

CAYUGA-ONONDAGA BOCES

Auburn, New York

FINANCIAL REPORT

For the Year Ended
June 30, 2020



CAYUGA-ONONDAGA BOCES

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INDEPENDENT AUDITORS' REPORT

Board of Education
Cayuga-Onondaga BOCES
Auburn, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cayuga-Onondaga BOCES (BOCES) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of BOCES, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedule, the Schedule of Changes in BOCES' Total OPEB Liability and Related Ratios, the Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of BOCES' Proportionate Share of the Net Pension Asset/Liability, and the related notes to required supplementary information on pages 4-4i and 40-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BOCES' basic financial statements. The supplementary information on pages 48-49a is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Analysis of Account A431 School Districts and the Schedule of General Fund Revenues and Expenditures Compared to Budget is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of BOCES' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BOCES' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 29, 2020

CAYUGA-ONONDAGA BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The following discussion and analysis of Cayuga-Onondaga BOCES (BOCES) financial performance provides an overview of BOCES' financial activities for the year ended June 30, 2020 and discusses results of the current year in comparison with the prior year, with an emphasis placed on the current year. It should be read in conjunction with the basic financial statements to enhance understanding of BOCES' financial performance, which immediately follows this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended June 30, 2020 are as follows:

Cayuga-Onondaga BOCES (BOCES) is an educational institution formed under New York State Public Education Law No. 1950. It was formed to provide educational and management services to its nine component school districts in New York's Cayuga and Onondaga counties. Additionally, other school districts may purchase services from BOCES by "cross-contracting" through their own local BOCES.

BOCES receives no state aid and has no taxing authority; therefore, the majority of its revenues are derived from charges for its services to school districts. Billings for services provided to school districts and other BOCES totaled \$44,332,584 in the General Fund for the current fiscal year. In accordance with New York State Public Education Law, BOCES does not maintain a General Fund unassigned fund balance. Instead, all revenue collected in excess of annual expenditures is returned to participating school districts in direct proportion to the revenues collected from those districts. The refund for the fiscal year ended June 30, 2020 totaled \$4,869,151.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions - Amendment of GASB Statement No. 27," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date," BOCES has recorded their proportionate share of the net pension asset/liability of the ERS and TRS pension plans. Additionally, deferred inflows and deferred outflows of resources were recognized. Adopting these statements effectively increased pension expense in the Government-wide financial statements by \$1,843,530. See Note 8 for more detailed information.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to BOCES basic financial statements. BOCES basic financial statements are comprised of four components: (1) Government-wide Financial Statements, (2) Governmental Fund Financial Statements, (3) Fiduciary Funds and (4) Notes to the Financial Statements. This report also contains budgetary comparison statements for the General Fund, a Schedule of Changes in BOCES' Total OPEB Liability and Related Ratios related to the unfunded actuarial accrued liability related to postemployment benefits, schedules related to pension obligations, which are required by the GASB, and other supplementary financial information, in addition to the basic financial statements and Government-wide financial statements.

These two statements are Government-wide financial statements that provide both short-term and long-term information about BOCES overall financial status in a manner similar to private-sector business.

- The **Statement of Net Position** presents information on all of BOCES' assets, deferred outflows of resources, liabilities, and deferred outflows of resources, with the difference reported as net position. Although the purpose of BOCES is not to accumulate net resources, over time, increases or decreases in net position can serve as a useful indicator of whether the financial position of BOCES is improving or deteriorating.

CAYUGA-ONONDAGA BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

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

The Governmental Activities of BOCES include administration, capital improvements, career and technical education, instruction for special education, itinerant services, general instruction, instructional support, and other services.

Governmental Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is considered a separate accounting entity with a set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. BOCES, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

Because different accounting bases are used to prepare Governmental Fund financial statements and Government-wide financial statements, there are often significant differences between the totals presented in these financial statements. To reconcile the total fund balance to the net position, an analysis is presented following the Balance Sheet. Also, the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities reconciles the total change in fund balances for all Governmental Funds to the change in net position as reported in the Statement of Activities.

BOCES maintains three types of governmental funds: General, Special Aid, and Capital Projects. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for each fund.

BOCES adopts an annual budget for its General and Capital Projects Funds. A Budgetary Comparison Statement has been provided for the General Fund as required supplementary information to demonstrate compliance with the budget.

CAYUGA-ONONDAGA BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Fiduciary Funds are used to account for assets held by BOCES on behalf of others. BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purpose. Fiduciary Funds are not reflected in the Government-wide financial statements because the resources of these funds are not available to support BOCES programs. The financial statements for the Governmental and Fiduciary Funds can be found in the basic financial statement section of this report.

Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

As stated earlier, net position can serve as a useful indicator of BOCES' financial position over time. As of June 30, 2020, BOCES' liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$19,419,736. BOCES' combined net position deficit for the fiscal year ended June 30, 2020 increased by \$2,150,041. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and BOCES</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019-2020</i>
<i>Current Assets</i>	\$ 6,574,831	\$ 8,860,727	\$ 2,285,896
<i>Noncurrent Assets</i>	3,477,294	2,913,601	(563,693)
<i>Capital Assets, Net</i>	30,875,880	29,884,427	(991,453)
<i>Total Assets</i>	40,928,005	41,658,755	730,750
<i>Pensions</i>	6,400,648	8,035,854	1,635,206
<i>Other Postemployment Benefits</i>	649,830	699,805	49,975
<i>Total Deferred Outflows of Resources</i>	7,050,478	8,735,659	1,685,181
<i>Current Liabilities</i>	6,574,831	7,096,454	521,623
<i>Noncurrent Liabilities</i>	44,323,463	39,605,113	(4,718,350)
<i>Total Liabilities</i>	50,898,294	46,701,567	(4,196,727)
<i>Pensions</i>	2,033,445	2,932,690	899,245
<i>Other Postemployment Benefits</i>	12,316,439	20,179,893	7,863,454
<i>Total Deferred Inflows of Resources</i>	14,349,884	23,112,583	8,762,699
<i>Net Investment in Capital Assets</i>	30,875,880	29,884,427	(991,453)
<i>Restricted</i>	2,433,850	3,042,527	608,677
<i>Unrestricted (Deficit)</i>	(50,579,425)	(52,346,690)	(1,767,265)
<i>Total Net Position (Deficit)</i>	\$ (17,269,695)	\$ (19,419,736)	\$ (2,150,041)

The increase in current assets is primarily due to an increase in cash balances. The decrease in noncurrent assets is primarily the result of a decrease in noncurrent restricted cash offset by an increase in the NYSTRS net pension asset. The decrease in capital assets, net, reflects annual depreciation expense exceeding current year additions.

CAYUGA-ONONDAGA BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Deferred outflows of resources and deferred inflows of resources increased as a result of changes in actuarial assumptions related to NYSTRS and NYSLRS pension plans, as well actuarial assumptions related to other postemployment benefits.

Current liabilities increased from 2019; this increase is largely related to the following changes:

Amounts Due to School Districts	\$	977,456
Accrued Liabilities		92,335
Overpayments and Collections in Advance		(229,476)
Due to Teachers' Retirement System		(182,159)
Due to Employees' Retirement System		96,256

Noncurrent liabilities decreased due to the change in other postemployment benefits obligations, as well as an increase in the net pension liability.

The largest component of BOCES' net position reflects its net investment in capital assets. BOCES uses capital assets to provide programs and services to its component districts and students. Consequently, these assets are not available for future spending.

Our analysis in *Figure 2* considers the operations of BOCES' activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and BOCES</i>		<i>Total Dollar Change</i>
	<i>2019</i>	<i>2020</i>	<i>2019-2020</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 38,906,305	\$ 40,832,404	\$ 1,926,099
<i>Operating Grants</i>	1,335,144	985,831	(349,313)
<i>General Revenues:</i>			
<i>Use of Money and Property</i>	79,620	54,715	(24,905)
<i>Refund of Prior Year's Expenses</i>	620,793	638,518	17,725
<i>Net Change in Reserves</i>	471,166	587,364	116,198
<i>Other Unclassified Revenue</i>	143,505	161,922	18,417
Total Revenues	\$ 41,556,533	\$ 43,260,754	\$ 1,704,221
PROGRAM EXPENSES			
<i>Administration</i>	2,189,142	2,484,854	295,712
<i>Career and Technical Education</i>	6,423,474	6,673,838	250,364
<i>Instruction for Special Education</i>	12,715,666	13,503,107	787,441
<i>Itinerant Services</i>	945,141	873,042	(72,099)
<i>General Instruction</i>	4,215,265	4,747,831	532,566
<i>Instructional Support</i>	9,156,701	9,135,209	(21,492)
<i>Other Services</i>	8,019,213	7,992,914	(26,299)
Total Expenses	\$ 43,664,602	\$ 45,410,795	\$ 1,746,193
Change in Net Position	\$ (2,108,069)	\$ (2,150,041)	\$ (41,972)

