

MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
June 30, 2023

**OTSEGO NORTHERN CATSKILLS BOCES
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Independent Auditor's Report

Board of Education
Otsego Northern Catskill BOCES

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Otsego Northern Catskill BOCES, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Otsego Northern Catskill BOCES's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Otsego Northern Catskill BOCES, as of June 30, 2023, and the respective changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Otsego Northern Catskill BOCES's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis as required by the New York State Education Department and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The Schedule of Expenditures of Federal Awards and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2023, on our consideration of the Otsego Northern Catskill BOCES's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Otsego Northern Catskill BOCES's 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 Otsego Northern Catskill BOCES's internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

September 20, 2023

Utica, New York

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

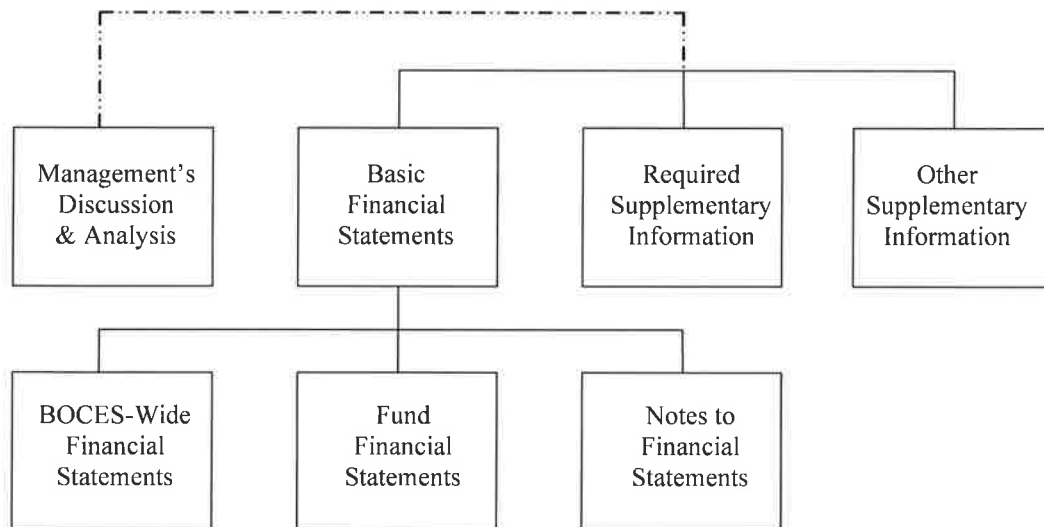
The following is a discussion and analysis of the BOCES' financial performance for the year ended June 30, 2023. This section is a summary of the BOCES' financial activities based on currently known facts, decisions and conditions. It is also based on both, the BOCES-wide and fund-based financial statements. This section should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The BOCES' total net position, as reflected in the BOCES-wide financial statements, increased by \$180,269.
- During the year, the BOCES had expenses in excess of program revenues of \$1,469,901.
- Program revenues included \$31,685,330 in Charges for Services and \$1,971,079 in Operating Grants, which together comprise approximately 95% of total revenues.
- BOCES total General Fund revenue for 2023 was \$34,470,858. Approximately 96% of these revenues are from the billings for administration and other services to the component districts and non-component districts of the BOCES.
- The BOCES is required to return surplus billings in the subsequent year. During 2023-2024, the surplus of \$2,537,769 from 2022-2023 will be returned. During 2022-2023, the surplus of \$3,325,010 from the prior year was returned.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: MD&A (this section), the financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of BOCES-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements is as follows:



**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

(Continued)

- The first two statements are BOCES-wide financial statements that provide both short-term and long-term information about the BOCES' overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the BOCES, reporting the BOCES' operations in more detail than the BOCES-wide statements. The fund financial statements concentrate on the BOCES' most significant funds.
- The governmental funds statements disclose how basic services such as regular and special education were financed in the short term, as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the BOCES acts solely as a trustee or agent for the benefit of others.

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

BOCES-Wide Statements

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

The two BOCES-wide statements report the BOCES' net positions and how they have changed. Net position – the difference between the BOCES' assets, deferred outflows, liabilities, and deferred inflows – is one way to measure the BOCES' financial health or position.

- Over time, increases or decreases in the BOCES' net positions are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the BOCES' overall health, consider additional nonfinancial factors such as changes in the BOCES' contracts with component school districts and the condition of BOCES' buildings and other facilities.

In the BOCES-wide financial statements, the BOCES' activities are shown as Governmental activities. All of the BOCES' basic services are included here, such as regular and special education, instructional support, and administration. Charges for Services finance most of these activities.

Fund Financial Statements

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

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

The BOCES has two types of funds:

- **Governmental Funds:** All of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that allows the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information can be found on pages 16 and 18, which reconciles the BOCES-wide financial statements to the fund financial statements

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

(Continued)

- **Fiduciary Funds:** The BOCES is the trustee, or fiduciary, for assets that belong to others, such as State Aid flowing to components and the student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the BOCES-wide financial statements because it cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

A. Net Position

The BOCES' total net position, increased by \$180,269 between fiscal year 2023 and 2022. A summary of the BOCES Statement of Net Position at June 30, 2023 and 2022, is as follows:

	<u>2023</u>	<u>Restated 2022</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 16,635,225	\$ 26,388,544	\$ (9,753,319)	(37.0%)
Capital Assets, (Net of Accumulated Depreciation)	<u>18,719,745</u>	<u>17,927,041</u>	<u>792,704</u>	4.4%
Total Assets	<u>35,354,970</u>	<u>44,315,585</u>	<u>(8,960,615)</u>	(20.2%)
Deferred Outflows of Resources				
Deferred Outflow - OPEB	5,111,920	7,776,584	(2,664,664)	(34.3%)
Deferred Outflow - Pensions	<u>6,038,590</u>	<u>6,211,960</u>	<u>(173,370)</u>	(2.8%)
Total Deferred Outflows	<u>11,150,510</u>	<u>13,988,544</u>	<u>(2,838,034)</u>	(20.3%)
Total Assets and Deferred Outflows	<u>\$ 46,505,480</u>	<u>\$ 58,304,129</u>	<u>\$ (11,798,649)</u>	(20.2%)
Non-Current Liabilities	\$ 54,337,327	\$ 59,768,796	\$ (5,431,469)	(9.1%)
Other Liabilities	<u>12,152,499</u>	<u>9,739,851</u>	<u>2,412,648</u>	24.8%
Total Liabilities	<u>66,489,826</u>	<u>69,508,647</u>	<u>(3,018,821)</u>	(4.3%)
Deferred Inflows of Resources				
Deferred Inflow - Leases	2,127,964	2,415,624	(287,660)	(11.9%)
Deferred Inflow - OPEB	22,224,100	19,440,204	2,783,896	14.3%
Deferred Inflow - Pensions	<u>735,079</u>	<u>12,191,412</u>	<u>(11,456,333)</u>	(94.0%)
Total Deferred Inflows	<u>25,087,143</u>	<u>34,047,240</u>	<u>(8,960,097)</u>	(26.3%)
Net Position				
Net Investment in Capital Assets	18,572,870	18,327,570	245,300	1.3%
Restricted	5,830,440	5,797,195	33,245	0.6%
Unrestricted (Deficit)	<u>(69,474,799)</u>	<u>(69,376,523)</u>	<u>(98,276)</u>	(0.1%)
Total Net Position (Deficit)	<u>(45,071,489)</u>	<u>(45,251,758)</u>	<u>180,269</u>	0.4%
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 46,505,480</u>	<u>\$ 58,304,129</u>	<u>\$ (11,798,649)</u>	(20.2%)

Current and other assets decreased by \$9,753,319 as compared to the prior year. The decrease is primarily due to decrease in the net pension asset for both the ERS and TRS Retirement Systems in the amount of \$8,795,383 which is reported as a net pension liability in the current year.

Capital assets increased by \$792,704, as compared to the prior year. This increase is mainly due to fixed asset and capital project additions exceeding depreciation expense.

See Independent Auditor's Report

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

(Continued)

Non-current liabilities decreased by \$5,431,469, as compared to the prior year. This decrease is primarily the result of decreases in the OPEB liability in the amount of \$5,258,724.

Other liabilities increased by \$2,412,648 as compared to the prior year. This increase is the result of an increase in the net pension liability in the amount of \$3,345,986 offset by a decrease in the return of surplus due to component districts of \$787,000.

Changes in deferred outflows and inflows of resources correlate primarily with the information reported to the BOCES by the retirement systems as well as the actuary regarding the OPEB liability. There is also a deferred inflow of resources related to leasing transaction activity.

The net position invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction and for leasing assets from the total cost of all asset acquisitions and leased assets, net of accumulated depreciation and amortization. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support BOCES operations.

