

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL SCHEDULES**

JUNE 30, 2023

C O N T E N T S

	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>	1 – 3
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS</u>	4 – 11
<u>BASIC FINANCIAL STATEMENTS</u>	
Statement of net position	12
Statement of activities and change in net position	13
Balance sheet – governmental funds	14
Statement of revenues, expenditures and changes in fund balances	15
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balances to statement of activities	16
<u>NOTES TO BASIC FINANCIAL STATEMENTS</u>	17 – 46
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund	47
Schedule of funding progress – changes in total other post-employment benefits liability and related ratios	48
Schedule of the local government's proportionate share of the net pension liability	49
Schedule of local government contributions	50
<u>SUPPLEMENTARY INFORMATION</u>	
Analysis of account A431 – school districts	51
Schedule of general fund revenues and expenditures compared to budget	52
Schedule of project expenditures – capital project fund	53
Net investment in capital assets	54
<u>FEDERAL AWARD PROGRAM INFORMATION (SINGLE AUDIT)</u>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	56 – 57
Independent auditors' report on compliance for each major federal program and report on internal control over compliance in accordance with the Uniform Guidance	58 – 60
Schedule of expenditures of federal awards	61
Notes to schedule of expenditures of federal awards	62
Schedule of findings and questioned costs	63
<u>EXTRAClassroom Activity Funds</u>	
Independent auditors' report	65 – 66
Statement of assets and liabilities arising from cash transactions	67
Statement of revenues collected and expenses paid	68
Note to financial statements	69
<u>MANAGEMENT LETTER</u>	70 – 71



INDEPENDENT AUDITORS' REPORT

To the President and the Other Members
of the Board of Education of the
Herkimer-Fulton-Hamilton-Otsego Counties
Board of Cooperative Educational Services
Herkimer, New York

Report on the Audit of the Financial Statements

Opinions

We have audited the 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 Herkimer-Fulton-Hamilton-Otsego Counties (the BOCES), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 BOCES, as of June 30, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – changes in total other post-employment benefits liability and related ratios, and schedule of local government's proportionate share of the net pension liability and contributions on pages 4 through 11 and 47 through 50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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*, 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 51 through 54 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is 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 December 12, 2023, 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 that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
December 12, 2023

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

The following is a discussion and analysis of the Herkimer-Fulton-Hamilton-Otsego Counties BOCES' financial performance for the fiscal year ended June 30, 2023. 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 4.6% to a deficit of \$95,037,162.
- Revenues increased by \$3,037,467 over the previous year.
- The BOCES continued to offer all programs, without reducing services, while maintaining restricted reserves 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 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 one kind of fund:

- **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.

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

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.

	BOCES-Wide	Fund Financial Statements
		Governmental Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not proprietary or fiduciary, such as instruction, special education and building maintenance
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
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial 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
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

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, 2023 and 2022.

Net Position decreased by \$805,934 prior to a transfer of surplus to school districts in the amount of \$3,356,086.

Table A-2: Condensed Statement of Net Position

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Dollar Change</u>	<u>Percentage Change (Incr.;-Decr.)</u>
ASSETS				
Current and other assets	\$ 18,473,847	\$ 14,320,185	\$ 4,153,662	29.0%
Noncurrent assets	<u>11,483,156</u>	<u>23,076,404</u>	<u>(11,593,248)</u>	-50.2%
Total Assets	29,957,003	37,396,589	(7,439,586)	-19.9%
DEFERRED OUTFLOWS OF RESOURCES				
Other post-employment benefits	15,878,171	20,469,926	(4,591,755)	-22.4%
Pensions	<u>7,689,176</u>	<u>7,769,154</u>	<u>(79,978)</u>	-1.0%
Total Deferred Outflows of Resources	<u>23,567,347</u>	<u>28,239,080</u>	<u>(4,671,733)</u>	-16.5%
LIABILITIES				
Current liabilities	14,754,102	10,456,670	4,297,432	41.1%
Long-term liabilities	<u>118,771,340</u>	<u>124,593,136</u>	<u>(5,821,796)</u>	-4.7%
Total Liabilities	133,525,442	135,049,806	(1,524,364)	-1.1%
DEFERRED INFLOWS OF RESOURCES				
Other post-employment benefits	14,246,752	6,469,055	7,777,697	120.2%
Pensions	<u>789,318</u>	<u>14,991,950</u>	<u>(14,202,632)</u>	-94.7%
Total Deferred Inflows of Resources	<u>15,036,070</u>	<u>21,461,005</u>	<u>(6,424,935)</u>	-29.9%
NET POSITION				
Net investment in capital assets	7,997,453	7,283,623	713,830	9.8%
Restricted	3,752,500	3,786,798	(34,298)	-0.9%
Unrestricted	<u>(106,787,115)</u>	<u>(101,945,563)</u>	<u>(4,841,552)</u>	-4.7%
TOTAL NET POSITION (DEFICIT)	<u>\$ (95,037,162)</u>	<u>\$ (90,875,142)</u>	<u>\$ (4,162,020)</u>	-4.6%

FINANCIAL HIGHLIGHTS

The BOCES' fiscal year 2023 revenues totaled \$50,110,306 (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 \$50,916,240 for fiscal year 2023. These expenses (approximately 89.1%) are predominately for 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.

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

	Fiscal Year 2023	Fiscal Year 2022	Percentage Change (Incr.;-Decr.)
<u>REVENUES</u>			
Program revenues			
Charges for services to component schools, other BOCES and miscellaneous local sources	\$ 47,671,845	\$ 44,095,764	8.1%
Grants	2,424,555	2,976,872	-18.6%
Other revenues	13,906	203	6750.2%
Total Revenues	50,110,306	47,072,839	6.5%
<u>EXPENSES</u>			
Administration	5,578,621	4,981,883	12.0%
Occupational instruction	6,781,188	6,026,981	12.5%
Instruction for special education	12,364,113	11,891,703	4.0%
Itinerant services	3,968,499	3,093,900	28.3%
General instruction	5,376,842	5,251,486	2.4%
Instructional support	7,672,740	6,757,205	13.5%
Other services	8,744,725	8,613,275	1.5%
Expenditures - School Lunch	310,810	259,429	19.8%
Debt Service - Unallocated Interest	118,702	154,805	-23.3%
Total Expenses	50,916,240	47,030,667	8.3%
CHANGE IN NET POSITION	\$ (805,934)	\$ 42,172	-2011.1%