CAYUGA-ONONDAGA BOCES

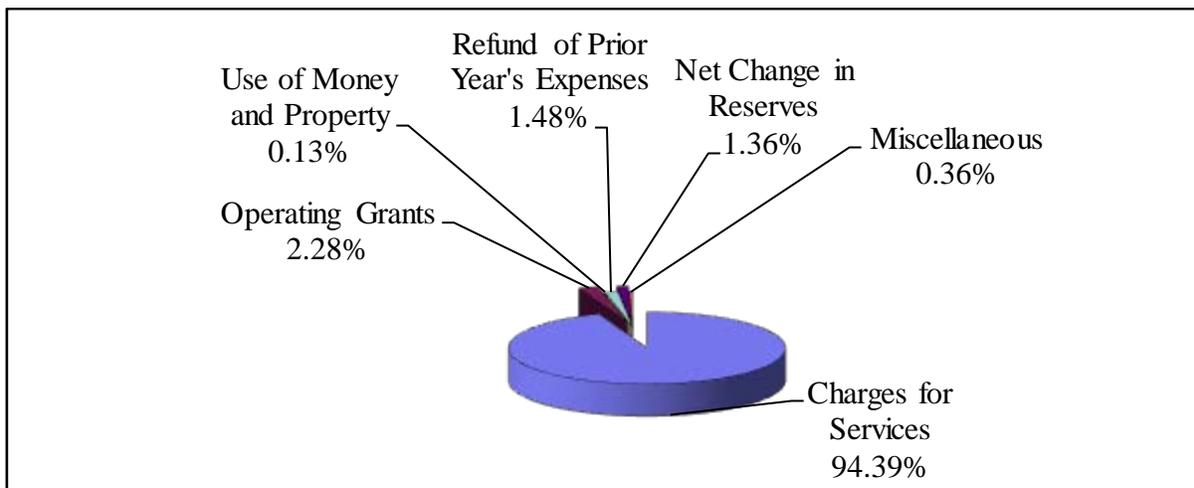
MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Total revenues for BOCES' Governmental Activities increased by 4.1%, while total expenses increased by 4.0%.

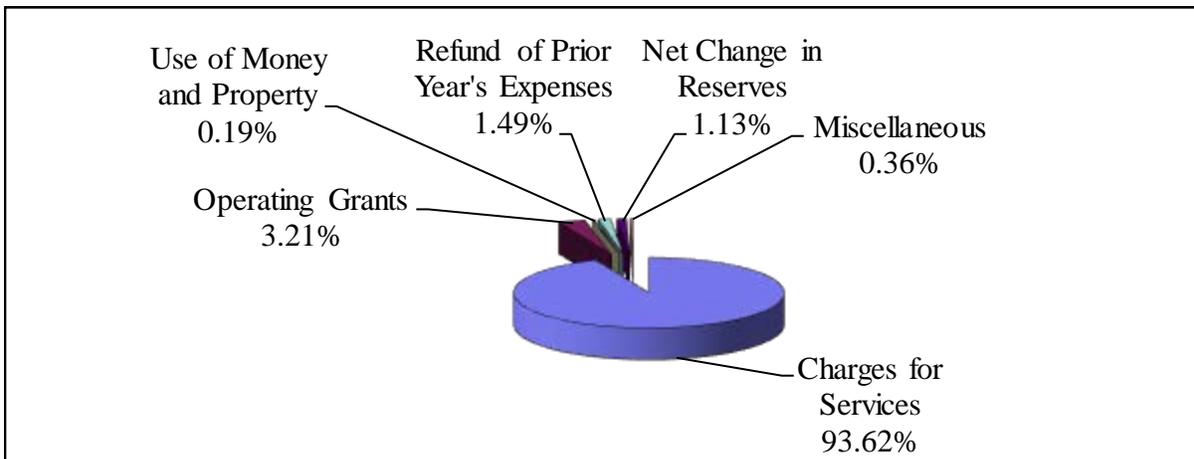
Sources of Revenue

As illustrated below, the primary source of revenue for BOCES is charges for services, which provided 94.4% of total revenue in 2020. BOCES also obtains operating grants from federal, state, and local governments. These revenues, most of which are received to support particular programs, represented 2.3% of total revenue for the 2020 fiscal year.

*Figure 3
Sources of Revenue for 2020*



*Figure 4
Sources of Revenue for 2019*



CAYUGA-ONONDAGA BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

Program Expenses

The following chart indicates how expenses of \$45,410,795 have been spent by program category.

BOCES' largest program expenditure is for instruction for special education; 29.7% of total expenses. Special education programs are designed for students with disabilities whose instructional needs cannot be appropriately served by their local school districts. Program expenditures are not BOCES aidable but do generate public excess cost aid and possibly high cost aid for the applicable school districts.

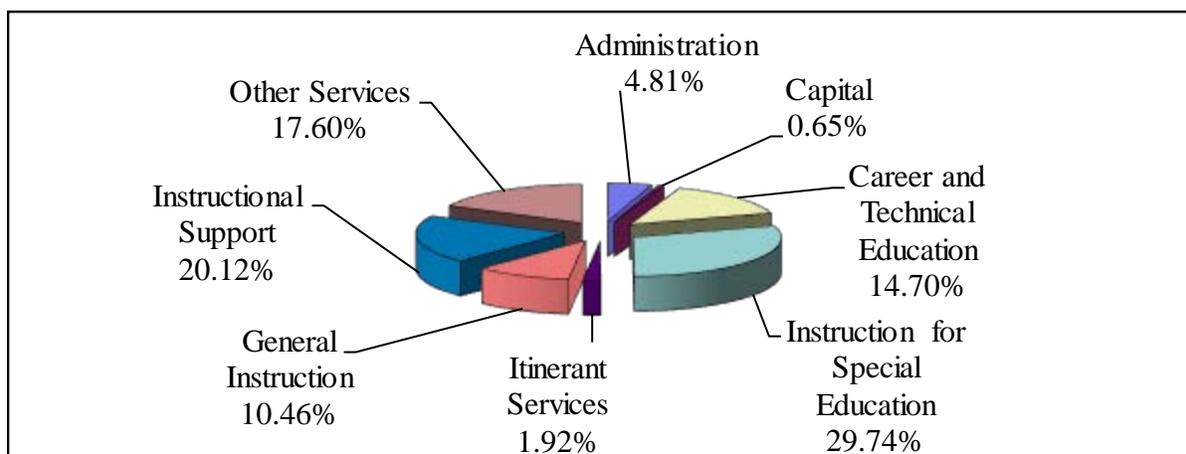
The second largest program expense for the fiscal year ended June 30, 2020 was for instructional support, which comprised 19.8% of expenses. Typically these programs provide school districts with professional and curriculum development services, library and media services, and instructional computer services.

Career and technical education expenses represented 15.0% of total expenses. These programs operate in cooperation with new graduation requirements, approved by the Board of Regents. Most courses are offered with "Technical Endorsement" on a student's Regents Diploma. Additionally, several courses are offered with National Certification or State Licensure. The career and technical education program expenditures are BOCES aidable.

Other substantial program costs were for other services, which comprised 17.6% of expenses. These programs provide school districts with planning services, administrative computer support, employee benefit coordination, health and safety risk services, labor relations and other various services.

The remaining expenses cover various services such as itinerant services, general instruction, and administration.

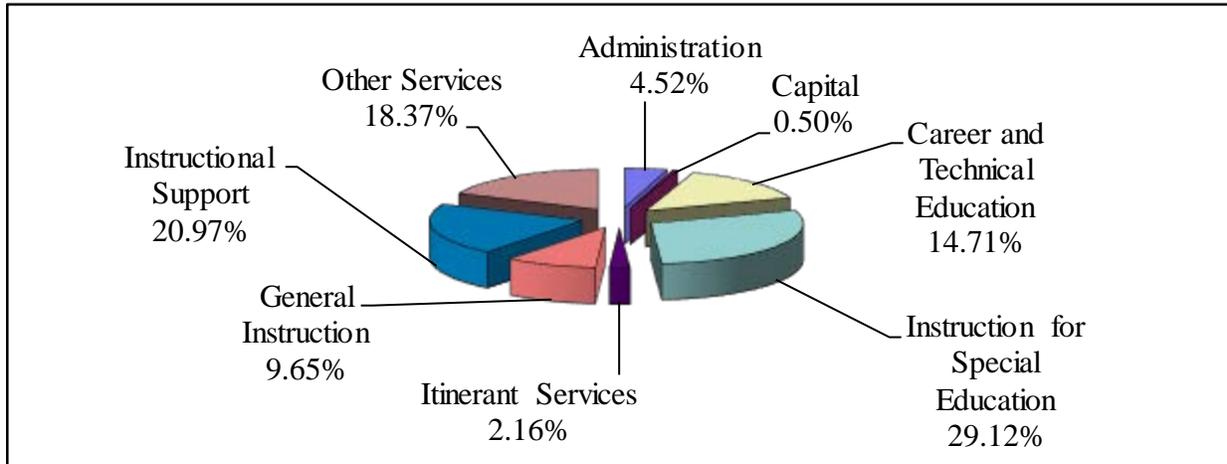
*Figure 5
Cost of Programs for 2020*



CAYUGA-ONONDAGA BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

*Figure 6
Cost of Programs for 2019*



FINANCIAL ANALYSIS OF BOCES' FUNDS

Governmental Funds

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

The General Fund is the chief operating fund of BOCES. As a BOCES, no unassigned fund balances can be retained in the General Fund.