The unrestricted net position at June 30, 2023, is a deficit of \$69,474,799, which represents the amount by which the BOCES assets other than capital assets and deferred outflows of resources were less than the BOCES liabilities and deferred inflows of resources, excluding debt related to capital construction and capital assets and restricted assets. This deficit is primarily due to the recognition of the other postemployment benefit liability in the amount of \$51,341,876.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 31,685,330	\$ 29,807,697	\$ 1,877,633	6.3%
Operating Grants	1,971,079	1,975,247	(4,168)	(0.2%)
General Revenues				
Interest and Earnings	146,669	22,270	124,399	558.6%
Refund of Prior Year's Expenditures	706,010	690,377	15,633	(2.3%)
Miscellaneous	865,431	951,899	(86,468)	(9.1%)
Sales of Property and				
Compensation for Loss	(67,940)	(35,544)	(32,396)	(91.1%)
Total Revenues	<u>35,306,579</u>	<u>33,411,946</u>	<u>1,894,633</u>	5.7%
Expenses				
Administration	3,365,122	3,197,970	167,152	5.2%
Administration- Capital	94,597	92,980	1,617	1.7%
Occupational Instruction	5,437,682	4,787,733	649,949	13.6%
Instruction for Special Needs	6,226,356	7,360,845	(1,134,489)	(15.4%)
Intinerant Services	2,336,051	2,404,527	(68,476)	(2.8%)
General Instruction	5,303,302	5,292,763	10,539	0.2%
Instructional Support	4,142,551	3,878,569	263,982	6.8%
Other Services	8,220,649	7,161,657	1,058,992	14.8%
Total Expenses	<u>35,126,310</u>	<u>34,177,044</u>	<u>949,266</u>	2.8%
Total Change in Net Position	<u>\$ 180,269</u>	<u>\$ (765,098)</u>	<u>\$ 945,367</u>	123.6%

The BOCES' revenues increased by \$1,894,633 in 2023, primarily due to an increase in charges for services and interest and earnings due to rising interest rates.

The BOCES' expenses for the year increased by \$949,266. This increase is primarily due to increased ERS and TRS pension retirement system related expenses.

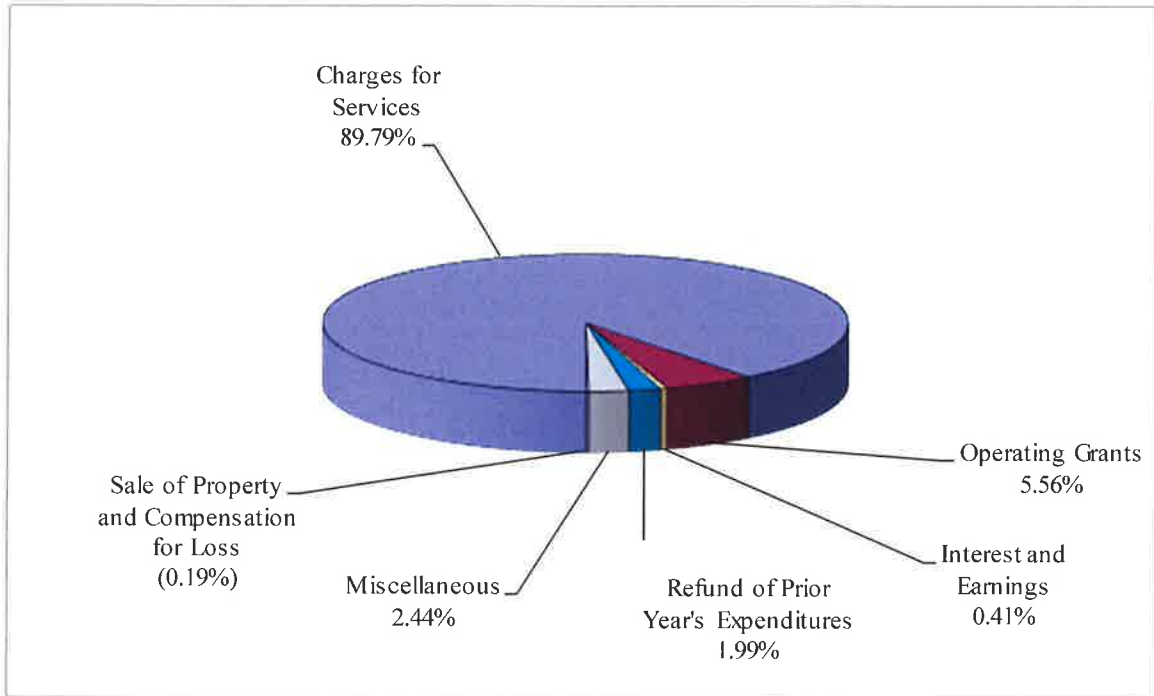
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**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

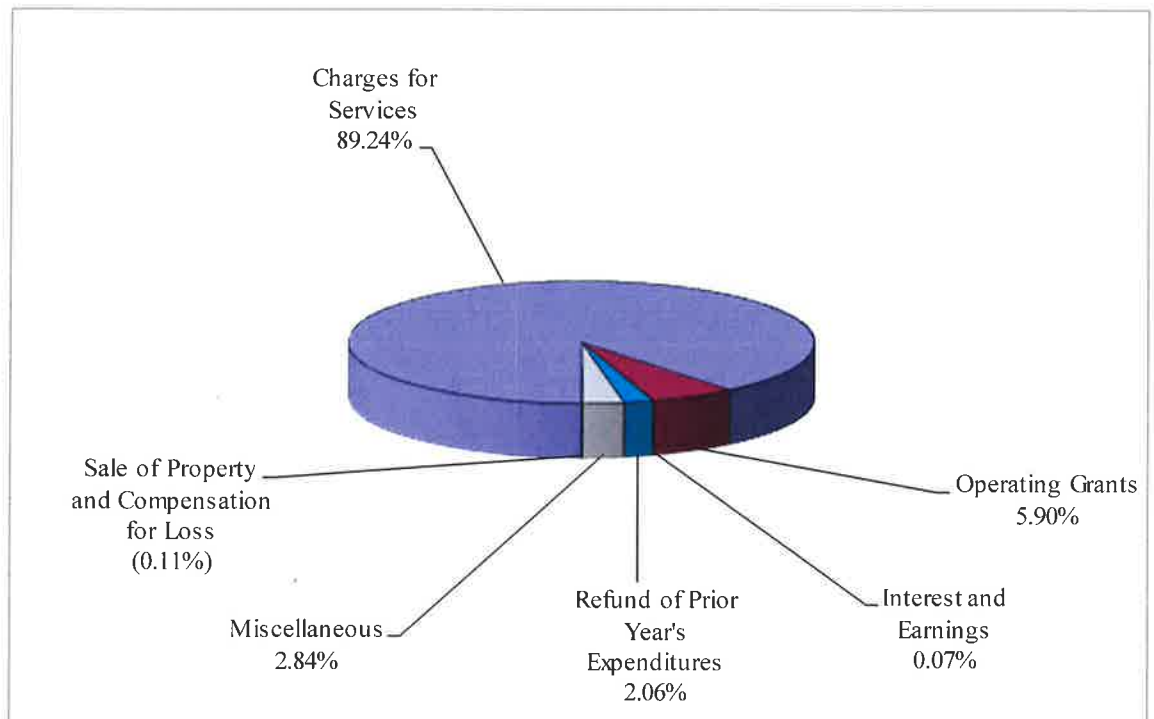
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A graphic display of the distribution of revenues for the two years follows:

For the Year Ended June 30, 2023



For the Year Ended June 30, 2022



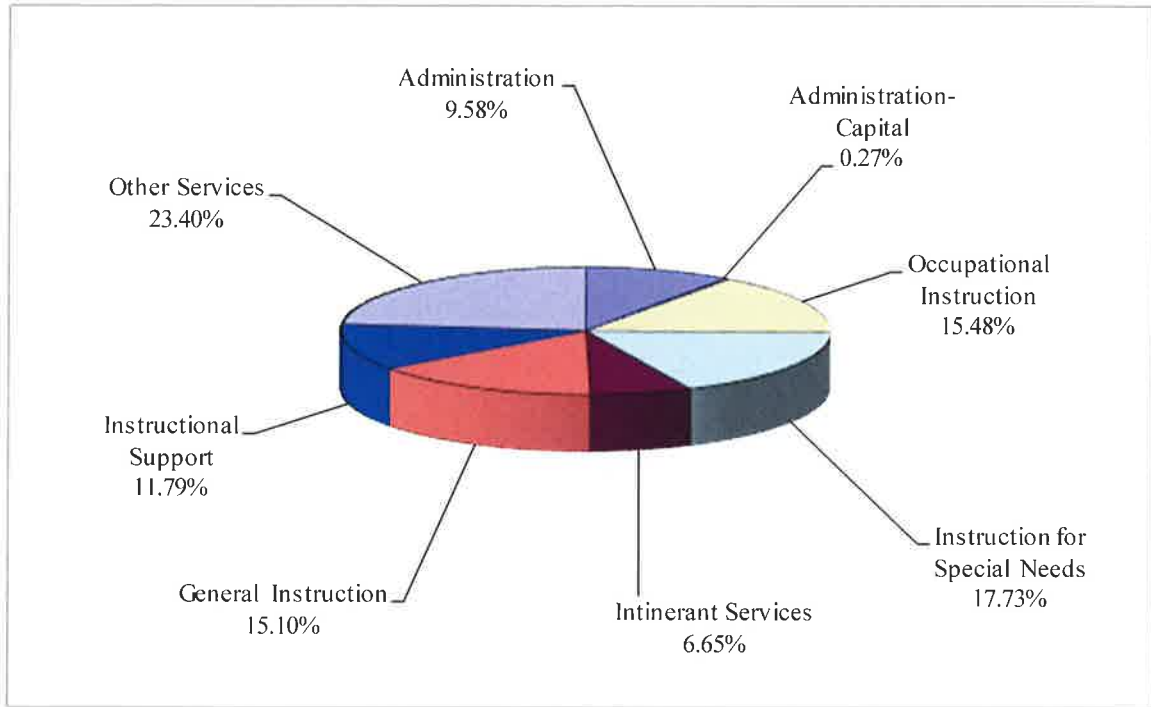
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**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