Figure A-4: Sources of Revenues for Fiscal Year 2023

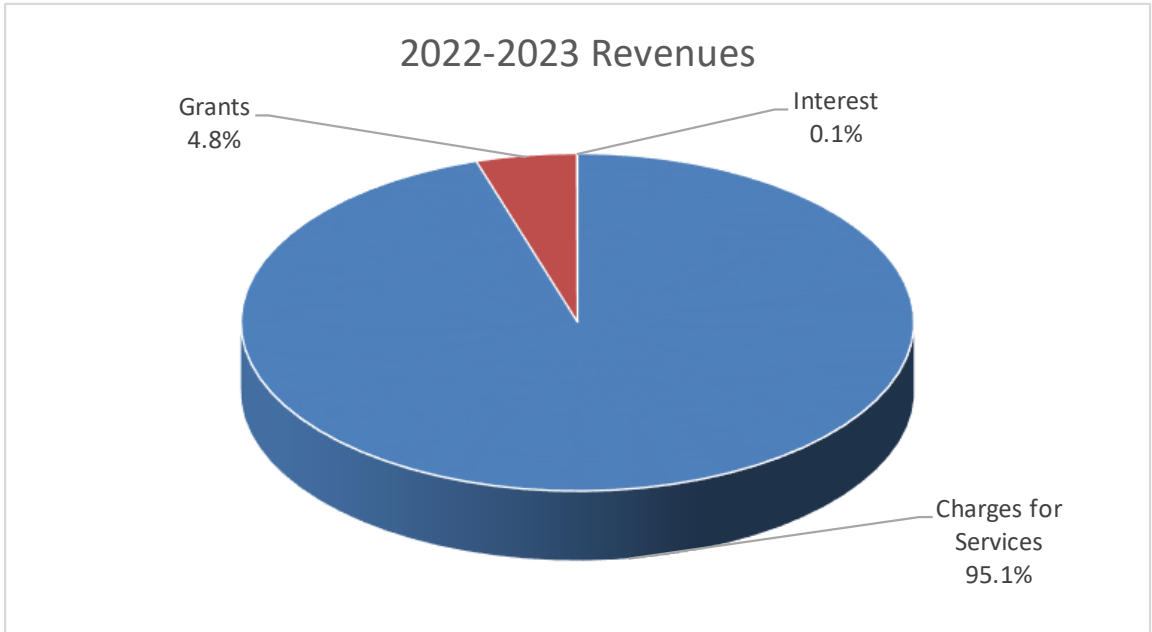
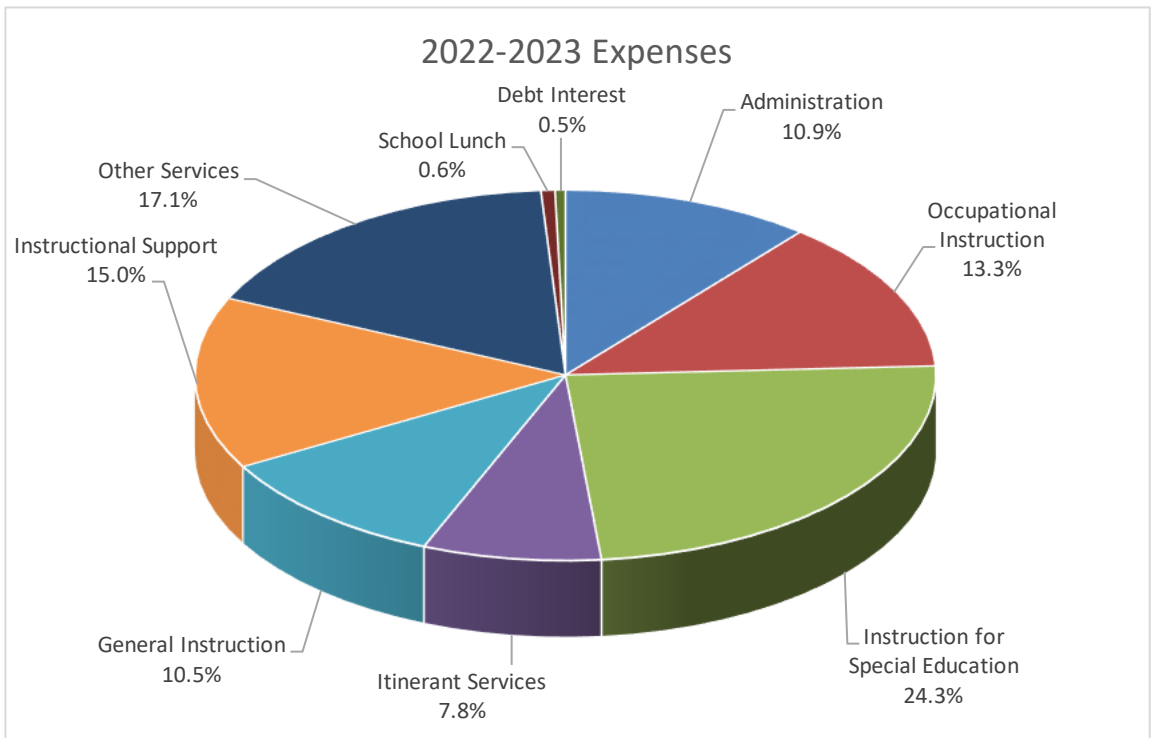


Figure A-5: Expenses for Fiscal Year 2023



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, non-component districts and other BOCES.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The BOCES underwent a complete asset inventory in order to comply with Governmental Accounting Standards Board (GASB) Statement No. 34 reporting requirements. Table A-6 indicates the 2023 and 2022 categories of Capital Assets.

Table A-6: Capital Assets (net of depreciation and amortization)

<u>Category</u>	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Percentage Change (Incr.;-Decr.)</u>
Land	\$ 176,400	\$ 176,400	0.0%
Right to use assets	472,452	584,140	-19.1%
Buildings and improvements	9,530,567	9,865,010	-3.4%
Furniture and equipment	1,303,737	1,217,213	7.1%
TOTAL FIXED ASSETS	\$ 11,483,156	\$ 11,842,763	-3.0%

LONG-TERM DEBT

As of June 30, 2023, the BOCES had \$116,228,329 in bonds and other long-term debt outstanding. More detailed information about the BOCES' long-term debt is included in the notes to the basic financial statements.

Table A-7: Long-Term Debt

<u>Category</u>	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Percentage Change (Incr.;-Decr.)</u>
Bonds	\$ 3,000,000	\$ 3,975,000	-24.5%
Compensated absences	765,298	774,777	-1.2%
Leases payable	485,703	584,140	-16.9%
Other post-employment retirement benefits	111,977,328	120,332,656	-6.9%
TOTAL LONG-TERM DEBT	\$ 116,228,329	\$ 125,666,573	-7.5%

FACTORS BEARING ON THE FUTURE OF BOCES

Herkimer BOCES seeks to provide quality shared services to its component districts. Each year, the scope of these services changes to meet the needs of those component districts as part of their mission to achieve higher standards of excellence for all students.

The availability of financial resources at the component level often drives the need for BOCES services and the district's ability to pay for those services. Drastic increases or decreases in component district funding can have a negative effect on shared services. Large funding increases may negate a component district's need to share a service as a district may be able to fund the program entirely on their own. To the contrary, large reductions in funding at component districts may make even the shared service unaffordable.

Enrollment also drives the need for shared services. Many component districts of Herkimer BOCES have experienced gradual enrollment declines over the last 10-year period. Declining enrollment can make some programs unsustainable at the individual component level. Herkimer BOCES has worked closely with its component districts to maintain programs on a shared basis wherever possible.

Providing services is a labor-intensive business. Beyond student needs and financial resources, Herkimer BOCES's ability to attract the human resources necessary to provide services can be a restraining factor. Herkimer BOCES is intensely focused on the need to attract, train, and retain qualified and dedicated individuals to support our programs. Finally, capital resources are necessary for any successful BOCES model. In addition to supporting programs, component districts must also support the capital infrastructure required to house and deliver those programs. These include building, equipment, fixtures, and technology to allow our programs to stay current. Herkimer BOCES has worked with our component districts and have obtained approval for a \$50 million capital project to support this goal. This capital project is divided between two major phases. One is focused on the former Remington Elementary School that the BOCES acquired from one of its components for use by secondary students in our Special Education and Alternative Education programs. The other is focused on rehabilitation of the 1970s era WEB complex with much needed infrastructure and program improvements.

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:

Herkimer-Fulton-Hamilton-Otsego Counties BOCES
Attention: Stephen Coupe – Business Manager
352 Gros Boulevard
Herkimer, NY 13350
(315) 867-2052

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

STATEMENT OF NET POSITION

JUNE 30, 2023

CURRENT ASSETS	
Cash and cash equivalents	\$ 5,412,105
Investments	1,072,039
State and federal aid receivable	10,178,327
Due from other governments	341,255
Other receivables	429,795
Prepaid expenses	1,013,778
Food inventory	26,548
Total Current Assets	<u>18,473,847</u>
NONCURRENT ASSETS	
Capital assets	26,898,394
Right to use assets	1,303,380
Less: accumulated depreciation and amortization	16,718,618
Total Noncurrent Assets	<u>11,483,156</u>
TOTAL ASSETS	<u>29,957,003</u>
DEFERRED OUTFLOWS OF RESOURCES	
Other post-employment benefits	15,878,171
Pensions	7,689,176
Total Deferred Outflows of Resources	<u>23,567,347</u>
CURRENT LIABILITIES	
Accounts payable/accrued liabilities	82,162
Due to school districts	11,653,202
Due to other governments	27
Collections in advance	319,533
Due to retirement systems	1,553,850
Accrued interest	45,255
Leases payable	100,073
Bonds and notes payable	1,000,000
Total Current Liabilities	<u>14,754,102</u>
LONG-TERM LIABILITIES	
Bonds and notes payable	2,000,000
Leases payable	385,630
Other post-employment benefits	111,977,328
Net pension liability - proportionate share	3,643,084
Compensated absences	765,298
Total Long-Term Liabilities	<u>118,771,340</u>
TOTAL LIABILITIES	<u>133,525,442</u>
DEFERRED INFLOWS OF RESOURCES	
Other post-employment benefits	14,246,752
Pensions	789,318
Total Deferred Inflows of Resources	<u>15,036,070</u>
NET POSITION	
Net investment in capital assets	7,997,453
Restricted	
Unemployment insurance reserve	419,935
Retirement contribution reserve - ERS	862,060
Retirement contribution reserve - TRS	518,475
Reserve for debt service	1,072,039
Employee benefit accrued liability reserve	879,991
Unrestricted	<u>(106,787,115)</u>
TOTAL NET POSITION	<u>\$ (95,037,162)</u>