Figure 7 shows the changes in fund balances for the year ended June 30, 2020. As BOCES completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$3,042,527, which is an increase of 25.0% from last year's total of \$2,433,850. These changes reflect an increase in BOCES' reserves in the General Fund. Additionally, capital project reserves increased in the current year.

Figure 7

<i>Governmental Fund Balances</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019-2020</i>
<i>General Fund</i>	\$ 875,890	\$ 1,278,254	\$ 402,364
<i>Capital Projects Fund</i>	1,557,960	1,764,273	206,313
<i>Total Governmental Funds</i>	\$ 2,433,850	\$ 3,042,527	\$ 608,677

CAYUGA-ONONDAGA BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

By May 1 of each year, school districts are required to complete a final BOCES services request form for the forthcoming year. After that date, BOCES permits school districts to add additional services to meet the school districts' needs. To ensure revenue and budgetary appropriations stay in balance, and to prevent overspending, BOCES adjusts budgets throughout the course of the year, by board action, as necessary.

BOCES also approves a large number of budgetary transfers annually. Transfers are permitted in any budget line within a program, but budget line transfers are not permitted from one program to another. It is anticipated that while BOCES will continue to control the number of budget transfers necessary to operate its programs, there will always be the need to transfer funds within instructional programs. Board policy requires any budget fund transfer in the amount of \$10,000 or more be approved by board action.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances, if applicable), and variances for the year ended June 30, 2020.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2020</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Charges to Components - Administration</i>	\$ 2,300,653	\$ 2,295,632	\$ 2,295,633	\$ 1
<i>Charges to Components - Services</i>	36,875,887	39,574,154	39,574,153	(1)
<i>Charges to Other BOCES and Non-Components</i>	1,796,800	2,462,797	2,462,798	1
<i>Interest and Earnings</i>	5,000	5,000	31,296	26,296
<i>Other Revenues</i>	736,180	508,727	814,273	305,546
<i>Other Financing Sources</i>	65,000	65,000	8,513	(56,487)
<i>Total Revenues and Other Financing Sources</i>	\$ 41,779,520	\$ 44,911,310	\$ 45,186,666	\$ 275,356
EXPENDITURES				
<i>Administration and Facility Rental</i>	\$ 2,320,653	\$ 2,299,854	\$ 2,271,571	\$ 28,283
<i>Career and Technical Education</i>	6,687,640	6,267,405	5,997,356	270,049
<i>Instruction for Special Education</i>	13,369,027	14,388,971	11,905,678	2,483,293
<i>Itinerant Services</i>	1,034,101	1,035,436	830,221	205,215
<i>General Instruction</i>	4,327,782	4,401,875	3,822,731	579,144
<i>Instructional Support</i>	7,266,750	9,432,954	8,733,144	699,810
<i>Other Services</i>	6,753,567	7,064,815	6,736,814	328,001
<i>Other Financing Uses</i>	20,000	20,000	20,000	-
<i>Total Expenditures and Other Financing Uses</i>	\$ 41,779,520	\$ 44,911,310	\$ 40,317,515	\$ 4,593,795

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MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

The most significant variance in revenue is in Other Revenues, such as e-rate reimbursements and refund of prior year's expenses. Often, the receipt and amount of these revenues fluctuates from year to year and is, therefore, difficult to predict with any level of certainty and accordingly are not incorporated into the budget.

Variances from the revised budget to actual expenditures are typical every year. Revised budgets are projected for the current year when developing the forthcoming year's budget. This process assumes all budgets will spend down to a zero balance, which seldom happens. As mentioned in our opening remarks, any fund balance remaining at yearend is returned to the participating districts. This refund is reported in other financing uses.

CAPITAL ASSETS

At June 30, 2020, BOCES had invested in a broad range of capital assets. This amount represents a net decrease (including additions, disposals, and depreciation) of \$991,453.

Figure 9

<i>Changes in Capital Assets, Net</i>	<i>2019</i>	<i>2020</i>	<i>Total Dollar Change 2019-2020</i>
<i>Land</i>	\$ 483,629	\$ 483,629	\$ -
<i>Buildings, Net</i>	29,424,980	28,394,607	(1,030,373)
<i>Equipment, Net</i>	967,271	1,006,191	38,920
<i>Total</i>	\$ 30,875,880	\$ 29,884,427	\$ (991,453)

Capital asset activity for the year ended June 30, 2020 included the following:

Building Improvements	\$ 152,307
Equipment	235,456
Total Additions	<u>387,763</u>
Less Depreciation Expense	<u>(1,379,216)</u>
Net Change in Capital Assets	<u><u>\$ (991,453)</u></u>

CAYUGA-ONONDAGA BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2020

FACTORS BEARING ON BOCES' FUTURE

Cayuga-Onondaga BOCES serves nine component school districts with a total RWADA enrollment in 2019-20 of 12,434 students. BOCES provides shared programs and services to component school districts that they could not provide as efficiently or cost-effectively as individual districts.

New York State's fiscal situation, uncertainty about state aid to school districts, and the property tax cap continue to make budget development difficult for school districts. These factors may lead to increases in some BOCES services as school districts opt to share more services and to decreased use of other BOCES services as school districts are forced to reduce expenditures. BOCES must maintain high quality and cost-effective programs and services to meet the needs of component school districts.

ENROLLMENT AND SPACE

In terms of regional trend, the component districts have seen an overall decline in enrollment. Enrollment is measured in two (2) ways; actual enrollment K-12, and RWADA (Resident Weighted Average Daily Attendance) as defined by additional weighting for those students enrolled in programs in grades 7-12. A review of actual enrollment of the combined component districts shows a decline from 11,780 as of 4/28/17 to 11,698 as of 5/22/18, and 11,602 as of 9/3/19 to 11,266 as of 9/10/20; a drop of 336 students region wide.

From an RWADA perspective over the same period the components showed a decline from 12,528 in 2018-19, to 12,434 in 2019-20; a drop of 94 region wide. Currently, the projected RWADA count for 2020-21 is 12,345; a decline of 89 or 0.72% fewer than 2019-20. Management believes it should anticipate the current trend of declining enrollment to continue.

However, during the same period of time discussed above, student enrollment in BOCES Career Technical Education, Alternative Education and Special Education programs have remained stable or have increased. Management believes that it should anticipate stable BOCES program enrollment, or at least a decline at a lesser rate within the next five (5) years.

Given these factors, changes in staffing levels and increased needs for space and facilities will continue to put strain on the financial models used to budget for programs in future years.

CONTACTING BOCES' FINANCIAL MANAGEMENT

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

Cayuga-Onondaga BOCES
Attn: Douglas Tomandl
Assistant Superintendent for Management, Regional Services and Finance
1879 West Genesee Street Road
Auburn, New York 13021

CAYUGA-ONONDAGA BOCES

STATEMENT OF NET POSITION JUNE 30, 2020

Assets

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 6,810,494
Cash and Cash Equivalents - Restricted	<u>1,764,273</u>
Receivables - State and Federal Aid	<u>221,232</u>
Receivables - Other	<u>64,728</u>
Total Current Assets	<u>8,860,727</u>

Noncurrent Assets

Restricted Cash	<u>1,278,254</u>
Capital Assets, Net:	
Land and Construction in Progress	<u>483,629</u>
Depreciable Capital Assets, Net	<u>29,400,798</u>
Net Pension Asset - Proportionate Share	<u>1,635,347</u>
Total Noncurrent Assets	<u>32,798,028</u>

Total Assets

41,658,755

Deferred Outflows of Resources

Pensions	<u>8,035,854</u>
Other Postemployment Benefits	<u>699,805</u>
Total Deferred Outflows of Resources	<u>8,735,659</u>

Liabilities

Current Liabilities

Payables:

Due to School Districts	<u>264,082</u>
State Aid Due to School Districts	<u>4,526,552</u>
Accounts Payable	<u>284</u>
Accrued Liabilities	<u>248,689</u>
Due to Other Governments	<u>26</u>
Overpayments and Collections in Advance	<u>830,036</u>
Due to Teachers' Retirement System	<u>1,037,872</u>
Due to Employees' Retirement System	<u>188,913</u>
Total Current Liabilities	<u>7,096,454</u>