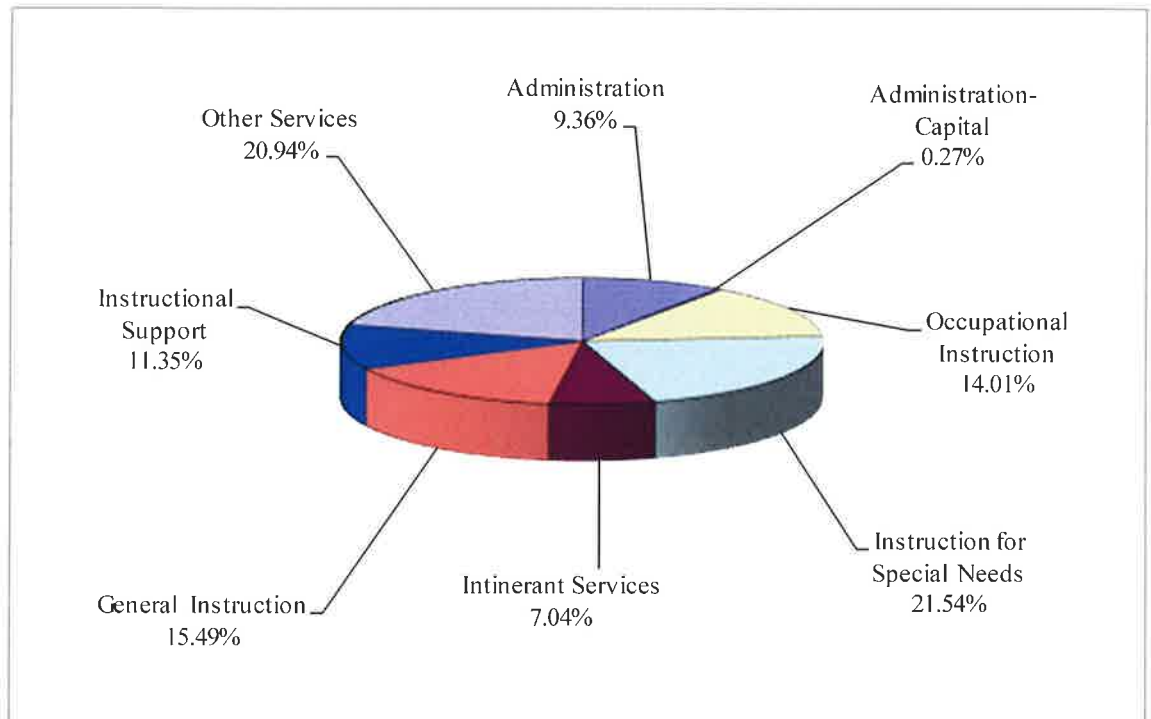
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A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2023



For the Year Ended June 30, 2022



See Independent Auditor's Report

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

(Continued)

4. FINANCIAL ANALYSIS OF THE BOCES' FUND BALANCES

At June 30, 2023, the BOCES governmental funds reported a combined fund balance of \$5,585,870 which is an increase of \$216,430 from the prior year. A summary of the change in fund balance by fund is as follows:

	2023	2022	Increase (Decrease)
General Fund			
Restricted:			
Unemployment Insurance Reserve	\$ 327,600	\$ 320,000	\$ 7,600
Employee Benefit Accrued Liability Reserve	1,308,458	1,442,450	(133,992)
Liability Reserve	45,000	35,559	9,441
Career Educational Instructional Equipment Reserve	744,407	620,205	124,202
Retirement Contribution Reserve	1,976,850	1,314,126	662,724
Total	4,402,315	3,732,340	669,975
Assigned	798,967	878,318	(79,351)
Unassigned (Deficit)	(1,043,537)	(1,306,073)	262,536
Total	4,157,745	3,304,585	853,160
Miscellaneous Special Revenue Fund			
Reserve for Scholarships	4,757	6,826	(2,069)
Capital Projects Fund			
Restricted	1,423,368	2,058,029	(634,661)
Total Fund Balance	<u>\$ 5,585,870</u>	<u>\$ 5,369,440</u>	<u>\$ 216,430</u>

5. GENERAL FUND BUDGETARY HIGHLIGHTS

- The difference between the original approved budget plus encumbrances of \$33,471,587 and the amended budget of \$34,763,253 is \$1,291,667, or 3.9%. The increase is due to encumbrances rolled over from the prior year and the request for additional services from component school districts during the year. The budgetary comparison information can be found on Page 45 which presents both original and amended budget totals compared with actual results for the General Fund for the year ended June 30, 2023.
- Actual expenditures were under the amended budget by \$3,683,324 (before encumbrances of \$798,967) or 10.6%, and actual revenues were under the amended budget by \$292,395, or .84%.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2023 and 2022, the BOCES had \$18,719,745 and \$17,927,041, respectively, invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. A summary of the BOCES capital assets, net of accumulated depreciation at June 30, 2023 and 2022, is as follows:

	2023	(Restated) 2022	Increase (Decrease)
Land	\$ 47,509	\$ 47,509	\$
Construction in Process	1,506,036	100,198	1,405,838
Buildings and Improvements	14,208,279	14,703,427	(495,148)
Furniture and Equipment	2,957,921	3,075,907	(117,986)
Capital Assets, Net	<u>\$ 18,719,745</u>	<u>\$ 17,927,041</u>	<u>\$ 792,704</u>

The BOCES' Capital Assets, Net of Accumulated Depreciation is, for the purpose of this report, the assets owned and purchased by the BOCES less the accumulated depreciated value over the useful life of the item.

See Independent Auditor's Report

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023

(Continued)

Depreciation expense for the BOCES totaled \$1,258,703 and \$1,289,097 for June 30, 2023 and 2022, respectively.

B. Long-Term Debt

At June 30 2023, the BOCES had total long-term debt of \$54,337,327. A summary of the long-term debt at June 30, 2023 and 2022, is as followed:

	2023	2022	Increase (Decrease)
Installment Purchase Agreements	\$ 1,084,419	\$ 1,109,553	\$ (25,134)
Lease Liability	108,909	63,608	45,301
Energy Performance Contract	491,793	552,585	(60,792)
Compensated Absences	1,310,330	1,442,450	(132,120)
OPEB Liability	51,341,876	56,600,600	(5,258,724)
Total Long Term Debt	<u>\$ 54,337,327</u>	<u>\$ 59,768,796</u>	<u>\$ (5,431,469)</u>

7. FACTORS BEARING ON THE BOCES FUTURE

ONC BOCES is guided by our mission statement that commits to providing, “leadership and support systems through teamwork with component districts to enhance student outcomes and lifelong learning.” Our nineteen component school districts are supported through our varied student programs, instructional support services, and management services in addition to consistent support for our superintendents and school boards. This high level of support is essential to our region as student enrollment continues to decrease and the future of foundation aid and school funding remains uncertain. While the primary function of ONC BOCES is support for our component school districts, BOCES plays a critical role in the broader regional economic development conversation through workforce development and adult education. In service of remaining relevant and viable, and in keeping with our mission statement, ONC BOCES is strengthening our work with regional partnerships, supporting workforce development, and growing our adult education program. Our focus on teamwork, support systems, enhanced student outcomes, and the promotion of lifelong learning opportunities guide the work of ONC BOCES.

While COVID management served as an essential function of ONC BOCES since March 2020, the transition back to the fundamental work of schools provided an opportunity to revisit the necessary conversation of long term sustainability and viability for our region’s schools. Partnering with the PLACES Institute at SUNY Oneonta, ONC BOCES engaged in a regional study considering demographic, population, and employment trends that need to factor into our decision making for the future. The projections for the region are grim: steady population decrease that shows no signs of easing, continued decline in school enrollment, and the steady increase of the use of available housing stock as seasonal property. In addition, our region remains “property rich” yet the families living in our region face increasing levels of housing, food, and employment insecurity. The uncertain future of foundation aid and other funding for schools in the region remains an area of great concern. In spring 2021, an influx of federal funding and an increase in state aid changed the conditions in districts as budgets that earlier in the year were threatened with a 20% reduction now received funding at unprecedented levels. In the ONC BOCES region, districts received approximately \$33 million in federal funding in addition to the increase in state aid. ONC BOCES played a critical role in supporting districts from a financial and instructional perspective as districts managed the funds and built systems to support teachers and students. As foundation aid was increased and component schools received approximately a 3% increase as well as promise to fully fund foundation aid, districts strategically utilized this funding and federal funding to support students and to address gaps in learning exacerbated by the pandemic and school closures. During 2022, the role played by ONC BOCES shifted to support the reporting and accounting for expenditures while the reality of the end of federal funding loomed large for our schools. In addition to these realities, the impact of inflation on operations and budget planning cannot be understated.