See notes to basic financial statements.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS AND PROGRAMS:				
Administration	\$ 5,578,621	\$ 6,103,619	\$ 0	\$ 524,998
Occupational instruction	6,781,188	5,580,788	586,655	(613,745)
Instruction for special education	12,364,113	10,467,619	964,039	(932,455)
Itinerant services	3,968,499	4,215,911	0	247,412
General instruction	5,376,842	4,076,038	591,300	(709,504)
Instructional support	7,672,740	8,038,657	40,636	406,553
Other services	8,744,725	9,164,071	0	419,346
Expenditures - school lunch	310,810	25,142	241,925	(43,743)
Debt service - interest	118,702	0	0	(118,702)
Total Functions and Programs	<u>\$ 50,916,240</u>	<u>\$ 47,671,845</u>	<u>\$ 2,424,555</u>	(819,840)
GENERAL REVENUES:				
Use of money and property				<u>13,906</u>
CHANGE IN NET POSITION				(805,934)
TRANSFER OF JUNE 30, 2023 SURPLUS TO SCHOOL DISTRICTS - PAYABLE				(3,356,086)
TOTAL NET POSITION (DEFICIT) – BEGINNING OF YEAR				<u>(90,875,142)</u>
TOTAL NET POSITION (DEFICIT) – END OF YEAR				<u>\$ (95,037,162)</u>

See notes to basic financial statements.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2023

	Governmental Fund Types						Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Debt Service	CM Misc. Special Revenue	
ASSETS							
Cash and cash equivalents	\$ 2,850,109	\$ 262,539	\$ 13,892	\$ 2,242,289	\$ 0	\$ 43,276	\$ 5,412,105
Investments	0	0	0	0	1,072,039	0	1,072,039
Other receivables	146,714	283,081	0	0	0	0	429,795
State and federal aid receivable	8,801,164	1,366,114	11,049	0	0	0	10,178,327
Due from other funds	4,658,927	857,187	16,316	0	0	0	5,532,430
Due from other governments	26,716	314,539	0	0	0	0	341,255
Prepaid expenses	1,013,778	0	0	0	0	0	1,013,778
Food inventory	0	0	26,548	0	0	0	26,548
TOTAL ASSETS	\$ 17,497,408	\$ 3,083,460	\$ 67,805	\$ 2,242,289	\$ 1,072,039	\$ 43,276	\$ 24,006,277
LIABILITIES							
Accrued liabilities	\$ 79,785	\$ 1,976	\$ 401	\$ 0	\$ 0	\$ 0	\$ 82,162
State aid and refunds due school districts	11,653,202	0	0	0	0	0	11,653,202
Due to other funds	1,245,933	4,266,864	19,633	0	0	0	5,532,430
Due to other governments	0	0	27	0	0	0	27
Collections in advance	284,177	35,356	0	0	0	0	319,533
Due to Teachers' Retirement System	1,260,075	0	0	0	0	0	1,260,075
Due to Employees' Retirement System	293,775	0	0	0	0	0	293,775
Total liabilities	14,816,947	4,304,196	20,061	0	0	0	19,141,204
FUND BALANCE							
Nonspendable							
Reserve for inventory	0	0	26,548	0	0	0	26,548
Prepaid expenses	1,013,778	0	0	0	0	0	1,013,778
Restricted							
Unemployment insurance reserve	419,935	0	0	0	0	0	419,935
Retirement contribution reserve - ERS	862,060	0	0	0	0	0	862,060
Retirement contribution reserve - TRS	518,475	0	0	0	0	0	518,475
Reserve for debt service	0	0	0	0	1,072,039	0	1,072,039
Employee benefit accrued liability reserve	879,991	0	0	0	0	0	879,991
Assigned	64,689	0	21,196	2,242,289	0	43,276	2,371,450
Unassigned	(1,078,467)	(1,220,736)	0	0	0	0	(2,299,203)
Total fund balance	2,680,461	(1,220,736)	47,744	2,242,289	1,072,039	43,276	4,865,073
TOTAL LIABILITIES AND FUND BALANCE	\$ 17,497,408	\$ 3,083,460	\$ 67,805	\$ 2,242,289	\$ 1,072,039	\$ 43,276	\$ 24,006,277
RECONCILIATION OF FUND BALANCE TO NET POSITION:							
Amounts reported for activities in the statement of net position are different because:							
Total fund balance at June 30, 2023 (as reported above)							\$ 4,865,073
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							11,483,156
Accrued interest on long-term debt							(45,255)
Proportionate share of long-term asset and liability associated with participation in state retirement system are not current financial resources or obligations and are not reported in the funds							3,256,774
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							(114,596,910)
TOTAL NET POSITION – STATEMENT OF ACTIVITIES							\$ (95,037,162)

See notes to basic financial statements.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Fund Types					CM Misc. Special Revenue	Totals
	General	Special Aid	School Lunch	Capital Projects	Debt Service		
REVENUES							
Charges for services	\$ 30,639	\$ 671,669	\$ 25,142	\$ 0	\$ 0	\$ 0	\$ 727,450
Charges to components	41,897,048	0	0	0	0	0	41,897,048
Charges to other BOCES	298,634	0	0	0	0	0	298,634
Interest and earnings	13,906	0	0	0	0	0	13,906
Sale of property and compensation for loss	112,566	0	0	10,107	0	0	122,673
Miscellaneous	1,163,157	2,259,445	11,554	0	32,650	58,949	3,525,755
Interfund revenues	0	0	0	0	1,100,285	0	1,100,285
State sources	0	889,036	4,511	0	0	0	893,547
Federal sources	0	1,293,594	237,414	0	0	0	1,531,008
Total revenues	43,515,950	5,113,744	278,621	10,107	1,132,935	58,949	50,110,306
EXPENDITURES							
Administration	5,016,542	0	0	0	0	0	5,016,542
Occupational instruction	4,723,980	1,373,964	0	0	0	0	6,097,944
Instruction for special education	8,860,546	2,257,808	0	0	0	0	11,118,354
Itinerant services	3,568,650	0	0	0	0	0	3,568,650
General instruction	3,450,252	1,384,842	0	0	0	0	4,835,094
Instructional support	6,804,497	95,170	0	0	0	0	6,899,667
Other services	7,757,129	54,759	0	0	0	51,755	7,863,643
Debt service - principal	0	0	0	0	975,000	0	975,000
Debt service - interest	0	0	0	0	125,285	0	125,285
Cost of sales	0	0	310,810	0	0	0	310,810
Total expenditures	40,181,596	5,166,543	310,810	0	1,100,285	51,755	46,810,989
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	3,334,354	(52,799)	(32,189)	10,107	32,650	7,194	3,299,317
OTHER FINANCING SOURCES (USES)							
Unemployment insurance reserve	8,152	0	0	0	0	0	8,152
Employee accrued liability reserve	(75,100)	0	0	0	0	0	(75,100)
Interfund transfer	(150,000)	0	0	150,000	0	0	0
Refund of surplus	(3,356,086)	0	0	0	0	0	(3,356,086)
Total other financing sources (uses)	(3,573,034)	0	0	150,000	0	0	(3,423,034)
EXCESS (DEFICIT) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND USES	(238,680)	(52,799)	(32,189)	160,107	32,650	7,194	(123,717)
FUND BALANCE – BEGINNING OF YEAR	2,919,141	(1,167,937)	79,933	2,082,182	1,039,389	36,082	4,988,790
FUND BALANCE – END OF YEAR	\$ 2,680,461	\$ (1,220,736)	\$ 47,744	\$ 2,242,289	\$ 1,072,039	\$ 43,276	\$ 4,865,073

See notes to basic financial statements.

**HERKIMER-FULTON-HAMILTON-OTSEGO 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, 2023

REVENUES - GOVERNMENTAL FUNDS		\$ 50,110,306
EXPENDITURES - GOVERNMENTAL FUNDS	46,810,989	
Add:		
Depreciation	583,792	
Amortization	111,688	
Current year accrued interest	45,255	
Pensions	754,071	
Increase in other post-employment benefits liability	4,014,124	
Decrease in reserves	66,948	
	<u>5,575,878</u>	
Deduct:		
Decrease in bonds and notes payable	975,000	
Decrease in leases payable	98,437	
Increase in capital assets	335,873	
Prior year accrued interest	51,838	
Decrease in compensated absences	9,479	
	<u>1,470,627</u>	
EXPENDITURES - STATEMENT OF ACTIVITIES		<u>50,916,240</u>
CHANGE IN NET POSITION		<u>\$ (805,934)</u>

See notes to basic financial statements.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Herkimer-Fulton-Hamilton-Otsego 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 10 school districts in New York's Herkimer-Fulton-Hamilton-Otsego Counties:

Central Valley Central School District
Dolgeville Central School District
Frankfort-Schuyler Central School District
Herkimer Central School District
Little Falls City School District
Mount Markham Central School District
Owen D. Young Central School District
Poland Central School District
Richfield Springs Central School District
West Canada Valley Central School District

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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 District. The Board of Cooperative Educational Services exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the BOCES District 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 these funds in the Miscellaneous Special Revenue Fund.