Liabilities (Continued)**Noncurrent Liabilities**

Other Postemployment Benefits Liability	\$ 34,983,365
Net Pension Liability - Proportionate Share	<u>4,621,748</u>
Total Noncurrent Liabilities	<u>39,605,113</u>

Total Liabilities	<u>46,701,567</u>
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Deferred Inflows of Resources

Pensions	<u>2,932,690</u>
Other Postemployment Benefits	<u>20,179,893</u>

Total Deferred Inflows of Resources	<u>23,112,583</u>
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Net Position

Net Investment in Capital Assets	<u>29,884,427</u>
Restricted	<u>3,042,527</u>
Unrestricted (Deficit)	<u>(52,346,690)</u>

Total Net Position (Deficit)	<u><u>\$ (19,419,736)</u></u>
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CAYUGA-ONONDAGA BOCES

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
Administration	\$ 2,484,854	\$ 2,157,954	\$	\$ (326,900)
Career and Technical Education	6,673,838	5,952,498		(721,340)
Instruction for Special Education	13,503,107	12,436,404		(1,066,703)
Itinerant Services	873,042	797,706		(75,336)
General Instruction	4,747,831	3,752,487	387,907	(607,437)
Instructional Support	9,135,209	8,566,643	172,336	(396,230)
Other Services	7,992,914	7,168,712	425,588	(398,614)
Total Functions and Programs	\$ 45,410,795	\$ 40,832,404	\$ 985,831	\$ (3,592,560)

General Revenues

Use of Money and Property	54,715
Refund of Prior Years' Expenses	638,518
Net Change in Reserves	587,364
Other Unclassified Revenue	161,922

Total General Revenues

1,442,519

Change in Net Position

(2,150,041)

Total Net Position (Deficit) - Beginning of Year

(17,269,695)

Total Net Position (Deficit) - End of Year

\$(19,419,736)

See Notes to Basic Financial Statements

CAYUGA-ONONDAGA BOCES

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Special Aid Fund	Capital Projects Fund	
Assets				
Cash and Cash Equivalents - Unrestricted	\$ 6,510,324	\$ 300,170	\$	\$ 6,810,494
Cash and Cash Equivalents - Restricted	1,463,254		1,579,273	3,042,527
Receivables:				
Due from Other Funds	6,880	193,210	185,000	385,090
Due from State and Federal		221,232		221,232
Due from School Districts	4,458,823			4,458,823
Other	12,995	51,733		64,728
Total Assets	\$12,452,276	\$ 766,345	\$1,764,273	\$ 14,982,894
Liabilities				
Payables:				
State Aid Due to School Districts	\$ 4,526,552	\$	\$	\$ 4,526,552
Refunds Due to School Districts	4,722,905			4,722,905
Accounts Payable	284			284
Accrued Liabilities	248,689			248,689
Due to Other Funds	378,219	6,871		385,090
Due to Other Governments	26			26
Overpayments and Collections in Advance	70,562	759,474		830,036
Due to Teachers' Retirement System	1,037,872			1,037,872
Due to Employees' Retirement System	188,913			188,913
Total Liabilities	11,174,022	766,345	-	11,940,367
Fund Balances				
Restricted	1,278,254		1,764,273	3,042,527
Total Fund Balances	1,278,254	-	1,764,273	3,042,527
Total Liabilities and Fund Balances	\$12,452,276	\$ 766,345	\$1,764,273	\$ 14,982,894

See Notes to Basic Financial Statements

CAYUGA-ONONDAGA BOCES

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2020

Fund Balances - Total Governmental Funds **\$ 3,042,527**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total Historical Cost	\$ 49,265,608	
Less Accumulated Depreciation	<u>(19,381,181)</u>	29,884,427

BOCES' proportionate share of the ERS & TRS collective net pension asset/liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	\$ 1,635,347	
ERS Net Pension Liability - Proportionate Share	<u>(4,621,748)</u>	(2,986,401)

Deferred outflows of resources represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Outflows of Resources - Other Postemployment Benefits	\$ 699,805	
ERS Deferred Outflows of Resources - Pension	2,858,102	
TRS Deferred Outflows of Resources - Pension	5,177,752	
Deferred Inflows of Resources - Other Postemployment Benefits	(20,179,893)	
ERS Deferred Inflows of Resources - Pension	(324,417)	
TRS Deferred Inflows of Resources - Pension	<u>(2,608,273)</u>	(14,376,924)

Long-term obligations are not due and payable in the current period and, therefore, are not reported in the funds.

(34,983,365)

Net Position (Deficit) of Governmental Activities **\$ (19,419,736)**

See Notes to Basic Financial Statements

CAYUGA-ONONDAGA BOCES

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2020

	Major Funds			Total Governmental Funds
	General Fund	Special Aid Fund	Capital Projects Fund	
Revenues				
Local Sources				
Charges to Components - Administrative	\$ 2,295,633	\$	\$	\$ 2,295,633
Charges to Components - Services	39,574,153	758,933		40,333,086
Charges to Other BOCES and Non-Components	2,462,798			2,462,798
Interest and Earnings	31,296		14,414	45,710
Miscellaneous	166,750	605,210		771,960
Refund of Prior Year's Expenses	638,518			638,518
Sales	9,005			9,005
State Sources		345,124		345,124
Federal Sources		640,707		640,707
Total Revenues	45,178,153	2,349,974	14,414	47,542,541
Expenditures				
Administration	2,271,571			2,271,571
Career and Technical Education	5,997,356			5,997,356
Instruction for Special Education	11,905,678	618,588		12,524,266
Itinerant Services	830,221			830,221
General Instruction	3,822,731	638,560		4,461,291
Instructional Support	8,733,144	170,694		8,903,838
Other Services	6,736,814	913,619		7,650,433
Capital Outlay			13,101	13,101
Total Expenditures	40,297,515	2,341,461	13,101	42,652,077
Excess of Revenues Over (Expenditures)	4,880,638	8,513	1,313	4,890,464
Other Financing Sources and (Uses)				
Operating Transfers In	8,513		20,000	28,513
Operating Transfers (Out)	(20,000)	(8,513)		(28,513)
Refunds of Surplus to School Districts	(4,869,151)			(4,869,151)
Net Change in Reserves	402,364		185,000	587,364
Total Other Financing Sources (Uses)	(4,478,274)	(8,513)	205,000	(4,281,787)
Net Change in Fund Balances	402,364	-	206,313	608,677
Fund Balances - Beginning of Year	875,890		1,557,960	2,433,850
Fund Balances - End of Year	\$ 1,278,254	-	\$1,764,273	\$ 3,042,527

See Notes to Basic Financial Statements

CAYUGA-ONONDAGA BOCES

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2020

Net Change in Fund Balances - Total Governmental Funds **\$ 608,677**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Asset Purchases	\$ 387,763	
Depreciation Expense	<u>(1,379,216)</u>	(991,453)

Changes in the BOCES' proportionate share of net pension asset/liability have no effect on current financial resources and therefore are not reported in the Governmental Funds. In addition, changes in BOCES' deferred outflows of resources and deferred inflows of resources related to pensions do not effect current financial resources and are also not reported in the Governmental Funds.

ERS	\$ (833,624)	
TRS	<u>(1,009,906)</u>	(1,843,530)

Long-term obligations are reported in the Statement of Net Position. Therefore, changes which result in an (increase) or decrease in these long-term obligations are not reflected in the Governmental Fund financial statements.

Other Postemployment Benefits Liability		<u>76,265</u>
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Change in Net Position (Deficit) of Governmental Activities **\$(2,150,041)**

See Notes to Basic Financial Statements

CAYUGA-ONONDAGA BOCES

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2020

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash and Cash Equivalents - Unrestricted	\$	\$ 601,366
Cash and Cash Equivalents - Restricted	36,319	17,043,362
Investments - Restricted		15,636,864
Total Assets	36,319	\$ 33,281,592
Liabilities		
Extraclassroom Activity Funds		\$ 14,366
Article 5G Funds		342,991
Healthcare Plan Funds		32,680,226
Other Liabilities		244,009
Total Liabilities	-	\$ 33,281,592
Net Position		
Restricted for Scholarships	\$ 36,319	

See Notes to Basic Financial Statements

CAYUGA-ONONDAGA BOCES

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2020

	Private Purpose Trust Fund
Additions	
Gifts and Contributions	\$ 3,929
Investment Earnings	227
Total Additions	<u>4,156</u>
Deductions	
Scholarships and Awards	<u>1,950</u>
Change in Net Position	2,206
Net Position - Beginning of Year	<u>34,113</u>
Net Position - End of Year	<u><u>\$ 36,319</u></u>

See Notes to Basic Financial Statements

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies

The accompanying financial statements of Cayuga-Onondaga BOCES (BOCES) have been prepared in conformity with U.S. generally accepted accounting principles (U.S. GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

BOCES is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Cooperative Educational Services. The scope of activities included within the accompanying basic financial statements are those transactions which comprise operations, are governed by, or significantly influenced by the Board of Cooperative Educational Services.