The commitment of ONC BOCES to our component school districts and region is strong and clear. The challenges faced by our region provide the opportunity to examine innovative and sustainable systems so that our component districts continue to thrive. From support from our management services team in areas of HR, labor relations, safety risk, and our central business office to instructional support through our Instructional Support Services team, our Regional Partnership Center, and our collaboration with partners such as SUNY Oneonta, to our outstanding programs for students such as our Career and Technical Education

See Independent Auditor’s Report

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

(Continued)

Programs, our Innovative Programs for our students with special needs, and our Alternative Education programs, ONC BOCES serves as a hub that connects our region around collaborative goals and a shared commitment to sustaining our region.

During the 2022-23 school year, existing partnerships were strengthened and new partnerships were developed. Our connection with SUNY Oneonta, Hartwick College, and The College of St. Rose resulted in the development of teacher and principal pipeline programs - a longview system designed to keep our best students and educators "at home" in the ONC region. Our CTE programs are training tomorrow's workforce. The connection between our CTE programs and industry is strengthened by our advisory committee structure. In 2022-23, our advisory committees grew by almost 100 new members providing guidance and support to our instructors to create the best programs possible for our students. With SUNY Oneonta and DCMO BOCES, we've created our Rural Education Collaborative focused on student enrichment, teacher and leader development, and rural education research. Our District Superintendent serves on the board of the Otsego County Chamber of Commerce and serves as a member of the core leadership team of the Regional Innovation Council convened by SUNY Oneonta which engages leaders across the region in the development of a regional strategic plan. These partnerships not only serve ONC BOCES and our region, these partnerships position ONC BOCES as a critical partner in the regional economic development conversation.

At ONC BOCES, our mission of providing leadership to our region through teamwork and systems in the service of student outcomes and lifelong learning is reflected in our budgets and structures and is lived through our daily practice. Our student programs have strong enrollment. Currently between 40-60% of Juniors and Seniors in our region learn in BOCES CTE programs. Our Instructional Support Services team continues to create outstanding opportunities for professional learning and distance learning. Our School Library team provides support to our component districts to ensure that students have the resources necessary to thrive. Our component districts are supported by the continued expansion of management services such as records retention, technology equipment purchasing, safety risk management, labor relations, and the Central Business Office. In spite of the very real challenges related to population stagnation, enrollment decline, and uncertain school funding, ONC BOCES consistently provides thoughtful, responsive, flexible, and resilient leadership to the region. With strong leadership from our Board of Education, outstanding staff, and systems focused on continual improvement, ONC BOCES is well positioned to meet the evolving needs and challenges of our region.

8. CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide the BOCES' citizens, taxpayers, customers, investors, and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at Otsego-Northern Catskill BOCES, 2020 Jump Brook Road, Grand Gorge, New York 12434.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF NET POSITION
June 30, 2023

Assets	
Cash and Cash Equivalents	\$ 6,958,355
Restricted Cash and Cash Equivalents	6,274,554
Receivables	
State and Federal Aid	617,190
Due from Components	443,387
Accounts Receivable	1,062,921
Leases	1,084,418
Other Assets	79,522
Right to Use Leased Assets, Net of Amortization	114,878
Capital Assets, Net of Accumulated Depreciation	<u>18,719,745</u>
Total Assets	<u>35,354,970</u>
Deferred Outflows of Resources	
Deferred Outflow - OPEB	5,111,920
Deferred Outflow - Pensions	<u>6,038,590</u>
Total Deferred Outflows	<u>11,150,510</u>
Total Assets and Deferred Outflows	<u>\$ 46,505,480</u>
Liabilities	
Due to Components - Refund of Surplus	\$ 2,537,769
Due to	
Teachers' Retirement System	791,092
Employees' Retirement System	102,004
Accounts Payable	1,582,231
Accrued Liabilities	563,486
Deferred Credits	
Overpayments and Collections in Advance	2,557,920
Unearned Revenues	672,011
Net Pension Liability - Proportionate Share	3,345,986
Noncurrent Liabilities	
Due Within One Year	643,027
Due in More Than One Year	<u>53,694,300</u>
Total Liabilities	<u>66,489,826</u>
Deferred Inflows of Resources	
Deferred Inflow - Leases	2,127,964
Deferred Inflow - OPEB	22,224,100
Deferred Inflow - Pensions	<u>735,079</u>
Total Deferred Inflows	<u>25,087,143</u>
Total Liabilities and Deferred Inflows	<u>91,576,969</u>
Net Position	
Net Investment in Capital Assets	18,572,870
Restricted	5,830,440
Unrestricted (Deficit)	<u>(69,474,799)</u>
Total Net Position (Deficit)	<u>(45,071,489)</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 46,505,480</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Administration	\$ 3,365,122	\$ 2,666,218	\$	\$ (698,904)
Administration - Capital	94,597	652,591		557,994
Occupational Instruction	5,437,682	5,042,527		(395,155)
Instruction for Special Needs	6,226,356	6,136,493		(89,863)
Itinerant Services	2,336,051	2,186,893		(149,158)
General Instruction	5,303,302	3,068,654	1,971,079	(263,569)
Instruction Support	4,142,551	4,158,041		15,490
Other Services	8,220,649	7,773,913		(446,736)
Total Functions/Programs	<u>\$ 35,126,310</u>	<u>\$ 31,685,330</u>	<u>\$ 1,971,079</u>	<u>(1,469,901)</u>
General Revenues				
Interest and Earnings				146,669
Loss on Sales of Property				(67,940)
Refund of Prior Year's Expenditures				706,010
Miscellaneous				865,431
Total General Revenues				<u>1,650,170</u>
Change in Net Position				<u>180,269</u>
Net Position (Deficit), Beginning of Year				(45,208,823)
Prior Period Adjustment				<u>(42,935)</u>
Net Position (Deficit), Beginning of Year (Restated)				<u>(45,251,758)</u>
Net Position (Deficit), End of Year				<u>\$ (45,071,489)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2023

	Miscellaneous				
	General	Special Aid	Special Revenue	Capital	Total
Assets					
Cash and Cash Equivalents	\$ 6,809,318	\$ 149,037	\$	\$	\$ 6,958,355
Restricted Cash and Cash Equivalents	4,402,315		4,757	1,867,482	6,274,554
Receivables					
State and Federal Aid		617,190			617,190
Due from Components	443,387				443,387
Due from Other Funds	1,401,175				1,401,175
Accounts Receivable	10,002	1,052,919			1,062,921
Leases	1,084,418				1,084,418
Other Assets	79,522				79,522
Total Assets	<u>\$ 14,230,137</u>	<u>\$ 1,819,146</u>	<u>\$ 4,757</u>	<u>\$ 1,867,482</u>	<u>\$ 17,921,522</u>
Liabilities					
Due to Components - Refund of Surplus	\$ 2,537,769	\$	\$	\$	\$ 2,537,769
Due To					
Other Funds	119,718	1,281,457			1,401,175
Teachers' Retirement System	791,092				791,092
Employees' Retirement System	102,004				102,004
Accounts Payable	1,104,110	34,007		444,114	1,582,231
Accrued Liabilities	562,077	1,409			563,486
Overpayments and Collections in Advance	2,557,920				2,557,920
Unearned Revenue	169,738	502,273			672,011
Total Liabilities	<u>7,944,428</u>	<u>1,819,146</u>		<u>444,114</u>	<u>10,207,688</u>
Deferred Inflows of Resources - Leases	<u>2,127,964</u>				<u>2,127,964</u>
Fund Balances (Deficit)					
Restricted	4,402,315		4,757	1,423,368	5,830,440
Assigned	798,967				798,967
Unassigned (Deficit)	<u>(1,043,537)</u>				<u>(1,043,537)</u>
Total Fund Balances	<u>4,157,745</u>		<u>4,757</u>	<u>1,423,368</u>	<u>5,585,870</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 14,230,137</u>	<u>\$ 1,819,146</u>	<u>\$ 4,757</u>	<u>\$ 1,867,482</u>	<u>\$ 17,921,522</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE BOCES-WIDE NET POSITION
June 30, 2023

Total Governmental Fund Balances	\$ <u>5,585,870</u>
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Amounts reported for governmental activities in the Statement of Net Position differ as follows:

The cost of building, acquiring, and leasing capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital and right to use assets among the assets of the BOCES as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Right to Use Assets	410,489
Accumulated Amortization	(295,611)
Original Cost of Capital Assets	36,287,484
Accumulated Depreciation	<u>(17,567,739)</u>
	<u>18,834,623</u>

The BOCES' proportion of the collective net pension asset is reported as an asset on the Statement of Net Position, but is not reported on the fund statements as the amount is not available for use in the current period. The difference between the BOCES' contributions and its proportionate share of the net pension asset is recorded on the BOCES-wide Statement of Net Position as a deferred outflow.