B) Joint Venture

There are 10 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, 2023, the BOCES billed its component districts and other BOCES \$42,195,682 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.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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. Fund Financial Statements

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

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.

Miscellaneous Special Revenue Fund – Miscellaneous Special Revenue Fund is used to account for those revenues that are legally restricted to expenditures for a specific purpose.

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.

Debt Service Fund – These funds are used to account for and report the financial resources that are restricted to pay debt services. The funds include unused debt proceeds and interest and earnings on the temporary investment debt proceeds.

The BOCES reports no fiduciary funds.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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. Revenue from state aid is recognized in the fiscal year it is appropriated by the state. On an accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental 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 as it matches the liquidation of related obligations.

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, pensions and other post-employment benefits, 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

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.

A reserve for these non-liquid assets (inventories or prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

F) Due To/From Other Funds

The amounts reported on the Statement of Net Position for due to and due from other funds represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these Notes.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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	15 – 40
Vehicles	5,000	Straight-line	5 – 10
Furniture	5,000	Straight-line	5 – 10
Equipment	5,000	Straight-line	5 – 10

H) Right to Use Assets

Right to use assets are reported at actual cost or estimated historical cost. Right to use assets are amortized using the straight line method over the estimated useful life of the asset. All right to use assets are buildings and equipment which are amortized over a 3-5 year period.

I) Vested Employee Benefits

Compensated Absences

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

Consistent with GASB, an accrual for accumulated sick leave is included in the compensated absences liability at year end. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the fund statements, only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you-go basis.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

J) 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 proportionate 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 or Balance Sheet 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 or fund balance 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-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension liability (ERS System) and 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.

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

At June 30, 2023, 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, 2023 for ERS and June 30, 2022 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>
Measurement date	March 31, 2023	June 30, 2022
BOCES' proportionate share of the net pension asset (liability)	\$ (2,557,008)	\$(1,086,076)
BOCES' portion of the Plan's total net pension asset (liability)	0.0119241%	0.056599%
Change in proportion since the prior measurement date	(0.0000014%)	(0.002601%)

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

J) 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)

For the year ended June 30, 2023, the BOCES recognized its proportionate share of pension expense of \$893,813 for ERS and \$1,377,979 for TRS. At June 30, 2023, 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	\$ 272,341	\$ 1,138,070	\$ 71,810	\$ 21,763
Changes of assumptions	1,241,848	2,106,804	13,725	437,502
Net difference between projected and actual earnings on pension plan investments	0	1,403,314	15,022	0
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	57,923	137,095	74,753	154,743
BOCES' contributions subsequent to the measurement date	293,775	1,038,006	0	0
Total	<u>\$ 1,865,887</u>	<u>\$ 5,823,289</u>	<u>\$ 175,310</u>	<u>\$ 614,008</u>

BOCES contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended March 31, 2024 for ERS and June 30, 2024 for TRS. 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:		
2024	\$ 335,961	\$ 405,234
2025	(141,232)	(179,170)
2026	513,857	2,772,449
2027	688,216	371,941
2028	0	31,166
Thereafter	0	0

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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

Actuarial Assumptions

The total pension asset (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 asset (liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2023	June 30, 2022
Actuarial valuation date	April 1, 2022	June 30, 2021
Interest rate	5.9%	6.95%
Salary scale	4.4%	1.95% - 5.18%
Decrement tables	April 1, 2015 – March 31, 2020	July 1, 2015 – June 30, 2020
	Systems experience	Systems experience
Inflation rate	2.9%	2.4%
Projected cost of living adjustments	1.5%	1.3%

For ERS, annuitant mortality rates are based on April 1, 2015 through March 31, 2020 System’s experience with adjustments for mortality improvements based on MP-2021. For TRS, annuitant mortality rates are based on July 1, 2015 through June 30, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

For ERS, the actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 through March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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

Actuarial Assumptions – (Continued)

Measurement date	<u>ERS</u> March 31, 2023	<u>TRS</u> June 30, 2022
<u>Asset type</u>		
Domestic equity	4.30%	6.50%
International equity	6.85	7.20
Global equities	0	6.90
Real estate	4.60	6.20
Domestic fixed income securities	1.50	1.10
Global bonds	0	0.60
High-yield fixed income securities	0	3.30
Real estate debt	0	2.40
Private debt	0	5.30
Credit	5.43	0
Private equity/alternative investments	7.50	9.90
Opportunistic/ARS portfolio	5.38	0
Cash	0	(0.3)
Real assets	5.84	0

Discount Rate

The discount rate used to calculate the total pension asset (liability) was 5.9% for ERS and 6.95% 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 asset (liability).

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

The following presents the BOCES' proportionate share of the net pension asset (liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the BOCES' proportionate share of the net pension asset (liability) would be if it were calculated using a discount rate that is 1 percentage point lower (4.9% for ERS and 5.95% for TRS) or 1 percentage point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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

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

	<u>1% Decrease (4.9%)</u>	<u>Current Assumption (5.9%)</u>	<u>1% Increase (6.9%)</u>
<u>ERS</u> BOCES' proportionate share of the net pension asset (liability)	\$(6,179,190)	\$(2,557,008)	\$ 469,748
<u>TRS</u> BOCES' proportionate share of the net pension asset (liability)	\$(10,014,132)	\$(1,086,076)	\$ 6,422,360

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>	<u>TRS</u>	<u>Total</u>
Measurement date	March 31, 2023	June 30, 2022	
Employers' total pension asset (liability)	\$(232,627,259)	\$(133,883,474)	\$(366,510,733)
Plan fiduciary net position asset (liability)	211,183,223	131,964,582	343,147,805
Employers' net pension asset (liability)	(21,444,036)	(1,918,892)	(23,362,928)
Ratio of plan fiduciary net position to the employers' total pension asset (liability)	90.78%	98.6%	93.6%

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, 2023, represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2023, amounted to \$293,775.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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

Payables to the Pension Plan – (Continued)

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023, are paid to the System in September, October and November, 2023, through a state aid intercept. Accrued retirement contributions as of June 30, 2023, represent employee and employer contributions for the fiscal year ended June 30, 2023, 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, 2023, amount to \$1,260,075.

Additional pension information can be found in Note 8.

K) Unearned Revenue

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues recorded in the governmental fund and government-wide financial statements arise when revenues are received prior to the BOCES having legal claim to them. For example, when grant monies are received prior to incurring qualified expenditures, then those monies are considered to be unearned revenue. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

L) 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 for the year ended June 30, 2023.

M) 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.

N) 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 health insurance coverage and survivor benefits for retired employees and their dependents.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

N) Other Benefits – (Continued)

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.

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, construction 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 includes the inventory and prepaids recorded in the School Lunch Fund and General Fund of \$26,548 and \$1,013,778, respectively.

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:

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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.

Retirement Contributions

According to General Municipal Law §6-r, must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. 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. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During the fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. 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.

Debt Service

According to General Municipal Law §6-l, the Mandatory Reserve for Debt Service, must be established for the purpose of retiring the outstanding obligations upon the sale of BOCES property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of BOCES property or capital improvement. This reserve is accounted for in the Debt Service Fund under Restricted Fund Balance.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

O) Equity Classifications – (Continued)

Funds Statements – (Continued)

2. Restricted – (Continued)

Currently Utilized by the BOCES: – (Continued)

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the General Fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

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, 2023.

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 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 definitions of the above four classifications and are deemed to be available for general use by the BOCES. 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.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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, 2023, the BOCES implemented the following new standards issued by GASB:

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. 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.

Q) Future Changes in Accounting Standards

GASB has issued Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024. This Statement amends GASB Statement No. 62 in order to enhance accounting and financial reporting requirements for accounting changes and error corrections.

GASB has issued Statement No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. This Statement amends the existing requirements related to Compensated Absences by updating the recognition and measurement guidance.

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.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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.