Essentially, the primary function of Cayuga-Onondaga BOCES is to provide education for pupils. Services which are managerial and administrative in nature, along with plant operation and management, support the primary function.

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 vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. Cayuga-Onondaga BOCES provides instructional and support programs and services to the following nine school districts in New York's Cayuga and Onondaga counties: Auburn, Cato-Meridian, Jordan-Elbridge, Moravia, Port Byron, Skaneateles, Southern Cayuga, Union Springs, and Weedsport.

BOCES programs and services include special education, career and technical education, academic and alternative programs, summer schools, staff development, computer services (management and instructional), employee benefits coordination, work environment health and safety, educational communication, and central business office.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended.

- The primary government, which is BOCES;
- 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 basic financial statements to be misleading or incomplete.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Reporting Entity - Continued

The accompanying financial statements present the activities of BOCES. BOCES is not a component unit of another reporting entity.

The decision to include a potential component unit in BOCES' reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds of Cayuga-Onondaga BOCES and the Cayuga-Onondaga School Employees' Healthcare Plan are included in BOCES' reporting entity.

- Extraclassroom Activity Funds - The Extraclassroom Activity Funds of Cayuga-Onondaga BOCES represent funds of the students of BOCES. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions and the designation of student management. While the Extraclassroom Activity Funds are not considered a component unit of BOCES, due to BOCES' fiduciary responsibility, they are reported in BOCES' Agency Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from Cayuga-Onondaga BOCES, 1879 West Genesee Street Road, Auburn, New York 13021.
- Cayuga-Onondaga School Employees' Healthcare Plan - The Cayuga-Onondaga School Employees' Healthcare Plan (the Plan) represents funds of the Plan, which is a group self-insured plan covering the eligible employees of the participating school districts. BOCES Board of Education exercises general oversight of these funds. The Plan is independent of BOCES with respect to its financial transactions and the designation of management. While the Plan is not considered a component unit of BOCES, due to BOCES' fiduciary responsibility, it is reported in BOCES' Agency Fund. Separate audited financial statements of the Plan can be obtained from Cayuga-Onondaga BOCES, 1879 West Genesee Street Road, Auburn, New York 13021.

Basis of Presentation - Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about 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 primarily through exchange transactions with component school districts and other BOCES, as well as non-exchange transactions in the form of federal and state grants. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Basis of Presentation - Government-wide Financial Statements - Continued

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of BOCES Governmental Activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the BOCES programs, including personnel, overall administration, and finance. Employee benefits are allocated to functional expenses as a percentage of related payroll expense. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Governmental Fund Financial Statements

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

BOCES reports the following Major Governmental Funds:

- General Fund - BOCES primary operating fund; accounts for all financial transactions not required to be accounted for in another fund.

Special Revenue Funds

- Special Aid Fund - Accounts for the proceeds of specific revenue sources, such as federal, state and local grants that are legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- Capital Projects Fund - Accounts for financial resources used for the purchase of equipment and the renovation and construction of BOCES capital assets.

BOCES reports the following Fiduciary Funds:

- Private-Purpose Trust Fund - Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the Government-wide financial statements because their resources do not belong to BOCES and are not available to be used.
- Agency Fund - Strictly custodial in nature and does not involve measurement of results of operations. Assets are held by BOCES as agent for the Cayuga-Onondaga School Employees' Healthcare Plan, various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Measurement Focus and Basis of Accounting

The Government-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which BOCES gives or receives value without directly receiving or giving equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

Cash and Investments

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 date of acquisition. New York State law governs BOCES' investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts. Investments are stated at fair value.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other 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.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 1 **Summary of Significant Accounting Policies - Continued**

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2002. For assets acquired prior to June 30, 2002, capital assets are reported at estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

BOCES depreciates its capital assets using the straight-line method. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), and estimated useful lives of capital assets reported in the statements, are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 5,000	40 Years
Improvements	5,000	40 Years
Furniture and Equipment	5,000	3 - 7 Years

Vested Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated annual vacation time.

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the Government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

Postemployment 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, BOCES provides health insurance coverage for retired employees. Substantially all of BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between BOCES and the retired employee. BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Postemployment Benefits - Continued

BOCES follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." BOCES' liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 9 for additional information.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and as such will not be recognized as an outflow of resources (expense/expenditure) until then. BOCES reports deferred outflows of resources related to pensions and OPEB plans in the Government-wide Statement of Net Position. The types of deferred outflows of resources related to pensions and OPEB plans are described in Notes 8 and 9, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and as such will not be recognized as an inflow of resources (revenue) until that time. BOCES reports deferred inflows of resources related to pensions and OPEB plans which are further described in Notes 8 and 9, respectively.

Overpayments and Collections in Advance

Overpayments and collections in advance arise when resources are received by BOCES before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when BOCES has legal claim to the resources, revenues are recorded.

The Governmental Fund financial statements also report unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, revenues are recorded.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is BOCES policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications - Government-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Government-wide Financial Statements - Continued

- Restricted - Consists of net resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other net resources that do not meet the definition of “restricted” or “net investment in capital assets.”

Equity Classifications - Governmental Fund Financial Statements

BOCES reports fund balance in accordance with GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions,” which requires the classification of fund balance reflect spending constraints on resources, rather than availability for appropriation.

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of BOCES’ legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government’s highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government’s highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Equity Classifications - Governmental Fund Financial Statements - Continued

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

The Board of Education of BOCES has not adopted any resolutions to commit fund balance. BOCES' policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to BOCES within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by BOCES include the following:

- Unemployment Insurance Reserve (GML §6-m) - This reserve is used to accumulate funds to pay the cost of reimbursement to the New York State Unemployment Insurance Fund for payments made to claimants. Excess reserve amounts may be either transferred to another reserve or applied to the appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the General Fund.
- Retirement Contribution Reserve (GML §6-r): Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the General Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for payment of accrued employee benefits upon termination of an 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.
- Liability Claims and Property Loss Reserve (Education Law §1709(8)(c)): Used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This reserve is accounted for in the General Fund.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1 Summary of Significant Accounting Policies - Continued

Legally Adopted Reserves - Continued

- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the Capital Projects Fund.

Interfund Transfers

The operations of BOCES give rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of 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.

Future Changes in Accounting Standards

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2021. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2022.
- GASB has issued Statement No. 91, "Conduit Debt Obligations" effective for the year ending June 30, 2023.

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

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, BOCES' deposits may not be returned to it. While BOCES does not have a specific policy for custodial credit risk, New York State statutes govern BOCES' investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in BOCES' name.

BOCES aggregate bank balances of \$22,788,755 are either insured or collateralized with securities held by the pledging financial institution in BOCES name.

BOCES has investments (primarily Health Consortium cash held in trust) and chooses to disclose its investments by specifically identifying each.

BOCES' investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value, and are categorized as either:

- 1) Insured or registered, or investments held by BOCES or by BOCES' agent in BOCES' name, or
- 2) Uninsured and unregistered, with investments held by the financial institution's trust department in BOCES' name, or
- 3) Uninsured and unregistered, with investments held by the financial institution or its trust department, but not BOCES' name.

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

BOCES does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Category</u>
Private Purpose Trust Fund	<u>\$ 15,636,864</u>	<u>\$ 15,636,864</u>	Certificate of Deposit	(1)

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 2 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued
 Restricted cash and investments at June 30, 2020 consisted of the following:

General Fund Reserves	\$ 1,278,254
Capital Projects	1,764,273
Private Purpose Trust Fund	36,319
Agency Fund	<u>32,680,226</u>
Total	<u><u>\$ 35,759,072</u></u>

Note 3 Other Receivables
 Other receivables consist primarily of billed non-contract services and amount to \$12,995 in the General Fund and \$51,733 in the Special Aid Fund.

Note 4 Interfund Balances and Activity
 Interfund balances at June 30, 2020, are as follows:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 6,880	\$ 378,219	\$ 8,513	\$ 20,000
Special Aid Fund	193,210	6,871	-	8,513
Capital Projects Fund	<u>185,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Total	<u><u>\$ 385,090</u></u>	<u><u>\$ 385,090</u></u>	<u><u>\$ 28,513</u></u>	<u><u>\$ 28,513</u></u>

Interfund receivables and payables are eliminated on the Statement of Net Position.