Deferred Outflows- Pensions	<u>6,038,590</u>
	<u>6,038,590</u>

Long-term liabilities are not due and payable in the current period, therefore they are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Installment Purchase Agreements	(1,084,419)
Lease Liability	(108,909)
Energy Performance Contract	(491,793)
Other Post Employment Liabilities	(51,341,876)
Deferred Outflows- OPEB	5,111,920
Deferred Inflows- OPEB	(22,224,100)
Compensated Absences Payable	<u>(1,310,330)</u>
	<u>(71,449,507)</u>

The BOCES' proportion of deferred inflows is reported as a liability on the Statement Net Position, but is not reported on the fund statements as the amount not payable in the current period. Pension accruals made subsequent to the measurement date are not expensed in the Statement of Activities, and are not reported on the Statement of Net Position.

Net Pension Liability- Proportionate Share	(3,345,986)
Deferred Inflows- Pensions	<u>(735,079)</u>
	<u>(4,081,065)</u>

Total Net Position	<u>\$ (45,071,489)</u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2023

	General	Special Aid	Miscellaneous Special Revenue	Capital	Total
Revenues					
Charges for Services	\$	\$ 1,260,695	\$	\$	\$ 1,260,695
Charges to Components - Administration	3,321,944				3,321,944
Charges to Components - Service Programs	27,960,515				27,960,515
Charges to Non-Components and Other BOCES	1,679,945				1,679,945
Interest and Earnings	83,936			62,733	146,669
Miscellaneous	718,508		181	146,742	865,431
Refund of Prior Year's Expenditures	706,010				706,010
Interfund Revenues				561,702	561,702
State and Local Sources		887,001			887,001
Federal Sources		1,084,078			1,084,078
Total Revenues	<u>34,470,858</u>	<u>3,231,774</u>	<u>181</u>	<u>771,177</u>	<u>38,473,990</u>
Expenditures					
Administration	3,154,456				3,154,456
Administration - Capital	652,926				652,926
Occupational Instruction	5,292,419				5,292,419
Instruction for Special Needs	6,175,630				6,175,630
Itinerant Services	2,290,210				2,290,210
General Instruction	1,980,101	3,209,657			5,189,758
Instructional Support	3,949,194		2,250		3,951,444
Other Services	7,584,993			517,643	8,102,636
General Support		22,117			22,117
Capital Outlay				1,505,642	1,505,642
Total Expenditures	<u>31,079,929</u>	<u>3,231,774</u>	<u>2,250</u>	<u>2,023,285</u>	<u>36,337,238</u>
Excess (Deficit) Revenues Over Expenditures	<u>3,390,929</u>		<u>(2,069)</u>	<u>(1,252,108)</u>	<u>2,136,752</u>
Other Financing Sources (Uses)					
Proceeds on Installment Purchase Agreements and Leases				617,447	617,447
Return of Surplus	(2,537,769)				(2,537,769)
Total Other Financing Sources (Uses)	<u>(2,537,769)</u>			<u>617,447</u>	<u>(1,920,322)</u>
Excess (Deficit) Revenues Over Expenditures and Other Financing Sources	<u>853,160</u>		<u>(2,069)</u>	<u>(634,661)</u>	<u>216,430</u>
Fund Balances, Beginning of Year	<u>3,304,585</u>		<u>6,826</u>	<u>2,058,029</u>	<u>5,369,440</u>
Fund Balances, End of Year	<u>\$ 4,157,745</u>	<u>\$</u>	<u>\$ 4,757</u>	<u>\$ 1,423,368</u>	<u>\$ 5,585,870</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net Changes in Fund Balances - Total Governmental Funds	\$	216,430
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Capital Related Differences

Capital Outlays to purchase, build or lease capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation or amortization expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation and amortization expense along with related losses on disposals for the period.

Depreciation and Amortization Expense	(1,316,578)		
Loss on Disposal	(67,940)		
Capital Outlays	<u>2,223,854</u>		839,336

Long-Term Liability Transaction Differences

Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Installment Purchase Agreements	25,134		
Change in Lease Liability	(45,301)		
Change in deferred outflows and inflows of Other Post Employment Liabilities	(189,836)		
Change in Energy Performance Contract	60,792		
Change in Compensated Absences	<u>132,120</u>		(17,091)

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

Teachers' Retirement System	(333,117)		
Employees' Retirement System	<u>(525,289)</u>		<u>(858,406)</u>

Change in Net Position Governmental Activities	\$	<u>180,269</u>
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OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2023

	<u>Custodial</u>
Assets	
Cash and Cash Equivalents - Restricted	\$ 59,048
Total Assets	<u>\$ 59,048</u>
 Net Position	
Restricted for Extraclassroom Activities	\$ 59,048
 Total Liabilities and Net Position	<u>\$ 59,048</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2023

	<u>Custodial</u>
Additions	
Club Fundraising	\$ 105,608
State Aid Payments Collected on Behalf of Component Districts	<u>8,324,405</u>
Total Additions	<u>8,430,013</u>
Deductions	
Club Expenditures	106,884
State Aid Payments to Component Districts	<u>8,324,405</u>
Total Deductions	<u>8,431,289</u>
Change in Net Position	(1,276)
Net Position, Beginning of Year	<u>60,324</u>
Net Position, End of Year	<u>\$ 59,048</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Otsego Northern Catskills BOCES (BOCES) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) that apply to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

Financial Reporting Entity

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

The reporting entity of the BOCES is based upon criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying basic financial statements present the activities of the BOCES. The BOCES is not a component unit of another reporting entity. The decision to include a potential component unit in the BOCES' reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of certain entities included in the BOCES' reporting entity.

(a) *Extraclassroom Activity Funds*

The Extraclassroom Activity Funds of BOCES represent funds of the students of BOCES. These funds are included in the combined basic financial statements in the Fiduciary Funds as custodial funds because the Board of Cooperative Educational Services has custody of the funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the BOCES' office.

Joint Ventures

(a) *BOCES Program*

There are nineteen participating schools in the Otsego Northern Catskills BOCES. The BOCES is a joint venture in which the participating Districts have an ongoing financial responsibility, no equity interest, and no single participant controls the financial or operating policies of the BOCES. The BOCES was formed under State law for the purpose of providing shared educational programs and instruction in subjects approved by the State Education Commissioner. The BOCES' governing board is elected based on the vote of members of the participating Districts' governing boards. The BOCES charges Districts for program costs based on participation and for administrative costs. During the year ended June 30, 2023, the BOCES billed its component Districts and non-components \$30,375,256 for administrative and program costs.

(b) *Insurance Consortium*

The BOCES is the sponsoring agency for the Otsego Northern Catskills BOCES Health Benefit, Dental and Workers Compensation Plans Consortiums. The Consortiums are municipal corporations operating in the Otsego Northern Catskill area to provide cooperative programs for health benefits, dental benefits and workers' compensation benefits, respectively, to municipal employees by entering into intermunicipal agreements pursuant to Article 5-G of the General Municipal Law.

Separate audited financial statements of the Otsego Northern Catskills BOCES Health Consortium and the Otsego Northern Catskills Workers' Compensation Plan can be found at the BOCES' business office at 2020 Jump Brook Road, Grand Gorge, New York 12434.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Basis of Presentation

(a) BOCES-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through charges to components, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary grants.

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

(b) Fund Financial Statements

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

General Fund: This is the BOCES' primary operating fund. This fund accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Funds –

Special Aid Fund: This fund accounts for and reports the proceeds of specific revenue sources, such as federal and state grants, that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

Miscellaneous Special Revenue Fund: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.

Capital Projects Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(c) Fiduciary Funds

This fund is used to account for and report custodial activities. Custodial activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There is one class of fiduciary funds:

Custodial Funds: These funds are strictly custodial in nature. Assets are held by the BOCES for various student groups or Extraclassroom activity funds.

Measurement Focus and Basis of Accounting

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

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within 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 governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Postretirement health insurance costs are recognized as an expenditure when funded.

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.

Budgetary Procedures and Budgetary Accounting

The BOCES' administration submits a tentative budget to the Board of Cooperative Educational Services for the fiscal year commencing the following July 1. The BOCES' administrative budget must be approved by a majority of the boards of each component BOCES in May. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

Appropriations established by adoption of the budget constitute a limitation on expenditures that may be incurred. Appropriations lapse at the fiscal year end.

The Board of Cooperative Educational Services must approve all modifications of the budget. However, the BOCES Superintendent is authorized to transfer certain budgeted amounts within departments.

Cash and Cash Equivalents

The BOCES' cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. The BOCES' cash and investment policies are governed by state statutes and BOCES policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

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

Receivables

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

Insurance

BOCES insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

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Interfund Transactions and Transfers

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

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 8 to the financial statements.

Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair market value at the time received.

The BOCES uses capitalization thresholds of \$1,000 (the dollar value above which asset acquisitions are added to the capital assets accounts for grouped-like assets or individual assets).

Depreciation methods and estimated useful lives of capital assets reported in the BOCES-wide statements are as follows:

	<u>Lives</u>	<u>Depreciation Method</u>
Buildings and Improvements	20-40 Years	Straight Line
Furniture and Equipment	8-20 Years	Straight Line

Right to Use Leased Assets

The BOCES has recorded right to use lease assets as a result of implementing GASB 87 -Leases. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term. The right to use assets are amortized on a straight-line basis over the life of the related lease.