The following is a summary of General Fund budget revisions for the year ended June 30, 2023:

<u>Program</u>	<u>Original Budget</u>	<u>Budget Revisions</u>		<u>Revised Budget</u>
		<u>Purpose</u>	<u>Amount</u>	
Administration	\$ 5,277,928	All revisions	\$ 9,358	\$ 5,287,286
Occupational Instruction	4,973,824	were made to	67,703	5,041,527
Instruction for Special Education	9,771,493	meet the program	268,471	10,039,964
Itinerant Services	2,286,881	service needs to	(19,543)	2,267,338
General Instruction	3,330,621	the component	6,276	3,336,897
Instructional Support	5,010,004	school districts.	713,837	5,723,841
Other Services	6,820,440		1,007,255	7,827,695
TOTALS	\$ 37,471,191		\$ 2,053,357	\$ 39,524,548

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

R) Budgetary Procedures and Budgetary Accounting – (Continued)

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.

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 and liabilities 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, potential contingent liabilities and useful lives of long-lived assets.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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' 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 State 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.

Investments

Investments are stated at fair value. The investments represent unspent revenue bond proceeds and funds intercepted by the state for the component school districts debt service payments. The investments consist of only short-term United States Treasury Bills. The investments are held in the BOCES' name but are not insured or collateralized.

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain</u>
U.S. Treasury Bills	<u>\$ 1,053,951</u>	<u>\$ 1,072,039</u>	<u>\$ 18,088</u>

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 and other post-employment benefits.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

**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

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, described as follows:

i) Long-Term Revenue and Expense 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.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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		9,818,599

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 \$3,752,500 within the governmental funds.

NOTE 4 – INTERFUND TRANSACTIONS

Interfund balances at June 30, 2023, are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 4,658,927	\$ 1,245,933	\$ 0	\$ 150,000
School Lunch Fund	16,316	19,633	0	0
Capital Fund	0	0	150,000	0
Special Aid Fund	857,187	4,266,864	0	0
TOTALS	<u>\$ 5,532,430</u>	<u>\$ 5,532,430</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

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.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 5 – FAIR VALUE OF ASSETS

As required by GASB 72, the BOCES is required to value investment and debt securities based on the valuation measurement techniques and hierarchy established by the pronouncement.

There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades or other sources;
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectation about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets and liabilities itemized below were measured at fair value during the year ended using the market and income approaches. The market approach was used for Level 1 and Level 2.

Fair Value Measurements Using

	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Bills	\$ 1,072,039	\$ 1,072,039	\$ 0	\$ 0

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 6 – CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

	Beginning Balance	Additions	Retirement/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 176,400	\$ 0	\$ 0	\$ 176,400
Total nondepreciable historical cost	176,400	0	0	176,400
Capital assets that are depreciated:				
Buildings and improvements	21,075,537	27,033	0	21,102,570
Furniture and equipment	5,308,979	310,445	0	5,619,424
Total depreciable historical cost	26,384,516	337,478	0	26,721,994
Less accumulated depreciation:				
Buildings and improvements	11,210,527	361,476	0	11,572,003
Furniture and equipment	4,091,766	222,316	(1,605)	4,315,687
Total accumulated depreciation	15,302,293	583,792	(1,605)	15,887,690
Total depreciable historical cost - net	11,082,223	(246,314)	1,605	10,834,304
Right to use assets that are amortized:				
Buildings and improvements	1,219,283	0	0	1,219,283
Furniture and equipment	84,097	0	0	84,097
Total amortizable historical cost	1,303,380	0	0	1,303,380
Less accumulated amortization:				
Buildings and improvements	698,712	95,396	0	794,108
Furniture and equipment	20,528	16,292	0	36,820
Total accumulated amortization	719,240	111,688	0	830,928
Total amortizable historical cost - net	584,140	(111,688)	0	472,452
GRAND TOTALS	\$ 11,842,763	\$ (358,002)	\$ 1,605	\$ 11,483,156

Depreciation and amortization were allocated to programs as follows:

Administration	\$ 76,848
Occupational instruction	93,414
Instruction for the handicapped	170,322
Itinerant services	54,668
General instruction	74,069
Instructional support	105,696
Other services	120,463
	<u>\$ 695,480</u>

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 7 – LONG-TERM DEBT

Interest paid on long-term debt was comprised of:

Interest expense	\$ 131,868
Less: Prior year accrued interest	(51,838)
Plus: Current year accrued interest	<u>45,255</u>
Totals	<u><u>\$ 125,285</u></u>

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation debt:					
Bonds and notes payable	\$ 3,975,000	\$ 0	\$ 975,000	\$ 3,000,000	\$ 1,000,000
Total general obligation debt	<u>3,975,000</u>	<u>0</u>	<u>975,000</u>	<u>3,000,000</u>	<u>1,000,000</u>
Other liabilities:					
Compensated absences	774,777	0	9,479	765,298	0
Leases payable	584,140	0	98,437	485,703	100,073
Other post-employment benefits	120,332,656	0	8,355,328	111,977,328	0
Total other liabilities	<u>121,691,573</u>	<u>0</u>	<u>8,463,244</u>	<u>113,228,329</u>	<u>100,073</u>
TOTAL LONG-TERM LIABILITIES	<u><u>\$ 125,666,573</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 9,438,244</u></u>	<u><u>\$ 116,228,329</u></u>	<u><u>\$ 1,100,073</u></u>

Revenue Bonds

The BOCES entered into a financing agreement with the Dormitory Authority of the State of New York (DASNY) consisting of program lease revenue bonds in which the BOCES guarantees the payment of principal and interest on bonds issued by the DASNY. The revenue bonds will be paid by the component districts of the BOCES through rental charges which are part of the BOCES administrative budget. The financing agreement is part of a building expansion and alteration project approved by a majority vote of the residents of the component districts. The terms of the revenue bonds are as follows:

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 7 – LONG-TERM DEBT – (CONTINUED)

<u>Description of issue</u>	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>
DASNY Bonds	August, 2010	June, 2026	2.0 - 4.25%	\$ 3,000,000

The following is a summary of maturing debt service requirements on the bonds payable:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2024	\$ 1,000,000	\$ 87,500	\$ 1,087,500
2025	1,000,000	52,500	1,052,500
2026	1,000,000	17,500	1,017,500
Totals	<u><u>\$ 3,000,000</u></u>	<u><u>\$ 157,500</u></u>	<u><u>\$ 3,157,500</u></u>

The following is a summary of the maturity of leases payable:

<u>Description of issue</u>	<u>Date</u>	<u>Maturity</u>	<u>Rate</u>	<u>Balance</u>
Equipment Lease	2020	2025	0.66%	\$ 3,785
Equipment Lease	2021	2025	0.46%	1,528
Equipment Lease	2021	2024	0.92%	41,285
Building	2015	2029	1.92%	439,105
				<u><u>\$ 485,703</u></u>

The following is a summary of maturing leases payable:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending June 30,			
2024	\$ 100,073	\$ 8,169	\$ 108,242
2025	87,752	6,533	94,285
2026	77,626	5,037	82,663
2027	78,750	3,538	82,288
2028	82,150	1,772	83,922
2029	59,352	732	60,084
Totals	<u><u>\$ 485,703</u></u>	<u><u>\$ 25,781</u></u>	<u><u>\$ 511,484</u></u>

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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.

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.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 8 – PENSION PLANS – (CONTINUED)

Plan Descriptions and Benefits Provided: - (Continued)

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>NYSTRS</u>	<u>NYSERS</u>
2023	\$ 1,038,006	\$ 446,411
2022	975,612	520,727
2021	957,299	474,009

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 J.

NOTE 9 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS

General Information About the OPEB Plan:

Plan Description

The BOCES administers a defined benefit OPEB plan that provides OPEB for all permanent full-time general employees of the BOCES. The plan is a single-employer defined benefit OPEB plan (the Plan) administered by Article 11 of the State Compiled Statutes, which grants the authority to establish and amend the benefit terms and financing requirements to the BOCES' Board, subject to applicable collective bargaining and employment agreements, and Board of Education policy. The Plan does not issue a separate financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Funding Policy

The obligations of the Plan members and employers are established by action of the BOCES pursuant to applicable collected bargaining and other employment agreements. Employees contribute varying percentages of the premiums, depending on when retired and their applicable agreement. The BOCES currently funds the Plan to satisfy current obligations on a pay-as-you-go basis.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

Benefits Provided

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

Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	239
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>250</u>
Total	<u><u>489</u></u>

Net OPEB Liability:

The BOCES' total OPEB liability of \$111,977,328 was measured as of July 1, 2022 and was determined by an actuarial valuation as of July 1, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary Increases	3%
Discount Rate	3.54%
Healthcare Cost Trend Rates	7.8% for 2024, decreasing to an ultimate rate of 4.14% for 2093.