BOCES transfers funds from the General Fund to the Capital Projects Fund, as needed, to fund capital projects. 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.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 5 Capital Assets

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

Governmental Activities	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets that are Not Depreciated:				
Land	\$ 483,629	\$ -	\$ -	\$ 483,629
Total Nondepreciable Historical Cost	<u>483,629</u>	<u>-</u>	<u>-</u>	<u>483,629</u>
Capital Assets that are Depreciated:				
Buildings	41,677,413	152,307		41,684,481
Furniture and Equipment	6,723,105	235,456	(6,302)	7,097,498
Total Depreciable Historical Cost	<u>48,400,518</u>	<u>387,763</u>	<u>(6,302)</u>	<u>48,781,979</u>
Total Historical Cost	<u>48,884,147</u>	<u>387,763</u>	<u>(6,302)</u>	<u>49,265,608</u>
Less Accumulated Depreciation:				
Buildings	(12,252,433)	(1,037,441)		(13,289,874)
Furniture and Equipment	(5,755,834)	(341,775)	6,302	(6,091,307)
Total Accumulated Depreciation	<u>(18,008,267)</u>	<u>(1,379,216)</u>	<u>6,302</u>	<u>(19,381,181)</u>
Total Historical Cost, Net	<u><u>\$ 30,875,880</u></u>	<u><u>\$ (991,453)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29,884,427</u></u>

Depreciation expense was charged to governmental functions as follows:

Administration	\$ 135,593
Career and Technical Education	540,694
Instruction for Special Education	357,982
Itinerant Services	6,193
General Instruction	36,668
Instructional Support	140,550
Other Services	161,536
Total	<u><u>\$ 1,379,216</u></u>

Note 6 Short-term Debt

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. BOCES did not issue or redeem any RANs during the year ended June 30, 2020.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 7 Operating Leases

BOCES leases classroom space under operating leases. Total rental expenditures on such leases for the fiscal year ended June 30, 2020 were as follows:

<u>Description/Address</u>	<u>Term of Lease</u>	<u>Rental Expense</u>
Real Property Leases		
Cayuga Community College	07/01/19-06/30/20	\$ 5,500
Cayuga Community College	07/01/19-06/30/20	18,675
YMCA of Auburn	07/01/19-06/30/20	31,200
YMCA of Auburn #2	07/01/19-06/30/20	15,600
Auburn Enlarged City School District	07/01/19-06/30/20	12,000
Auburn Enlarged City School District	07/01/19-06/30/20	6,500
Auburn Enlarged City School District	07/01/19-06/30/20	15,000
Auburn Enlarged City School District	07/01/19-06/30/20	3,000
MC Owasco	07/01/19-06/30/20	57,680
Cato-Meridian Central School District	07/01/19-06/30/20	6,500
Moravia Central School District	07/01/19-06/30/20	6,500
Moravia Central School District	07/01/19-06/30/20	20,000
Port Byron Central School District	07/01/19-06/30/20	25,000
Port Byron Central School District	07/01/19-06/30/20	6,500
Skaneateles Central School District	07/01/19-06/30/20	6,500
Skaneateles Central School District	07/01/19-06/30/20	20,000
Southern Cayuga Central School District	07/01/19-06/30/20	6,500
Union Springs Central School District	07/01/19-06/30/20	6,500
Union Springs Central School District	07/01/19-06/30/20	15,000
Weedsport Central School District	07/01/19-06/30/20	6,500
Jordan-Elbridge Central School District	07/01/19-06/30/20	6,500
Total		\$ 297,155

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS) (System)

BOCES participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee 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 (RSSL). 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. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Continued

Employees' Retirement System (ERS) (System)

BOCES participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer, defined benefit pension plan. 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. System benefits are established under the provisions of RSSL. 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. 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. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. System member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Contributions

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

	ERS	TRS
2020	\$ 735,814	\$ 1,115,817
2019	774,539	921,139
2018	768,589	1,063,048

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

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

	ERS	TRS
Actuarial Valuation Date	4/1/2019	6/30/2018
Net Pension Asset/Liability	\$ 26,480,579,097	\$ (2,598,006,772)
BOCES' Proportionate Share of the Plan's Total Net Pension Asset/Liability	4,621,748	(1,635,347)
BOCES' Share of the Net Pension Asset/Liability	0.0174533%	0.062946%

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

For the year ended June 30, 2020, BOCES recognized pension expense of \$1,521,844 for ERS and \$1,948,520 for TRS in the Government-wide financial statements. At June 30, 2020, BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 272,009	\$ 1,108,233	\$	\$ 121,608
Changes of Assumptions	93,060	3,089,390	80,356	753,281
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	2,369,333			1,311,464
Changes in Proportion and Differences Between BOCES' Contributions and Proportionate Share of Contributions	78,637	41,515	244,061	421,920
BOCES' Contributions Subsequent to the Measurement Date	45,063	938,614		
Total	\$ 2,858,102	\$ 5,177,752	\$ 324,417	\$ 2,608,273

BOCES contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset/liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	ERS	TRS
2021	\$ 394,038	\$ 641,573
2022	620,545	664,559
2023	811,984	434,085
2024	662,055	3,598
Thereafter		(112,950)

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2020	June 30, 2019
Actuarial Valuation Date	April 1, 2019	June 30, 2018
Interest Rate of Return	6.8%	7.1%
Salary Increases	4.2%	1.9% - 4.72%
Cost of Living Adjustments	1.3%	1.3%
Inflation Rate	2.5%	2.2%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014, applied on a generational basis.

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

For ERS, the long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below.

Measurement Date	ERS March 31, 2020	TRS June 30, 2019
Asset Type		
Domestic Equities	4.1%	6.3%
International Equities	6.2%	7.8%
Global Equities		7.2%
Real Estate	5.0%	4.6%
Private Equity/Alternative Investments	6.8%	9.9%
Absolute Return Strategies	3.3%	
Opportunistic Portfolio	4.7%	
Real Assets	6.0%	
Cash	0.0%	
Inflation-Indexed Bonds	0.5%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.5%
Real Estate Debt		2.9%
High-Yield Fixed Income Securities		3.6%
Mortgages and Bonds	0.8%	
Short-Term		0.3%

Discount Rate

The discount rate used to calculate the total pension asset/liability was 6.8% for ERS and 7.1% 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 contributions from employers will be made at statutorily required rates, actuarially. Based on 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.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

The following presents BOCES' proportionate share of the net pension asset/liability calculated using the discount rate of 6.8% for ERS and 7.1% for TRS, as well as what 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 or higher than the current rate:

ERS	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
BOCES' Proportionate Share of the Net Pension Asset/Liability	\$ 8,482,212	\$ 4,621,748	\$ 1,066,244
TRS	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
BOCES' Proportionate Share of the Net Pension Asset/Liability	\$ 7,381,787	\$ (1,635,347)	\$ (9,199,705)

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/liability of the employers as of the respective dates were as follows:

Measurement Date	Dollars in Thousands	
	ERS	TRS
	March 31, 2020	June 30, 2019
Employers' Total Pension Asset/Liability	\$ 194,596,261	\$ 119,879,474
Plan Net Position	(168,115,682)	(122,477,481)
Employers' Net Pension Asset/Liability	\$ 26,480,579	\$ (2,598,007)
Ratio of Plan Net Position to the Employers' Total Pension Asset/Liability	86.4%	102.2%

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 8 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Employee contributions are submitted monthly. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$188,913.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October, and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued employee and employer retirement contributions as of June 30, 2020 amounted to \$1,037,872.

Effect on Net Position

Changes in the net pension asset/liability and deferred outflows and inflows of resources for the year ended June 30, 2020 resulted in the following:

	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
ERS			
Net Pension (Asset)/Liability	\$ 1,450,354	\$ 3,171,394	\$ 4,621,748
Deferred Outflows of Resources	(806,603)	(2,051,499)	(2,858,102)
Deferred Inflows of Resources	610,688	(286,271)	324,417
Subtotal	<u>1,254,439</u>	<u>833,624</u>	<u>2,088,063</u>
TRS			
Net Pension (Asset)/Liability	(1,043,444)	(591,903)	(1,635,347)
Deferred Outflows of Resources	(5,594,045)	416,293	(5,177,752)
Deferred Inflows of Resources	1,422,757	1,185,516	2,608,273
Subtotal	<u>(5,214,732)</u>	<u>1,009,906</u>	<u>(4,204,826)</u>
Total Effect on Net Position	<u><u>\$ (3,960,293)</u></u>	<u><u>\$ 1,843,530</u></u>	<u><u>\$ (2,116,763)</u></u>

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 9 Postemployment Benefits Other than Pensions (OPEB)

General Information about the OPEB Plan

Plan Description - BOCES' defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by BOCES. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - BOCES provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at BOCES offices and are available upon request.