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BOCES had two items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported on the BOCES-wide Statement of Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years.

Vested Employee Benefits

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

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

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

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

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

Other Benefits

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

In addition to providing pension benefits, the BOCES provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if BOCES employees are eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the BOCES and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 5).

Accrued Liabilities and Long-Term Obligations

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

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

Unearned Revenue

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the 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 both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has three items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension liability (ERS and TRS System) and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported on the BOCES-wide Statement of Net Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years. The third item is related to agreements in which the BOCES acts as a lessor and is deferring any lease receivable and initial payments received over the term of the lease.

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Equity Classifications

(a) BOCES-wide Statements

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

Net Investment in Capital Assets – consists of net capital and right to use assets (cost less accumulated depreciation and amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets.

Restricted Net Position – reports Net Position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – reports all other Net Position that do not meet the definition of the above two classifications and are deemed to be available for general use by the BOCES.

(b) Fund Statements

The following classifications describe the relative strength of the spending constraints:

Restricted Fund Balances

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the BOCES' policy is to use restricted resources only when appropriated by the Board of Education. When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements.

The BOCES has established the following restricted fund balances:

- ***Unemployment Insurance Reserve*** – According to General Municipal Law §6-m, must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- ***Retirement Contribution Reserve*** – According to General Municipal Law §6-r, must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. The Board of the BOCES adopted a resolution to establish this sub-fund in May 2019. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, not to exceed a total of 10%. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal law §6-r.

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- ***Reserve for Employee Benefits Accrued Liability*** – According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- ***Reserve for Liability Claims and Property Loss*** – According to Education Law §1709(8) (c), must be used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts with a population under 125,000. This reserve is accounted for in the General Fund.
- ***Reserve for Career Educational Instructional Equipment*** – This reserve is available only to BOCES for the replacement and purchase of advanced technology equipment used in instructional programs conducted by the BOCES. It may be established upon approval of the BOCES and of the school boards of a majority of the BOCES participating in the instructional programs of the BOCES. This reserve is accounted for in the General Fund.
- ***Reserve for Endowments and Scholarships*** – This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Miscellaneous Special Revenue Fund.
- ***Capital Project Fund*** – This reserve is used to account for and report the financial resources that are restricted for acquisition, construction, or major repair of capital facilities. This reserve is accounted for in the Capital Fund.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the BOCES considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the BOCES has provided otherwise in its commitment or assignment actions.

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES' highest level of decision making authority; i.e. the Board of Education. The BOCES has no committed fund balances as of June 30, 2023.

Assigned - Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances other than in the Capital Fund are classified as Assigned Fund Balance in the respective fund.

Unassigned - Includes all other net positions that do not meet the definition of the above classifications and are deemed to be available for general use by the BOCES. In other Governmental Funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, then it may be necessary to report negative unassigned Fund Balances in the respective fund. The BOCES has an unassigned fund balance deficit as of June 30, 2023 due to the impact of recording lessor transactions as required from implementing Governmental Accounting Standards Board (GASB) Statement No. 87, Leases.

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND BOCES-WIDE STATEMENTS

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

Total Fund Balances of Governmental Funds Compared To Net Position of Governmental Activities

Total fund balances of the BOCES' governmental funds differs from "net position" of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

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Statement of Revenues, Expenditures, and Changes in Fund Balance Versus Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of six broad categories:

(a) Long-Term Revenue/Expenditure Differences

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

(b) Capital Related Differences

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

(c) Long-Term Debt Transaction Differences

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

(d) Pension Differences

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

(e) Employee Benefit Allocation

Expenditures for employee benefits are not allocated to a specific function on the Statement of Revenues, Expenditures, and Changes in Fund Balances based on the requirement of New York State. These costs have been allocated based on total salary for each function on the Statement of Activities.

(f) OPEB Differences

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

3. DETAILED NOTES ON ALL FUNDS

(a) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of \$4,402,315 in the General Fund represents funds held in the Unemployment Insurance Reserve, Retirement Contribution Reserve, Employee Benefit Accrued Liability Reserve, Liability Reserve and Career Educational Instructional Equipment Reserve established by BOCES.

Restricted cash and cash equivalents of \$1,867,482 in the Capital Fund represent funds held for current and future capital projects.

Restricted cash and cash equivalents of \$4,757 in the Miscellaneous Special Revenue fund represents various scholarship and award funds held by the BOCES.

Restricted cash and cash equivalents of \$59,048 in the Custodial Fund represent funds held for the BOCES Extraclassroom Activity Funds.

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(b) Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the BOCES' deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the BOCES' name.

The BOCES' investment policies are governed by state statutes and BOCES policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. 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 New York State and its municipalities.

As of June 30, 2023, BOCES' bank balances of \$13,516,422 were fully collateralized by FDIC in the amount of \$500,000 and with securities held by an agent of the pledging financial institution in the BOCES' name of \$13,016,422.

(c) Investment Pool

The BOCES participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-o, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

The following amounts are included as restricted and unrestricted cash equivalents:

Fund	Cost	Fair Value
General Fund	\$ 5,589,904	\$ 5,589,904
Capital Fund	765,467	765,467
Total	<u>\$ 6,355,371</u>	<u>\$ 6,355,371</u>

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. The Investment Pool issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing to NYLAF Administration, PMA Financial Network, 2135 City Gate Lane 7th FL, Naperville, IL 60563.

(d) Capital Assets and Right to Use Leased Assets

Capital asset activity for the year ended June 30, 2023, is as follows:

	Beginning Balance	Prior Period Adjustment	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 47,509	\$	\$	\$	\$ 47,509
Construction in Progress	100,198		1,405,839		1,506,037
Total	147,707		1,405,839		1,553,546
Capital Assets Being Depreciated					
Buildings and Improvements	23,677,205				23,677,205
Furniture and Equipment	11,926,810	(798,801)	713,508	784,784	11,056,733
Total	35,604,015	(798,801)	713,508	784,784	34,733,938
Accumulated Depreciation					
Buildings and Improvements	9,171,128	(197,347)	495,148		9,468,929
Furniture and Equipment	8,610,618	(558,519)	763,555	716,844	8,098,810
Total	17,781,746	(755,866)	1,258,703	716,844	17,567,739
Net Capital Assets Being Depreciated	17,822,269	(42,935)	(545,195)	67,940	17,166,199
Net Capital Assets	<u>\$ 17,969,976</u>	<u>\$ (42,935)</u>	<u>\$ 860,644</u>	<u>\$ 67,940</u>	<u>\$ 18,719,745</u>

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Right to use leased asset activity for the year ended June 30, 2023, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Right to Use Leased Assets				
Leased Equipment	\$ 305,981	\$ 104,508	\$	\$ 410,489
Total	305,981	104,508		410,489
Accumulated Amortization				
Leased Equipment	237,735	57,876		295,611
Total	237,735	57,876		295,611
Net Right to Use Leased Assets	\$ 68,246	\$ 46,632	\$	\$ 114,878

Depreciation and amortization expense of \$1,316,579 is charged as follows:

Function/Program

Administration	\$ 150,941
Administration-Capital	267,690
Occupational Instruction	248,756
Instruction for Students with Special Needs	86,866
Itinerant Services	78,500
General Instruction	156,563
Instructional Support	327,263
Total Depreciation	<u>\$ 1,316,579</u>

(e) Lease Receivable and Lessor Agreements

The BOCES has entered into agreements with Districts to lease technology and distance learning equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded as a receivable at the present value of the future minimum lease payments as of the date of the inception of the agreements. The agreements were executed on various dates from 2019 to 2023 and are for a term of 5 years. For some of the agreements the payments are made up front and there are no further receivables due from the lessee. As a result of these lease agreements, the BOCES has recorded a lease receivable and a deferred inflow of resources at June 30, 2023. For the year ended June 30, 2023, the BOCES recognized \$907,203 in lease revenue and \$22,582 in lease interest revenue. Also, during the year ended June 30, 2023, the BOCES issued loans in the amount of \$517,643 and received principal payments of \$542,777. Future payments due to the BOCES under these agreements are as follows for the year ended June 30:

For the Year Ending June 30,	Lease Receivables		
	Principal	Interest	Total
2024	\$ 544,485	\$ 16,759	\$ 561,244
2025	332,566	18,043	350,609
2026	171,764	7,890	179,654
2027	35,603	1,618	37,221
Total	<u>\$ 1,084,418</u>	<u>\$ 44,310</u>	<u>\$ 1,128,728</u>

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Future deferred inflow recognition under these agreements are as follows for the year ended June 30:

For the Year Ending June 30,	Deferred Inflows
2024	\$ 1,046,036
2025	528,613
2026	305,499
2027	123,908
2028	123,908
Total	<u>\$ 2,127,964</u>

(f) Liabilities

Noncurrent Liabilities

Long-term liability balances and activity for the year ended June 30, 2023 is as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Installment Purchase Agreement	\$ 1,109,553	\$ 517,643	\$ 542,777	\$ 1,084,419	\$ 544,485
Energy Performance Contract	552,585		60,792	491,793	58,977
Total Governmental Activities	1,662,138	517,643	603,569	1,576,212	603,462
Other Liabilities					
Lease Liability	63,608	99,804	54,503	108,909	39,565
Other Postemployment Benefits	56,600,600	4,622,827	9,881,551	51,341,876	
Compensated Absences	1,442,450		132,120	1,310,330	
Total Other Liabilities	58,106,658	4,722,631	10,068,174	52,761,115	39,565
Total Noncurrent Liabilities	<u>\$ 59,768,796</u>	<u>\$ 5,240,274</u>	<u>\$ 10,671,743</u>	<u>\$ 54,337,327</u>	<u>\$ 643,027</u>

The General Fund has typically been used to liquidate noncurrent liabilities through budget appropriations.