The discount rate was based on a yield or index rate for 20-year, tax exempt general obligation municipal bond rated AA/Aa (or equivalent) or higher.

Mortality rates were based on the Pub 2010 Mortality Table, with generational mortality with scale MP-2021.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

Changes in the Total OPEB Liability:

Balance at June 30, 2022	\$ 120,332,656
Changes for the year:	
Service cost	5,868,276
Interest	2,661,927
Changes in benefit terms	0
Differences between expected and actual experience	(4,670,044)
Changes in assumptions or other inputs	(8,591,841)
Benefit payments	<u>(3,623,646)</u>
Net changes	<u>(8,355,328)</u>
Balance at June 30, 2023	<u>\$ 111,977,328</u>

Assumption changes for this fiscal year were as follows:

- Changed the discount rate from 2.14% in 2022 to 3.54% in 2023.

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

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 130,602,776	\$ 111,977,328	\$ 97,093,065

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 (6.80% to 3.14%) or 1 percentage point higher (8.80% decreasing to 5.14%) than the current healthcare cost trend rate:

	<u>1% Decrease</u> <u>(6.80%</u> <u>Decreasing</u> <u>to 3.14%)</u>	<u>Healthcare</u> <u>Cost Trend Rates</u> <u>(7.80%</u> <u>Decreasing</u> <u>to 4.14%)</u>	<u>1% Increase</u> <u>(8.80%</u> <u>Decreasing</u> <u>to 5.14%)</u>
Total OPEB Liability	\$ 95,571,606	\$ 111,977,328	\$ 133,146,315

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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

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

For the year ended June 30, 2023, the BOCES recognized OPEB expense of \$4,014,124. At June 30, 2023, 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	\$ 535,792	\$ 6,583,541
Changes of assumptions or other inputs	11,421,659	7,663,211
Employer contributions subsequent to the measurement date	<u>3,920,720</u>	<u>0</u>
Total	<u>\$ 15,878,171</u>	<u>\$ 14,246,752</u>

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>	
2024	\$ 4,886,284
2025	856,665
2026	51,945
2027	(2,046,030)
2028	(2,117,445)
2029 and thereafter	<u>0</u>
Total	<u>\$ 1,631,419</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Potential Grantor Liability

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 11 – RISK MANAGEMENT

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.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 11 – RISK MANAGEMENT – (CONTINUED)

Consortiums and Self Insured Plans

The BOCES participates with 9 other governmental entities in the Herkimer County BOCES Health Insurance Consortium for its health insurance coverage, as well as with 31 other school districts in the Madison, Oneida, and Herkimer Workers' Compensation Consortium for its workers' compensation insurance coverage. Premiums paid to the Health and Workers' Compensation Consortium totaled \$6,930,013 and \$283,289, respectively, for the year ended June 30, 2023. Entities joining the plan must remain members for a minimum of one year; a member may withdraw from the plan after that time by submitting a notice of withdrawal, 120 days for workers' compensation or 30 days for health insurance, prior to the plan's year end. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plan's assets were to be exhausted, members would be responsible for the plan's liabilities. The plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks insured.

The plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The Consortium is an intermunicipal agreement pursuant to Article 5-G of the General Municipal Law whereby each entity pays annual premiums based on the expected claims for the enrollees. Due to this arrangement, a possible contingent liability exists for the BOCES as a result of the possibility that any participating entity may have actual claims less than its annual premiums and try to recover its portion due to it through the Consortium participants.

The BOCES continues to carry commercial insurance for all other risks of loss such as general liability.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the issuance date of the audit report. There were no issues to report that would have a material effect on the financial statements.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Fav; (Unfav)</u>
REVENUES				
Local Sources:				
Charges for services	\$ 0	\$ 0	\$ 30,639	\$ 30,639
Charges to components	25,418,277	42,046,873	41,897,048	(149,825)
Charges to other BOCES	145,580	298,634	298,634	0
Interest and earnings	0	0	13,906	13,906
Sale of property and compensation for loss	0	0	112,566	112,566
Miscellaneous	0	25,000	1,163,157	1,138,157
Total revenues	<u>25,563,857</u>	<u>42,370,507</u>	<u>43,515,950</u>	<u>1,145,443</u>
EXPENDITURES				
Current:				
Administration	5,277,928	5,287,286	5,006,316	280,970
Occupational instruction	4,973,824	5,041,527	4,705,489	336,038
Instruction for special education	9,771,493	10,039,964	8,799,779	1,240,185
Itinerant services	2,286,881	2,267,338	3,569,025	(1,301,687)
General instruction	3,330,621	3,336,897	3,440,336	(103,439)
Instructional support	5,010,004	5,723,841	6,796,479	(1,072,638)
Other services	6,820,440	7,827,695	7,757,129	70,566
Total expenditures	<u>37,471,191</u>	<u>39,524,548</u>	<u>40,074,553</u>	<u>(550,005)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (11,907,334)</u>	<u>\$ 2,845,959</u>	3,441,397	<u>\$ 595,438</u>
RECONCILIATION				
Add - encumbrances at end of year included in actual			64,689	
Less - expenditure of prior year's encumbrances			(171,732)	
EXCESS OF REVENUES OVER EXPENDITURES			<u>3,334,354</u>	
OTHER FINANCING SOURCES (USES)				
Interfund transfers - out			(150,000)	
Unemployment reserve			8,152	
Employee accrued liability reserve			(75,100)	
Refund of surplus			(3,356,086)	
Total other financing sources (uses)			<u>(3,573,034)</u>	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES			(238,680)	
FUND BALANCE – BEGINNING OF YEAR			<u>2,919,141</u>	
FUND BALANCE – END OF YEAR			<u>\$ 2,680,461</u>	

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEARS ENDED JUNE 30, 2023, 2022, 2021, 2020, 2019 AND 2018

Measurement Date	July 1, 2022	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2018	July 1, 2017
Total OPEB Liability						
Service cost	\$ 5,868,276	\$ 6,170,324	\$ 4,067,987	\$ 4,234,703	\$ 3,591,589	\$ 4,770,530
Interest	2,661,927	2,650,345	3,503,405	3,636,227	3,170,177	2,715,437
Change of benefit terms	0	(1,842,197)	(1,510,310)	0	0	0
Differences between expected and actual experience	(4,670,044)	0	(5,610,295)	0	4,256,557	0
Change of assumptions or other inputs	(8,591,841)	1,355,013	20,774,652	1,807,606	(2,812,394)	(10,919,272)
Benefit payments	(3,623,646)	(3,511,287)	(3,488,526)	(3,259,247)	(2,641,109)	(2,570,407)
Net change in total OPEB liability	(8,355,328)	4,822,198	17,736,913	6,419,289	5,564,820	(6,003,712)
Total OPEB Liability - beginning	120,332,656	115,510,458	97,773,545	91,354,256	85,789,436	91,793,148
Total OPEB Liability - ending	<u>\$ 111,977,328</u>	<u>\$ 120,332,656</u>	<u>\$ 115,510,458</u>	<u>\$ 97,773,545</u>	<u>\$ 91,354,256</u>	<u>\$ 85,789,436</u>
Covered-employee payroll	\$ 14,502,331	\$ 13,109,916	\$ 12,830,870	\$ 12,081,941	\$ 11,651,379	\$ 12,650,884
Total OPEB liability as a percentage of covered-employee payroll	772%	918%	900%	809%	784%	678%
Plan's fiduciary net position	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net OPEB Liability	\$ 111,977,328	\$ 120,332,656	\$ 115,510,458	\$ 97,773,545	\$ 91,354,256	\$ 85,789,436

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE YEARS ENDED JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 AND 2015