Employees Covered by Benefit Terms - At June 30, 2020, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	92
Active Employees	<u>348</u>
Total	<u><u>440</u></u>

Total OPEB Liability

BOCES' total OPEB liability of \$34,983,365 was measured as of July 1, 2019, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate	3.5%
Single Discount Rate	3.5%
Salary Scale	3.0%
Rate of Inflation	2.2%
Marital Assumption	70.0%
Participation Rate	100.0%
Healthcare Cost Trend Rates	3.0% for 2021, increasing to an ultimate rate of 4.0% for 2090 and later years

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Postemployment Benefits Other than Pensions (OPEB) - Continued

Total OPEB Liability - Continued

The long-term bond rate is based on the Bond Buyer Weekly 20-Year Bond GO Index as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2017 mortality improvement scale on a fully generational basis.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014, applied on a generational basis.

Election percentage: It was assumed 100% of future retirees eligible for coverage will elect retiree group benefits. It was assumed participants who are currently enrolled in coverage will remain in their current plan in retirement. It was assumed 70% of members not currently enrolled in coverage will elect coverage in the Traditional plan (Major Medical Rx). It was assumed 30% of members not currently enrolled in coverage will elect coverage in the Modified Traditional Plan.

Spousal Coverage: It was assumed 80% of future retirees will elect spousal coverage upon retirement.

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018_c (the Getzen model).

The actuarial assumptions used in the July 1, 2019 valuation were consistent with the requirements of GASB Statement No. 75 and ASOPs.

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Postemployment Benefits Other than Pensions (OPEB) - Continued

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2019	\$ 42,873,109
Changes For The Year	
Service Cost	2,095,786
Interest Cost	1,727,722
Differences Between Expected and Actual Experience	(11,208,121)
Changes in Assumptions or Other Inputs	144,699
Benefit Payments	(649,830)
Total Changes for the Year	(7,889,744)
Balance at June 30, 2020	\$ 34,983,365

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of BOCES, as well as what BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB Liability	\$ 41,809,704	\$ 34,983,365	\$ 29,565,011

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 28,758,874	\$ 34,983,365	\$ 43,143,563

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 9 Postemployment Benefits Other than Pensions (OPEB) - Continued

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

For the year ended June 30, 2020, BOCES recognized OPEB expense of \$2,043,680.

At June 30, 2020, BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 14,294,837
Changes in Assumptions or Other Inputs	126,589	5,885,056
Contributions Subsequent to Measurement Date	573,216	-
Total	\$ 699,805	\$ 20,179,893

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

Fiscal Year Ending June 30,	Amount
2021	\$ (3,326,557)
2022	(3,326,557)
2023	(3,326,557)
2024	(3,326,557)
2025 and Thereafter	(6,747,076)

Effect on Net Position

Changes in the OPEB liability and deferred outflows and deferred inflows of resources for the year ended June 30, 2020 are as follows:

	Beginning Balance	Change	Ending Balance
Other Postemployment Benefits Liability	\$ 42,873,109	\$ (7,889,744)	\$ 34,983,365
Deferred Outflows of Resources	(649,830)	(49,975)	(699,805)
Deferred Inflows of Resources	12,316,439	7,863,454	20,179,893
Total Effect on Net Position	\$ 54,539,718	\$ (76,265)	\$ 54,463,453

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 10 Commitments and Contingencies

Risk Financing and Related Insurance

General Information

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

Health Insurance

BOCES participates in the Cayuga-Onondaga School Employees' Healthcare Plan, a non-risk retained public entity risk pool for its employee health and accident insurance coverage. The pool is operated for the benefit of 10 individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members up to \$200,000 per insured event. The pool obtains independent coverage for insured events in excess of that limit. BOCES has essentially transferred all related risk to the pool.

During the year ended June 30, 2020, BOCES incurred premiums or contribution expenditures totaling \$2,815,699.

Financial statements for the Plan can be obtained by contacting the BOCES Business Office, 1879 West Genesee Street Road, Auburn, New York 13021.

Other Items

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

CAYUGA-ONONDAGA BOCES

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2020

Note 11 Restricted Fund Balance

Portions of fund balance are restricted and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity for the year ended June 30, 2020 of the restricted reserves were as follows:

<u>Restricted Fund Balances</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
General Fund					
Unemployment Insurance Reserve	\$ 415,890	\$ 301,620	\$ 2,749	\$ (8,134)	\$ 712,125
Liability Claims and Property Loss Reserve	250,000	1,861	1,686		253,547
TRS Reserve	50,000	100,000	312		150,312
Employee Benefit Accrued Liability Reserve	160,000	1,191	1,079		162,270
Total General Fund Reserves	<u>875,890</u>	<u>404,672</u>	<u>5,826</u>	<u>(8,134)</u>	<u>1,278,254</u>
Capital Projects Fund					
Equipment Reserve	334,099	20,000	89	(13,101)	341,087
Capital Project Reserve	11,890		79		11,969
Capital Project Reserve - Generation	1,211,971	185,000	14,246		1,411,217
Total Capital Fund Reserves	<u>1,557,960</u>	<u>205,000</u>	<u>14,414</u>	<u>(13,101)</u>	<u>1,764,273</u>
Total Restricted Fund Balances	<u><u>\$ 2,433,850</u></u>	<u><u>\$ 609,672</u></u>	<u><u>\$ 20,240</u></u>	<u><u>\$ (21,235)</u></u>	<u><u>\$ 3,042,527</u></u>

Note 12 Uncertainty

In March 2020, the COVID-19 coronavirus outbreak was declared a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies on the area in which the BOCES operates. The BOCES completed the school year in an online learning format and is beginning the 2020-2021 academic year in a partially online format. While it is unknown how long these conditions will last and what the complete financial effect will be, the BOCES expects disruptions to businesses and residents and potential effects to state government funding, which could negatively impact operating results in future periods.

CAYUGA-ONONDAGA BOCES

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget
Revenues		
Local Sources		
Charges to Components - Administrative, Capital, and Facility Rental	\$ 2,300,653	\$ 2,295,632
Charges to Components - Services	36,875,887	39,574,154
Charges to Other BOCES	1,796,800	2,462,797
Interest and Earnings	5,000	5,000
Miscellaneous	736,180	508,727
Refund of Prior Year's Expenses	-	-
Sales	-	-
Total Revenues	41,714,520	44,846,310
Expenditures		
Administration and Facility Rental	2,320,653	2,299,854
Career and Technical Education	6,687,640	6,267,405
Instruction for Special Education	13,369,027	14,388,971
Itinerant Services	1,034,101	1,035,436
General Instruction	4,327,782	4,401,875
Instructional Support	7,266,750	9,432,954
Other Services	6,753,567	7,064,815
Total Expenditures	41,759,520	44,891,310
Excess of Revenues (Expenditures)	(45,000)	(45,000)
Other Financing Sources (Uses)		
Operating Transfers In	65,000	65,000
Operating Transfers Out	(20,000)	(20,000)
Refunds of Surplus to Districts	-	-
Net Change in Reserves	-	-
Total Other Financing Sources (Uses)	45,000	45,000
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	-	-
Net Change in Fund Balance	\$ -	\$ -

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Favorable (Unfavorable)</u>
\$ 2,295,633	\$	\$ 1
39,574,153		(1)
2,462,798		1
31,296		26,296
166,750		(341,977)
638,518		638,518
9,005		9,005
45,178,153	-	331,843
2,271,571		28,283
5,997,356		270,049
11,905,678		2,483,293
830,221		205,215
3,822,731		579,144
8,733,144		699,810
6,736,814		328,001
40,297,515	-	4,593,795
4,880,638	-	4,925,638
8,513		(56,487)
(20,000)		-
(4,869,151)		(4,869,151)
402,364		402,364
(4,478,274)	-	(4,523,274)
402,364	\$ -	\$ 402,364
\$ 402,364		

CAYUGA-ONONDAGA BOCES

SCHEDULE OF CHANGES IN BOCES' TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS ENDED JUNE 30,

	2020	2019	2018
Total OPEB Liability			
Service Cost	\$ 2,095,786	\$ 2,411,662	\$ 2,961,434
Interest Cost	1,727,722	1,573,916	1,543,251
Changes of Benefit Terms			
Differences Between Expected and Actual Experience	(11,208,121)		(7,074,603)
Changes in Assumptions or Other Inputs	144,699	(2,112,078)	(6,756,297)
Benefit Payments	(649,830)	(617,263)	(489,272)
Net Changes	(7,889,744)	1,256,237	(9,815,487)
 Total OPEB Liability - Beginning	 42,873,109	 41,616,872	 51,432,359
 Total OPEB Liability - Ending	 \$ 34,983,365	 \$42,873,109	 \$41,616,872
 Covered Employee Payroll	 \$ 15,411,441	 \$16,280,306	 \$15,922,203
 Total OPEB Liability as a Percentage of Covered Payroll	 227%	 263%	 261%

*Information is unavailable and will be presented as it becomes available.