Installment Purchase Agreements

The BOCES is obligated under certain installment purchase agreements at various incremental interest rates ranging from 1.05% to 7.43% for terms ranging from two to four years. Assets purchased under the agreements totaled \$2,546,069 at June 30, 2023.

Principal and interest payments due on the installment obligation debt are as follows:

	Installment Purchase Agreement		
For the Year Ending June 30,	Principal	Interest	Total
2024	\$ 544,485	\$ 16,759	\$ 561,244
2025	332,566	18,043	350,609
2026	171,764	7,890	179,654
2027	35,604	2,096	37,700
Total	<u>\$ 1,084,419</u>	<u>\$ 44,788</u>	<u>\$ 1,129,207</u>

Interest expense on installment purchase debt for the year ended June 30, 2023, was \$22,582 and is reported in program expenditures.

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Energy Performance Contract

The BOCES entered into an energy performance contract to provide energy improvement installations to various BOCES buildings. This contract was executed through the John W. Danforth Company. The financing agreement provides for an interest rate of 3.04%. This amount includes a penalty amount for early payment which starts at 2.5% at the inception of the contract and decreases over time. The original issue was dated March 1, 2017 in the amount of \$852,055. The outstanding balance at June 30, 2023 was \$491,793.

Principal and interest payments due on the energy performance contract are as follows:

For the Year Ending June 30,	Energy Performance Contract		
	Principal	Interest	Total
2024	\$ 58,977	\$ 14,056	\$ 73,033
2025	57,766	12,300	70,066
2026	59,542	10,523	70,065
2027	61,373	8,693	70,066
2028	63,260	6,805	70,065
2029 - 2031	190,875	8,504	199,379
Total	<u>\$ 491,793</u>	<u>\$ 60,881</u>	<u>\$ 552,674</u>

Lease Liability

The BOCES has entered into agreements with vendors to lease certain equipment such as copiers and other technology equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of the inception of the agreements. The agreements were executed on various dates ranging from November 30, 2018 to June 13, 2023 and are for a term of 3-5 years. Annual lease payments for these agreements range from \$1,022 to \$34,608. The lease liability is measured at a discount rate of 3%. As a result of these leases, the BOCES has recorded a right to use asset with a net book value of \$114,878 at June 30, 2023.

Future lease payments are as follows:

For the Year Ending June 30,	Leases		
	Principal	Interest	Total
2024	\$ 39,565	\$ 2,698	\$ 42,263
2025	34,619	1,591	36,210
2026	34,725	566	35,291
Total	<u>\$ 108,909</u>	<u>\$ 4,855</u>	<u>\$ 113,764</u>

4. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) *Plan Description*

The BOCES participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2022, he was elected for a new term commencing January 1, 2023. System benefits are established under the

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provisions of the New York State Retirement and Social Security Law (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. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due and payable. Investments are recognized at fair value. 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, NY 12244.

(b) Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 and prior to April 1, 2012, are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2023, were paid.

The required contributions for the current year and two preceding years were:

	Amount
2021	\$ 435,110
2022	\$ 467,568
2023	\$ 336,183

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

At June 30, 2023, the BOCES reported a liability of \$2,532,539 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOCES proportion of the net pension liability was based on a projection of the BOCES long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2023, and 2022, the BOCES proportion was .0118100% and .0111741%, respectively.

For the year ended June 30, 2023, the BOCES recognized a pension expense of \$862,481. At June 30, 2023, the 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
Differences between expected and actual experience	\$ 269,735	\$ 71,123
Change of assumptions	1,229,964	13,593
Net difference between projected and actual earnings on Pensions plan investments		14,879
Changes in proportion and differences between contributions and proportionate share of contributions	41,838	101,396
Contributions subsequent to the measurement date	102,004	
Total	<u>\$ 1,643,541</u>	<u>\$ 200,991</u>

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from BOCES contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/liability in the year ended June 30, 2023.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow for the year ended June 30:

2024	\$ 311,649
2025	\$ (154,186)
2026	\$ 497,904
2027	\$ 685,179

(d) Actuarial Assumptions

The total pension liability at March 31, 2023 was determined by using an actuarial valuation as of April 1, 2022 with update procedures used to roll forward the total pension liability to March 31, 2023. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2022 valuation were as follows:

Investment rate of return (net of investment expense, including inflation)	5.90%
Salary scale	4.40%
Inflation rate	2.90%
Cost of Living Adjustment	1.50%

Annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' MP-2021. The actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. The long term expected 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 the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2023 are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	32%	4.30%
International Equity	15%	6.85%
Private Equity	10%	7.50%
Real Estate	9%	4.60%
Opportunistic/Absolute Return Strategies	3%	5.38%
Credit	4%	5.43%
Real Assets	3%	5.84%
Fixed Income	23%	1.50%
Cash	1%	0.00%
	<u>100%</u>	

The real rate of return is net of the long-term inflation assumption of 2.5%.

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(e) Discount Rate

The discount rate used to calculate the total pension asset/liability was 5.9%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's 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.

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

The following presents the BOCES' proportionate share of the net pension (asset) liability calculated using the discount rate of 5.9 percent, as well as what the BOCES's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (4.9 percent) or 1-percentage-point higher (6.9 percent) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Proportionate share of the net pension liability (assets)	\$ 6,120,060	\$ 2,532,539	\$ (465,253)

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) Payables to the Pension Plan

The BOCES has recorded an amount due to ERS in the General Fund of \$102,004 at June 30, 2023. This amount represents the three months of the BOCES's fiscal year that will be paid in the ERS 2023-2024 billing cycle and has been accrued as an expenditure in the current year.

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B. New York State Teachers' Retirement System (TRS)

(a) Plan Description

The BOCES participates in the New York 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.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, 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 Retirement and Social Security Law. 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.

The required employer contributions for the current year and two preceding years were:

	Amount
2021	\$ 734,629
2022	\$ 735,957
2023	\$ 700,831

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

At June 30, 2023, the BOCES reported a liability of \$813,447 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension asset used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The BOCES proportion of the net pension liability was based on a projection of the BOCES long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

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At June 30, 2022, the BOCES proportionate share was .042391%, which was a decrease of .003093% from its proportionate share measured as of June 30, 2021.

For the year ended June 30, 2023, the BOCES recognized a pension expense of \$1,033,590. At June 30, 2023, the 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
Differences between expected and actual experience	\$ 852,389	\$ 16,300
Changes of assumptions	1,577,949	327,679
Net difference between projected and actual earnings on Pensions plan investments	1,051,050	
Changes in proportion and differences between contributions and proportionate share of contributions	212,830	190,109
Contributions subsequent to the measurement date	700,831	
Total	<u>\$ 4,395,049</u>	<u>\$ 534,088</u>

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from BOCES contributions subsequent to the measurement date, if any, will be recognized as a reduction of the net pension asset. 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 ended June 30:

2023	\$ 607,509
2024	\$ 306,419
2025	\$ (153,573)
2026	\$ 2,075,825
2027	\$ 294,176
Thereafter	\$ 29,774

(d) Actuarial Assumptions

The total pension asset at the June 30, 2022 measurement date was determined by using an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension asset to June 30, 2022.

Significant actuarial assumptions used in the June 30, 2021 valuation were as follows:

Investment Rate of Return	6.95 % compounded annually, net of pension plan investment expense, including inflation.
Salary scale	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	5.18%
15	3.64%
25	2.50%
35	1.95%

Projected COLAs	1.3% compounded annually.
Inflation rate	2.40%

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Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP 2021, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	33.0%	6.5%
International Equity	16.0%	7.2%
Global Equity	4.0%	6.9%
Real Estate Equity	11.0%	6.2%
Private Equity	8.0%	9.9%
Domestic Fixed Income	16.0%	1.1%
Global Bonds	2.0%	0.6%
High-Yield Bonds	1.0%	3.3%
Private Debt	2.0%	5.3%
Real Estate Debt	6.0%	2.4%
Cash Equivalents	1.0%	(0.3%)
	100%	

* Real rates of return are net of the long-term inflation assumption of 2.4% for 2022.

(e) Discount Rate

The discount rate used to measure the pension liability (asset) was 6.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from BOCES will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents BOCES's proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the BOCES's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Proportionate share of the net pension liability (assets)	\$ 7,500,361	\$ 813,447	\$ 4,810,204

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(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) Payables to the Pension Plan

The BOCES has recorded an amount due to TRS of \$791,092 which includes \$90,261 in employee contributions, in the General Fund at June 30, 2023. This amount represents contribution for the 2022-2023 fiscal year that will be made in 2023-2024 and has been accrued as an expenditure in the current year.