<u>NYS Teachers' Retirement System</u>	<u>2023</u>	<u>2022</u>	<u>2021</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)	0.056599%	0.059200%	0.057711%	0.057135%	0.055677%	0.055120%	0.053693%	0.054055%	0.049341%
BOCES' proportionate share of the net pension liability (asset)	\$ 1,086,076	\$ (10,258,779)	\$ 1,594,706	\$ (1,484,382)	\$ (1,006,790)	\$ (418,964)	\$ 575,073	\$ (5,614,638)	\$ (5,496,252)
BOCES' covered-employee payroll	10,081,118	9,959,405	10,045,110	10,398,736	10,024,698	9,619,979	9,453,273	10,080,392	8,119,863
BOCES' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.8%	103.0%	15.9%	14.3%	10.0%	4.4%	6.1%	55.7%	67.7%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.60%	113.20%	97.80%	102.20%	101.53%	100.70%	99.00%	110.50%	111.48%
 <u>NYS Employees' Retirement System</u>	 <u>2023</u>	 <u>2022</u>	 <u>2021</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)	0.0119241%	0.0119255%	0.0114702%	0.0110143%	0.0100998%	0.0101319%	0.0096742%	0.0096023%	0.0085810%
BOCES' proportionate share of the net pension liability (asset)	\$ 2,557,008	\$ (974,862)	\$ 11,421	\$ 2,916,655	\$ 715,601	\$ 327,003	\$ 909,006	\$ 1,541,200	\$ 289,887
BOCES' covered-employee payroll	3,575,118	3,436,429	3,441,757	3,311,671	3,139,036	2,941,859	2,853,579	2,462,818	2,462,818
BOCES' proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71.5%	28.4%	0.3%	88.1%	22.8%	11.1%	31.9%	62.6%	11.8%
Plan fiduciary net position as a percentage of the total pension liability (asset)	90.78%	103.65%	99.95%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF LOCAL GOVERNMENT CONTRIBUTIONS

FOR THE YEARS ENDED JUNE 30, 2023, 2022, 2021, 2020, 2019, 2018, 2017, 2016 AND 2015

<u>NYS Teachers' Retirement System</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,037,347	\$ 975,612	\$ 957,299	\$ 921,328	\$ 1,064,623	\$ 942,758	\$ 1,107,924	\$ 1,336,660	\$ 1,423,412
Contributions in relation to the contractually required contribution	1,037,347	975,612	957,299	921,328	1,064,623	942,758	1,107,924	1,336,660	1,423,412
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
BOCES' covered-employee payroll	\$ 10,081,118	\$ 9,959,405	\$ 10,045,110	\$ 10,398,736	\$ 10,024,698	\$ 9,619,979	\$ 9,453,273	\$ 10,080,392	\$ 8,119,863
Contribution as a percentage of covered-employee payroll	10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%
 <u>NYS Employees' Retirement System</u>	 <u>2023</u>	 <u>2022</u>	 <u>2021</u>	 <u>2020</u>	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Contractually required contribution	\$ 446,411	\$ 520,727	\$ 474,009	\$ 438,011	\$ 426,744	\$ 393,112	\$ 396,286	\$ 510,459	\$ 440,625
Contributions in relation to the contractually required contribution	446,411	520,727	474,009	438,011	426,744	393,112	396,286	510,459	440,625
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
BOCES' covered-employee payroll	\$ 3,575,118	\$ 3,436,429	\$ 3,441,757	\$ 3,311,671	\$ 3,139,036	\$ 2,941,859	\$ 2,853,579	\$ 2,462,818	\$ 2,462,818
Contribution as a percentage of covered-employee payroll	12.49%	15.15%	13.77%	13.23%	13.59%	13.36%	13.89%	20.73%	17.89%

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUPPLEMENTARY INFORMATION

ANALYSIS OF ACCOUNT A431 – SCHOOL DISTRICTS

FOR THE YEARS ENDED JUNR 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
DEBIT (CREDIT) BALANCE - BEGINNING OF YEAR	\$ (1,250,894)	\$ 1,365,397
DEBITS		
Billings to school districts and other BOCES	44,605,708	41,026,951
Refund of balances due school districts	2,374,453	2,513,573
Encumbrances - end of year	<u>64,689</u>	<u>171,732</u>
Total Debits	<u>47,044,850</u>	<u>43,712,256</u>
CREDITS		
Excess revenues over expenditures	3,184,355	2,374,453
Collections from school districts	45,124,886	43,846,055
Encumbrances - beginning of year	<u>171,732</u>	<u>108,039</u>
Total Credits	<u>48,480,973</u>	<u>46,328,547</u>
(CREDIT) BALANCE - END OF YEAR	<u><u>\$ (2,687,017)</u></u>	<u><u>\$ (1,250,894)</u></u>

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUPPLEMENTARY INFORMATION

**SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES
COMPARED TO BUDGET**

FOR THE YEAR ENDED JUNE 30, 2023

	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	\$ 4,152,863	\$ 5,265,537	\$ 5,405,036	\$ 139,499	\$ 5,277,928	\$ 5,287,286	\$ 5,166,542	\$ 20,224	\$ 100,520
Occupational Instruction 100-199	4,930,971	5,023,710	5,121,820	98,110	4,973,824	5,041,527	4,723,980	18,339	299,208
Instruction for Special Education 200-299	9,160,661	10,257,901	10,278,533	20,632	9,771,493	10,039,964	8,860,546	15,360	1,164,058
Itinerant 300-399	3,251,141	3,672,060	3,711,026	38,966	2,286,881	2,267,338	3,568,650	621	(1,301,933)
General Instruction 400-499	2,526,974	3,537,300	3,844,847	307,547	3,330,621	3,336,897	3,450,252	9,292	(122,647)
Instructional Support 500-599	892,084	6,746,238	7,011,197	264,959	5,010,004	5,723,841	6,804,497	853	(1,081,509)
Other Services 600-699	649,163	7,867,761	8,143,491	275,730	6,820,440	7,827,695	7,757,129	0	70,566
TOTALS	<u>\$ 25,563,857</u>	<u>\$ 42,370,507</u>	<u>\$ 43,515,950</u>	<u>\$ 1,145,443</u>	<u>\$ 37,471,191</u>	<u>\$ 39,524,548</u>	<u>\$ 40,331,596</u>	<u>\$ 64,689</u>	<u>\$ (871,737)</u>
EXCESS REVENUES					<u>\$ (11,907,334)</u>	<u>\$ 2,845,959</u>	<u>\$ 3,184,354</u>		

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUPPLEMENTARY INFORMATION

SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECT FUND

FOR THE YEAR ENDED JUNE 30, 2023

<u>Project Title</u>	<u>Original Appropriation</u>	<u>Revised Appropriation</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>	<u>Methods of Financing</u>			<u>Fund Balances</u>	
			<u>Prior Year</u>	<u>Current Year</u>	<u>Total</u>		<u>State Aid</u>	<u>Local Sources</u>	<u>Proceeds of Obligations</u>		<u>Total</u>
Remington Educational	\$ 50,000,000	\$ 50,000,000	\$ 0	\$ 0	\$ 0	\$ 50,000,000	\$ 0	\$ 2,242,289	\$ 0	\$ 2,242,289	\$ 2,242,289
TOTALS	\$ 50,000,000	\$ 50,000,000	\$ 0	\$ 0	\$ 0	\$ 50,000,000	\$ 0	\$ 2,242,289	\$ 0	\$ 2,242,289	\$ 2,242,289

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SUPPLEMENTARY INFORMATION

NET INVESTMENT IN CAPITAL ASSETS

JUNE 30, 2023

CAPITAL ASSETS, NET		\$ 11,483,156
DEDUCT:		
Short-term portion of debt	1,000,000	
Short-term portion of leases payable	100,073	
Long-term portion of leases payable	385,630	
Long-term portion of debt	<u>2,000,000</u>	
		<u>3,485,703</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 7,997,453</u></u>

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

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

(UNIFORM GUIDANCE)

JUNE 30, 2023



**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
Herkimer-Fulton-Hamilton-Otsego Counties
Board of Cooperative Educational Services
Herkimer, 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 Herkimer-Fulton-Hamilton-Otsego Counties Board of Cooperative Educational Services (BOCES) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether BOCES' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 CPAs PC

Gloversville, New York
December 12, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the Board of Education of the
Herkimer-Fulton-Hamilton-Otsego Counties
Board of Cooperative Educational Services
Herkimer, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Herkimer-Fulton-Hamilton-Otsego Counties Board of Cooperative Educational Services (the BOCES) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2023. The BOCES' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the BOCES complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the BOCES and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the BOCES' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