See Notes to Required Supplementary Information

CAYUGA-ONONDAGA BOCES

SCHEDULE OF BOCES' CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2020	2019	2018
Contractually Required Contribution	\$ 735,814	\$ 774,539	\$ 768,589
Contributions in Relation to the Contractually Required Contribution	(735,814)	(774,539)	(768,589)
Contribution Deficiency (Excess)	-	-	-
BOCES' Covered - Employee Payroll	5,243,731	5,838,451	5,268,010
Contributions as a Percentage of Covered - Employee Payroll	14.0%	13.3%	14.7%

SCHEDULE OF BOCES' CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2020	2019	2018
Contractually Required Contribution	\$ 938,614	\$1,115,817	\$ 921,139
Contributions in Relation to the Contractually Required Contribution	(938,614)	(1,115,817)	(921,139)
Contribution Deficiency (Excess)	-	-	-
BOCES' Covered - Employee Payroll	10,593,837	10,496,867	9,399,367
Contributions as a Percentage of Covered - Employee Payroll	8.86%	10.6%	9.8%

See Notes to Required Supplementary Information

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 726,494	\$ 841,988	\$ 796,273	\$ 883,948	\$ 750,244	\$ 610,037	\$ 473,098
(726,494)	(841,988)	(796,273)	(883,948)	(750,244)	(610,037)	(473,098)
-	-	-	-	-	-	-
5,040,290	4,699,813	4,402,761	4,214,680	3,992,696	3,939,098	4,094,826
14.4%	17.9%	18.1%	21.0%	18.8%	15.5%	11.6%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$1,063,048	\$1,165,798	\$1,448,969	\$1,381,742	\$ 967,396	\$ 924,470	\$ 725,437
(1,063,048)	(1,165,798)	(1,448,969)	(1,381,742)	(967,396)	(924,470)	(725,437)
-	-	-	-	-	-	-
9,070,375	8,791,840	8,265,653	8,503,028	8,170,574	8,321,062	8,415,742
11.7%	13.3%	17.5%	16.2%	11.8%	11.1%	8.6%

CAYUGA-ONONDAGA BOCES

SCHEDULE OF BOCES' PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2020	2019
BOCES' Proportion of the Net Pension Asset/Liability	0.0174533%	0.0204699%
BOCES' Proportionate Share of the Net Pension Asset/Liability	\$ 4,621,748	\$ 1,450,354
BOCES' Covered-Employee Payroll During the Measurement Period	5,160,826	5,747,300
BOCES' Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-Employee Payroll	89.6%	25.2%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	86.4%	96.3%

SCHEDULE OF BOCES' PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	2020	2019
BOCES' Proportion of the Net Pension Asset/Liability	0.062946%	0.057704%
BOCES' Proportionate Share of the Net Pension Asset/Liability	\$ (1,635,347)	\$ (1,043,444)
BOCES' Covered-Employee Payroll During the Measurement Period	10,496,867	9,399,367
BOCES' Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered-Employee Payroll	15.6%	11.1%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	102.2%	101.5%

See Notes to Required Supplementary Information

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0215201%	0.0202126%	0.0192230%	0.0183825%
\$ 694,549	\$ 1,899,224	\$ 3,085,229	\$ 621,005
5,108,246	5,017,637	4,593,872	4,339,057
13.6%	37.9%	67.2%	14.3%
98.2%	94.7%	90.7%	97.9%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.057234%	0.057109%	0.055026%	0.057564%
\$ (435,038)	\$ 611,664	\$ (5,715,448)	\$ (6,412,218)
9,070,375	8,791,840	8,265,653	8,503,028
4.80%	6.96%	69.15%	75.41%
100.7%	99.0%	110.5%	111.5%

CAYUGA-ONONDAGA BOCES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 1 Budgetary Procedures and Budgetary Accounting

BOCES' administration prepares a proposed budget for approval by the Board of Education (Board) for the General Fund for which a legal (appropriated) budget is adopted.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Original Adopted Budget	\$ 41,779,521
Board Authorized Increases:	
Charges to Component School Districts and Other BOCES	<u>3,131,790</u>
Final Budget	<u><u>\$ 44,911,311</u></u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. No encumbrances were carried forward from the prior year.

Annual legal budgets are not adopted for the Special Aid Fund or the Capital Projects Fund. Budgetary controls for the Special Aid Fund are established in accordance with applicable grant agreements. Budgetary controls for the Capital Projects Fund are developed internally.

Note 2 Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert the General Funds excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis. Encumbrances, if present, are shown in a separate column and are not included in the actual results at June 30, 2020.

Note 3 Schedule of Changes in BOCES' Total OPEB Liability and Related Ratios

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2019 - 3.50%
2018 - 3.87%

CAYUGA-ONONDAGA BOCES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 4 Schedules of BOCES' Proportionate Share of the Net Pension Asset/Liability
The Schedules of BOCES' Proportionate Share of the Net Pension Asset/Liability, required supplementary information, will present ten years of information as it becomes available from the pension plans.

Note 5 Schedules of BOCES' Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of BOCES' Proportionate Share of the Net Pension Asset/Liability

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2019 actuarial valuation.

The salary scales for both plans used in the April 1, 2019 actuarial valuation were increased by 10%.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2019 actuarial valuation determines the employer rates for contributions payable in fiscal year 2020. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation report.
Asset Valuation Period	5-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	3.8% in ERS, indexed by service.
Investment Rate of Return	6.8% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

CAYUGA-ONONDAGA BOCES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2020

Note 5 **Schedules of BOCES Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of BOCES' Proportionate Share of the Net Pension Asset/Liability - Continued**

NYSTRS

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated, future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based on book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

CAYUGA-ONONDAGA BOCES

ANALYSIS OF ACCOUNT A431 SCHOOL DISTRICTS FOR THE YEAR ENDED JUNE 30, 2020

July 1, - Debit (Credit) Balance	<u>\$ 231,325</u>
Debits	
Billings to School Districts	<u>44,338,764</u>
Refund of Balances Due School Districts	<u>3,335,131</u>
Other Adjustments:	
2019-2020 E-Rate Refunds in Advance	<u>140,067</u>
Total Debits	<u>47,813,962</u>
Credits	
Collection From School Districts	<u>(43,440,218)</u>
Adjustment - Credits to School Districts - Revenues in Excess of Expenditures	<u>(4,869,151)</u>
Total Credits	<u>(48,309,369)</u>
June 30, - Debit (Credit) Balance	<u><u>\$ (264,082)</u></u>

CAYUGA-ONONDAGA BOCES

SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURES COMPARED TO BUDGET FOR THE YEAR ENDED JUNE 30, 2020

	Revenues			
	Original Budget	Final Budget	Current Year's Revenues	Over (Under) Final Budget
Administration 001	\$ 2,018,478	\$ 2,002,699	\$ 2,112,095	\$ 109,396
Capital and Facility Rental 002	302,175	297,155	297,155	-
Career and Technical Education 100-199	6,707,640	6,287,405	6,703,065	415,660
Instruction for Special Education 200-299	13,369,027	14,388,971	13,998,891	(390,080)
Itinerant Services 300-399	1,034,101	1,035,436	1,059,651	24,215
General Instruction 400-499	4,327,782	4,401,875	4,226,130	(175,745)
Instructional Support 500-599	7,266,750	9,432,954	9,279,897	(153,057)
Other Services 600-699	6,753,567	7,064,815	7,509,782	444,967
Totals	\$41,779,520	\$44,911,310	\$45,186,666	\$ 275,356

Revenues in Excess of Expenditures

Expenditures

<u>Original Budget</u>	<u>Final Budget</u>	<u>Current Year's Expenditures</u>	<u>Unencumbered Balances</u>
<u>\$ 2,018,478</u>	<u>\$ 2,002,699</u>	<u>\$ 1,974,416</u>	<u>\$ 28,283</u>
<u>302,175</u>	<u>297,155</u>	<u>297,155</u>	<u>-</u>
<u>6,707,640</u>	<u>6,287,405</u>	<u>6,017,356</u>	<u>270,049</u>
<u>13,369,027</u>	<u>14,388,971</u>	<u>11,905,678</u>	<u>2,483,293</u>
<u>1,034,101</u>	<u>1,035,436</u>	<u>830,221</u>	<u>205,215</u>
<u>4,327,782</u>	<u>4,401,875</u>	<u>3,822,731</u>	<u>579,144</u>
<u>7,266,750</u>	<u>9,432,954</u>	<u>8,733,144</u>	<u>699,810</u>
<u>6,753,567</u>	<u>7,064,815</u>	<u>6,736,814</u>	<u>328,001</u>
<u>\$41,779,520</u>	<u>\$44,911,310</u>	<u>40,317,515</u>	<u>\$ 4,593,795</u>
		<u>\$ 4,869,151</u>	

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

Board of Education
Cayuga-Onondaga BOCES
Auburn, 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 Cayuga-Onondaga BOCES (BOCES), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 29, 2020