COMPARED TO BUDGET – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2020

	Revenues				Expenditures				
	Original Budget	Revised Budget	Current Years Revenues	Over (Under) Revised Budget	Original Budget	Revised Budget	Current Years Expenditures	Encumbrances	Unencumbered (Overexpended) Balances
Administration 001-002	\$ 5,903,795	\$ 5,644,865	\$ 5,646,339	\$ 1,474	\$ 5,903,795	\$ 5,644,865	\$ 5,341,468	\$ 8,632	\$ 294,765
Occupational Instruction 100-199	5,586,000	5,936,332	5,938,674	2,342	5,586,000	5,886,332	5,171,915	107,382	607,035
Instruction for Handicapped 200-299	20,753,109	16,161,452	16,189,345	27,893	20,753,109	16,161,452	14,833,548	24,073	1,303,831
Itinerant 300-399	1,011,998	833,970	833,970	0	1,011,998	833,970	683,950	389	149,631
General Instruction 400-499	8,211,178	9,324,943	9,363,135	38,192	8,046,178	9,162,443	7,784,216	114,558	1,263,669
Instructional Support 500-599	2,485,050	3,575,474	3,599,729	24,255	2,485,050	3,575,474	3,232,311	6,680	336,483
Other Services 600-699	11,595,012	11,396,883	11,501,487	104,604	11,595,012	11,396,883	10,432,046	3,580	961,257
	55,546,142	52,873,919	53,072,679	198,760	55,381,142	52,661,419	47,479,454	265,294	4,916,671
Transfers - Out 100-199	0	0	0	0	165,000	212,500	166,457	0	46,043
TOTALS	\$ 55,546,142	\$ 52,873,919	\$ 53,072,679	\$ 198,760	\$ 55,546,142	\$ 52,873,919	\$ 47,645,911	\$ 265,294	\$ 4,962,714
EXCESS REVENUES					\$ 0	\$ 0	\$ 5,426,768		

See paragraph on supplemental schedules included in independent auditors' report.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**FEDERAL AWARD PROGRAM INFORMATION
(SINGLE AUDIT)**

(UNIFORM GUIDANCE)

JUNE 30, 2020



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

To the Board of Education of the
Hamilton, Fulton and Montgomery Counties
Board of Cooperative Educational Services
Johnstown, 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 Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BOCES' internal control over financial reporting (internal control) 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 BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of BOCES' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BOCES' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WEST & COMPANY CPA PC

Gloversville, New York
September 30, 2020



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

To the Board of Education of the
Hamilton, Fulton and Montgomery Counties
Board of Cooperative Educational Services
Johnstown, New York

Report on Compliance for Each Major Federal Program

We have audited the Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services' (BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2020. The BOCES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BOCES' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of BOCES' compliance.

Opinion on Each Major Federal Program

In our opinion, Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES) complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the BOCES is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BOCES' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BOCES' internal control over compliance.

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

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

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

WEST & COMPANY CPAs PC

Gloversville, New York
September 30, 2020

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Current Year Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Passed through NYS Education Department:			
Adult Education - Basic Grants to States	84.002	2338203083	\$ 97,804
Adult Education - Basic Grants to States	84.002	2338203250	122,256
Adult Education - Basic Grants to States	84.002	2338203251	114,295
Adult Education - Basic Grants to States	84.002	0040202080	267,981
Adult Education - Basic Grants to States	84.002	0138202031	<u>237,183</u>
Total Adult Education - Basic Grants to States			839,519
Career and Technical Education - Basic Grants to States	84.048	8000200059	<u>128,437</u>
Total U.S. Department of Education			<u>967,956</u>
<u>U.S. Department of Agriculture</u>			
Direct:			
National School Lunch Program	10.555	Not Applicable	10,583
Passed through NYS Education Department:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	Not Applicable	22,555
Summer Food Service Program for Children	10.559	Not Applicable	15,577
National School Lunch Program	10.555	Not Applicable	<u>52,983</u>
Total Child Nutrition Cluster			<u>101,698</u>
Total U.S. Department of Agriculture			<u>101,698</u>
TOTAL FEDERAL AWARDS EXPENDED			<u><u>\$ 1,069,654</u></u>

See notes to schedule of expenditures of federal awards.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by BOCES, which is described in Note 1 to BOCES' accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. Certain of the BOCES' federal award programs have been charged with indirect costs, based upon an established rate applied to overall expenditures. There is no other indirect cost allocation plan in effect.

Matching costs (the BOCES' share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

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

NOTE B – SUBRECIPIENTS

No amounts were provided to subrecipients.

NOTE C – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the BOCES had \$6,665 of food commodities in inventory.

NOTE D – CLUSTER PROGRAMS

The following programs are identified by the Uniform Guidance to be a part of a cluster of programs:

Child Nutrition Cluster

CFDA #10.553
CFDA #10.555
CFDA #10.559

School Breakfast Program
National School Lunch Program
Summer Food Service Program

NOTE E – INDIRECT COST RATE

The BOCES has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' opinion issued:		<u>Unmodified</u>	
Internal control over financial reporting:			
Material weakness identified?	_____ yes	<u> X </u> no	
Significant deficiency identified that is not considered to be material weakness?	_____ yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	_____ yes	<u> X </u> no	

FEDERAL AWARDS

Internal control over major programs:			
Material weaknesses identified?	_____ yes	<u> X </u> no	
Significant deficiency identified that is not considered to be material weakness?	_____ yes	<u> X </u> none reported	
Type of auditors' opinion(s) issued on compliance for major programs:		<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516?	_____ yes	<u> X </u> no	

Identification of major programs:

Name of Federal Program

CFDA Number

Adult Education – Basic Grants to States

84.002

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as low risk?