WEST & COMPANY CPA PC

Gloversville, New York
December 12, 2023

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing</u>	<u>Pass-Through Grantor's Number</u>	<u>Current Year Federal Expenditures</u>
<u>U.S. Department of Education</u>			
Direct Award:			
Student Financial Aid Cluster:			
Federal Direct Student Loans	84.268	Not Applicable	\$ 236,532
Federal Pell Grant Program	84.063	Not Applicable	<u>181,540</u>
Total Student Financial Aid Cluster			418,072
(Passed through the State Education Department of the State of New York - Pass-through Grantor's No. 14-6013200-C6)			
Migrant Education - State Grant Program	84.011	0035220008	16,447
Migrant Education - State Grant Program	84.011	0035230008	<u>840,410</u>
Total Migrant Education - State Grant Program			856,857
Adult Education - Basic Grants to States	84.002	2338234104	49,795
Adult Education - Basic Grants to States	84.002	2338234403	<u>149,159</u>
Total Adult Education - Basic Grants to States			198,954
Career and Technical Education - Basic Grants to States	84.048	8000230057	<u>98,198</u>
Total U.S. Department of Education			<u>1,572,081</u>
<u>U.S. Department of Agriculture</u>			
Passed Through NYS Education Department:			
Child Nutrition Cluster:			
Non-Cash Assistance (Food Distribution)			
National School Lunch Program	10.555	Not Applicable	14,218
Cash Assistance			
School Breakfast Program	10.553	Not Applicable	54,710
National School Lunch Program	10.555	Not Applicable	133,533
Covid-19 National School Lunch Program, School Programs			
Emergency Operational Costs Reimbursement Program	10.555	Not Applicable	<u>33,697</u>
Total Child Nutrition Cluster			236,158
Covid-19 Pandemic EBT Administrative Costs	10.649	Not Applicable	<u>1,256</u>
Total U.S. Department of Agriculture			<u>237,414</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through Health Research, Inc:			
Covid-19 Epidemiology and Lab Capacity for Infectious Diseases (ELC)	93.323	Not Applicable	<u>14,929</u>
Total U.S. Department of Health and Human Services			<u>14,929</u>
TOTAL FEDERAL AWARDS EXPENDED			<u>\$ 1,824,424</u>

See notes to schedule of expenditures of federal awards.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the BOCES, which is described in Note 1 to the 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 – FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2023, the BOCES had food commodities totaling \$10,808 in inventory.

NOTE C – CLUSTER PROGRAMS

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

Child Nutrition Cluster

Assistance Listing 10.553
Assistance Listing 10.555

School Breakfast Program
National School Lunch Program, Covid-19 National
School Lunch Program, School Programs Emergency
Operational Costs Reimbursement Program

Student Financial Assistance Cluster

Assistance Listing 84.268
Assistance Listing 84.063

Federal Direct Student Loans
Federal Pell Grant Program

NOTE D – INDIRECT COST RATE

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

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' opinion issued: Unmodified

Internal control over financial reporting:

 Material weaknesses identified? _____ yes X no

 Significant deficiencies identified that are not
 considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

FEDERAL AWARDS

Internal control over major programs:

 Material weaknesses identified? _____ yes X no

 Significant deficiencies identified that are not
 considered to be material weaknesses? _____ yes X none reported

Type of auditors' opinion(s) issued on compliance for
major programs: Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516? _____ yes X no

Identification of major programs:

<u>Name of Federal Program</u>	<u>Assistance Listing</u>
---------------------------------------	----------------------------------

Federal Direct Student Loans	84.268
Federal Pell Grant Program	84.063

Dollar threshold used to distinguish between Type A and Type B Programs	\$750,000
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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.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

AUDITED FINANCIAL STATEMENTS

EXTRACLASSROOM ACTIVITY FUNDS

JUNE 30, 2023



INDEPENDENT AUDITORS' REPORT

To the Board of Education of the
Herkimer-Fulton-Hamilton-Otsego Counties
Board of Cooperative Educational Services
Herkimer, New York

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statement of assets and liabilities arising from cash transactions of the Extraclassroom Activity Funds of the Herkimer-Fulton-Hamilton-Otsego Counties Board of Cooperative Educational Services (the BOCES) as of June 30, 2023, and the related statement of revenues collected and expenses paid for the year then ended, and the related notes to the financial statements.

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 BOCES as of June 30, 2023, and the revenues collected and expenses paid for the year then ended, on the basis of accounting described in Note 1.

Basis for Qualified Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BOCES and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

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
December 12, 2023

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

JUNE 30, 2023

ASSETS

Cash

\$ 42,131

TOTAL ASSETS

\$ 42,131

LIABILITIES AND CLUB BALANCES

Club balances

\$ 42,131

TOTAL LIABILITIES AND CLUB BALANCES

\$ 42,131

See notes to financial statements.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

EXTRACLASSROOM ACTIVITY FUNDS

STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Balances July 1, 2022</u>	<u>Total Receipts</u>	<u>Total Disbursements</u>	<u>Balances June 30, 2023</u>
<u>ACTIVITIES</u>				
SPED Student Council	\$ 981	\$ 658	\$ 749	\$ 890
Child and Family Services Program	789	7,196	2,792	5,193
Conservation	77	720	500	297
Cosmetology - AM	2,457	1,901	1,105	3,253
Cosmetology - PM	2,242	172	13	2,401
Cosmetology Retail	1,575	1,028	1,187	1,416
Culinary/Hospitality	2,267	1,707	1,145	2,829
Heavy Equipment	341	2,184	2,088	437
HOSA - AM	1,164	3,105	3,222	1,047
HOSA - PM	750	3,558	2,289	2,019
Pathways Student Council	69	0	60	9
Pathways Yearbook	713	1,510	709	1,514
PBIS	96	318	248	166
PBRS (Jarvis)	170	0	44	126
Skills USA	13,787	27,303	28,163	12,927
Visual Communications	5,744	3,547	3,456	5,835
VP-Tech	1,108	691	766	1,033
Welding	3	3,246	2,719	530
Interest Accrued	104	105	0	209
TOTAL ALL FUNDS	<u>\$ 34,437</u>	<u>\$ 58,949</u>	<u>\$ 51,255</u>	<u>\$ 42,131</u>

See notes to financial statements.

**HERKIMER-FULTON-HAMILTON-OTSEGO COUNTIES
BOARD OF COOPERATIVE EDUCATIONAL SERVICES**

EXTRACLASSROOM ACTIVITY FUNDS

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Extraclassroom Activity Funds of the Herkimer-Fulton-Hamilton-Otsego 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 Miscellaneous Special Revenue Fund of the financial statements of the BOCES.

The books and records of the Herkimer-Fulton-Hamilton-Otsego 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.



December 12, 2023

To the Board of Education of the
Herkimer-Fulton-Hamilton-Otsego Counties
Board of Cooperative Educational Services
Herkimer, New York

Dear Board Members:

In planning and performing our audit of the financial statements of the Herkimer-Fulton-Hamilton-Otsego Counties Board of Cooperative Educational Services (BOCES) for the year ended June 30, 2023, 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 several matters that are opportunities for strengthening internal controls and improving operating efficiency. We previously reported on the BOCES' internal control in our report dated December 12, 2023. A separate report dated December 12, 2023, contains our report on significant deficiencies in the BOCES' internal control. This letter does not affect our report dated December 12, 2023 on the financial statements of Herkimer-Fulton-Hamilton-Otsego Counties Board of Cooperative Educational Services.

Prior-Year Comments and Recommendations

1) Books and Records

Prior Comment: The BOCES' books and records were not ready for audit.

Status: This condition was not corrected as of June 30, 2023.

Recommendation: The BOCES business office needs to ensure that all funds and groups of accounts are reconciled and reviewed timely.

2) Special Aid Fund

Prior Comment: The Special Aid Fund continues to have a deficit fund balance.

Status: This condition was not corrected as of June 30, 2023.

Recommendation: We recommend that management review the special aid fund and determine how to eliminate this deficit.

3) **Cash**

Prior Comment: We noted that one of the cash accounts in the general fund does not reconcile to the books.

Status: This condition was corrected as of June 30, 2023.

Current-Year Comments and Recommendations

1) **Due To/Due From**

Condition: During our audit we noted that the due to/due from accounts were out of balance.

Recommendation: We recommend that the BOCES reviews the trial balances monthly and ensures that the due to/due from accounts are in balance.

2) **General Fund Due to ERS**

Condition: We noted that the General Fund due to ERS it is significantly overstated as of June 30, 2023.

Recommendation: The BOCES should review the calculation of the ERS liability and determine it is reasonable based on the estimated ERS bill.

3) **Special Aid Fund**

Condition: We noted that prior due to/due from accounts have not been paid back to the General Fund, due to/due from accounts are meant to be 1 year or less in duration.

Recommendation: Management should come up with a plan in order to have sufficient cash flow in the Special Aid Fund to be able to pay back temporary loans.

* * * * *

We appreciate the courtesies, assistance and cooperation given us during our audit by all staff in the Business Office.

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