 X yes _____ no

B. FINDINGS – BASIC FINANCIAL STATEMENT AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

AUDITED FINANCIAL STATEMENTS

EXTRACLASSROOM ACTIVITY FUNDS

JUNE 30, 2020



INDEPENDENT AUDITORS' REPORT

To the Board of Education of the
Hamilton, Fulton and Montgomery Counties
Board of Cooperative Educational Services
Johnstown, New York

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services as of June 30, 2020, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion 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 auditors' 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 entity's 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 entity's 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 qualified audit opinion.

Basis for Qualified Opinion

Insufficient accounting controls are exercised over cash receipts at the point of collections to the time of submission to the Central Treasurer. Accordingly, it was impracticable to extend our audit of such receipts beyond the amounts recorded.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Extraclassroom Activity Funds of the Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services as of June 30, 2020, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

WEST & COMPANY CPAs PC

Gloversville, New York
September 30, 2020

HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2020

ASSETS	
Cash	\$ 24,792
TOTAL ASSETS	<u>\$ 24,792</u>
LIABILITIES AND CLUB BALANCES	
Sales tax payable	\$ 39
Club balances	<u>24,753</u>
TOTAL LIABILITIES AND CLUB BALANCES	<u>\$ 24,792</u>

See notes to financial statements.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2020

		<u>Balances</u> <u>July 1, 2019</u>	<u>Total</u> <u>Receipts</u>	<u>Total</u> <u>Disbursements</u>	<u>Balances</u> <u>June 30, 2020</u>
100	Auto Body	\$ 649	\$ 5,381	\$ 4,987	\$ 1,043
102	Auto Mechanics A	1,913	9,581	9,123	2,371
106	Conservation	685	1,904	1,776	813
109	Cosmetology A	1,069	1,356	1,442	983
110	Cosmetology B	540	2,811	2,076	1,275
115	Digital Multimedia	611	278	0	889
116	Life Skills	346	169	0	515
138	Multiply Disabled Program	611	2,590	2,695	506
129	Security Occupations	7	0	0	7
132	Teen Council	2	92	0	94
133	Foundations of Food	2,577	494	661	2,410
136	PDDP	1,109	1,661	2,044	726
140	Ptech Student Government	5,083	455	1,220	4,318
141	Future Farmers of America	6,157	5,554	3,988	7,723
142	Veterinary & Animal Science	805	281	417	669
144	Foothills PTECH Student Gov't	224	369	182	411
	Total Activities	<u>22,388</u>	<u>32,976</u>	<u>30,611</u>	<u>24,753</u>
631-00	New York State Sales Taxes	277	1,155	1,393	39
	TOTAL ALL FUNDS	<u>\$ 22,665</u>	<u>\$ 34,131</u>	<u>\$ 32,004</u>	<u>\$ 24,792</u>

See notes to financial statements.

**HAMILTON, FULTON AND MONTGOMERY COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

EXTRACLASSROOM ACTIVITY FUNDS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Hamilton, Fulton and Montgomery Counties BOCES represent funds of the students of the BOCES. The BOCES' Board exercises general oversight on these funds. The Extraclassroom Activity Funds are independent of the BOCES with respect to its financial transactions and the designation of student management. However, since the BOCES' Board does exercise general oversight, these funds and their corresponding cash accounts are reflected in the Trust and Agency Fund of the financial statements of the BOCES.

The books and records of the Hamilton, Fulton and Montgomery Counties BOCES' Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed.

Interest earned on savings is credited to each permanent activity equally, as authorized by the BOCES' Board.

NOTE 2 – MANAGEMENT LETTER

Management letter items associated with the Extraclassroom Activity Funds are included in the management letter accompanying the BOCES' financial statements.



September 30, 2020

To the Board of Education of the
Hamilton, Fulton and Montgomery Counties
Board of Cooperative Educational Services
Johnstown, New York

Dear Board Members:

In planning and performing our audit of the financial statements of the Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services (BOCES) for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered the BOCES' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the BOCES' internal control.

However, during our audit we became aware of opportunities for strengthening internal controls and improving operating efficiency. We previously reported on the BOCES' internal control in our report dated September 30, 2020. A separate report dated September 30, 2020, contains our report on the BOCES' internal control. This letter does not affect our report dated September 30, 2020, on the financial statements of Hamilton, Fulton and Montgomery Counties Board of Cooperative Educational Services.

Prior-Year Comments and Recommendations

1) Extraclassroom Activity Funds

Prior Condition: During our audit of the Extraclassroom Activity Funds we noted a disbursement that did not have sales tax charged and it appears that one club is fiscally inactive.

Status: One club is fiscally inactive as of June 30, 2020.

Recommendation: We recommend that the BOCES ensure that all clubs are following proper requirements outline in the NYS Pamphlet #2.

* * * * *

We appreciate the courtesies, assistance and cooperation given us during our audit by BOCES personnel.

Please feel free to contact us regarding our comments and recommendations, or any other matters that may come to your attention at your convenience.

Very truly yours,

WEST & COMPANY CPAs PC

WEST & COMPANY CPAs PC