5. POSTRETIREMENT HEALTH CARE BENEFITS

(a) Plan Description and Benefits Provided

The BOCES provides medical and prescription drug benefits to its eligible retirees. The benefits are provided through an insurance arrangement with the Catskill Area School Employees Benefit Plan (CASEBP) Consortium, with Excellus as third party administrator. Benefit provisions are established and amended through negotiations between the BOCES and the respective unions as follows:

Eligibility: Employees are required to reach age 55 and to have the following years of service to qualify for OPEB:

- Support Staff - 10 years (last 5 years continuous)
- Teachers - 10 years (last 5 years continuous)
- Administrators – 7 years

Benefit Cost Sharing:

- Individual - The BOCES pays 50% to 75% of the retiree's premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.
- Spouse - The BOCES pays 25% to 50% of the retiree's qualified dependents premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.
- Surviving Spouse - Following the death of the retiree, the BOCES pays 35% to 51% of the surviving spouse's premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.

(b) Employees Covered by Benefit Terms

	Total
Inactive employees currently receiving benefit payments	161
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	185
Total	346

(c) Total OPEB Liability

The BOCES' total OPEB liability of \$51,341,876 was measured as of June 30, 2023, and was determined by an actuarial valuation as of July 1, 2022.

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

(d) Changes in the Total OPEB Liability

Changes in the BOCES' total OPEB liability were as follows:

	Total OPEB Liability
Balances, June 30, 2022	\$ 56,600,600
Changes recognized for the year:	
Service cost	2,559,266
Interest on Total OPEB Liability	2,063,561
Difference between expected and actual experience	(3,798,417)
Changes of Assumptions or Other Inputs	(4,333,553)
Benefit payments	(1,749,581)
Net changes	(5,258,724)
Balances, June 30, 2023	\$ 51,341,876

Changes of assumptions and other inputs reflect changes in assumptions regarding inflation, healthcare cost trends, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees.

(e) Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.13 percent) or 1 percentage point higher (5.13 percent) than the current discount rate:

	1% Decrease (3.13%)	Current Assumption (4.13%)	1% Increase (5.13%)
Total OPEB liability	\$ 59,973,575	\$ 51,341,876	\$ 44,419,980

(f) Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.75 percent) or 1 percentage point higher (7.75 percent) than the current healthcare cost trend rate:

	1% Decrease (5.75%)	Current Assumption (6.75%)	1% Increase (7.75%)
Total OPEB liability	\$ 43,535,357	\$ 51,341,876	\$ 61,297,072

Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

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

For the year ended June 30, 2023, the BOCES recognized OPEB expense of \$1,939,417. At June 30, 2023, the 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	\$ 217,397	\$ (5,050,962)
Changes of assumptions or other inputs	4,894,523	(17,173,138)
Total	<u>\$ 5,111,920</u>	<u>\$ (22,224,100)</u>

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

Year ended June 30:

	<u>Amount</u>
2024	(2,246,206)
2025	(2,324,248)
2026	(4,537,111)
2027	(3,421,452)
2028	(3,421,453)
Thereafter	(1,161,710)

(h) Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021 rolled forward to June 30, 2022, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation rate	2.70%
Healthcare Cost Trend Rates	6.75% for 2023 decreasing to an ultimate rate of 4.14% by 2076
Discount Rate	4.13%
Retirees' Share of Benefit-Related Costs	-3.06% for 2023 increasing to 6.31% in 2024 then decreasing to an ultimate rate of 4.14% by 2076

The selected discount rate of 4.13% was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

6. BUDGET REVISIONS

The General Fund budget was increased by \$2,169,984 to provide for encumbrances and for changes in program services by the component districts of the BOCES. The increases were approved by the Board during the year.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

7. RISK FINANCING AND RELATED INSURANCE

The Otsego-Northern Catskill BOCES is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. BOCES administers and participates in the Catskill Area Schools Employee Benefit Plan (CASEBP) consisting of 18 other governmental entities for their health and dental insurance coverage, as well as, in the Catskill Area Schools Workers' Compensation Plan (CASWCP) consisting of 23 other municipalities for its workers' compensation insurance coverage.

Entities joining the plans must remain members for a minimum of one year; a member may withdraw from the plans after that time by submitting a notice of withdrawal 30 days prior to the plans' year end. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plans' assets were to be exhausted, members would be responsible for the plan's liabilities. The plans use a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured.

The plans establish a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The Consortiums are shared-risk public entity risk pools whereby each entity pays annual premiums as follows: Health Consortium - Monthly premium from individual members based on the type of coverage selected. Workers' Compensation - Premiums are computed based upon an established rate of covered payroll.

Premiums paid to the Health, Dental, and Workers' Compensation Consortiums totaled \$3,927,857; \$289,601; and \$89,748, respectively, for the year ended June 30, 2023. Paid claims are accounted for in the aggregate with individual entity activity not being tracked separately.

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

8. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

Interfund receivables and payables at June 30, 2023 were as follows:

Fund	Interfund	
	Receivables	Payables
General	\$ 1,401,175	\$ 119,718
Special Aid		1,281,457
Total	<u>\$ 1,401,175</u>	<u>\$ 1,401,175</u>

The BOCES typically transfers from the General Fund to the Special Aid Fund to cover fund expenses until the revenue is received.

All interfund payables are expected to be repaid within one year.

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

9. FUND BALANCE

The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet:

	General	Miscellaneous Special Revenue	Capital	Total
Restricted				
Liability Reserve	\$ 45,000	\$	\$	\$ 45,000
Unemployment Insurance Reserve	327,600			327,600
Retirement Contribution Reserve	1,976,850			1,976,850
Employee Benefit Accrued Liability Reserve	1,308,458			1,308,458
Career Educational Instructional Equipment Reserve	744,407			744,407
Reserve for Scholarships		4,757		4,757
Capital Project			1,423,368	1,423,368
Total Restricted	<u>4,402,315</u>	<u>4,757</u>	<u>1,423,368</u>	<u>5,830,440</u>
Assigned				
Administration	98,267			98,267
Occupational Instruction	200,966			200,966
Instruction for Special Needs	37,946			37,946
Itinerant Services	2,433			2,433
General Instruction	6,169			6,169
Instructional Support	385,035			385,035
Other Services	68,151			68,151
Total Assigned	<u>798,967</u>			<u>798,967</u>
Unassigned (Deficit)	<u>(1,043,537)</u>			<u>(1,043,537)</u>
Total Fund Balance	<u>\$ 4,157,745</u>	<u>\$ 4,757</u>	<u>\$ 1,423,368</u>	<u>\$ 5,585,870</u>

The following is a summary of the change in selected General Fund restricted fund balance during the year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
Liability Reserve	\$ 35,559	\$ 9,441	\$	\$ 45,000
Unemployment Insurance Reserve	320,000	7,600		327,600
Retirement Contribution Reserve	1,314,126	662,724		1,976,850
Employee Benefit Accrued Liability	1,442,450		133,992	1,308,458
Career Educational Instructional Equipment Reserve	620,205	124,202		744,407
	<u>\$ 3,732,340</u>	<u>\$ 803,967</u>	<u>\$ 133,992</u>	<u>\$ 4,402,315</u>

10. CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability

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

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2023

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, Special Revenue Funds, and Capital Projects Funds. At June 30, 2023, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances are as follows:

Administration	\$ 98,267
Occupational Instruction	200,966
Instruction for Special Needs	37,946
General Instruction	6,169
Instructional Support	385,035
Other Services	<u>68,151</u>
Total Encumbrances	<u>\$ 798,967</u>

11. NET POSITION (DEFICIT)

Net Position (Deficit) – BOCES-Wide

The BOCES-wide net position had a deficit at June 30, 2023 of \$45,071,489. The deficit is the result of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires the recognition of an unfunded liability of \$51,341,876 at June 30, 2023. Since New York State Law provides no mechanism for funding the liability, any subsequent accruals are expected to increase the deficit.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Administration	\$ 3,625,276	\$ 3,625,515	\$ 3,223,596		\$ (401,919)
Administration - Capital	655,726	655,726	656,061		335
Occupational Instruction	5,726,925	5,711,687	5,279,580		(432,107)
Instruction for Special Needs	7,248,629	6,655,239	6,535,798		(119,441)
Itinerant Services	2,987,649	2,651,274	2,657,964		6,690
General Instruction	2,181,090	2,286,779	2,231,711		(55,068)
Instruction Support	3,629,859	4,587,140	4,494,762		(92,378)
Other Services and Internal Services	7,416,433	8,589,893	9,391,386		801,493
Total Revenues	<u>\$ 33,471,587</u>	<u>\$ 34,763,253</u>	<u>34,470,858</u>		<u>\$ (292,395)</u>
Expenditures					
	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual
Administration	\$ 3,625,276	\$ 3,625,515	3,154,456	\$ 98,267	\$ 372,792
Administration - Capital	655,726	655,726	652,926		2,800
Occupational Instruction	5,726,925	5,711,688	5,292,419	200,966	218,303
Instruction for Special Needs	7,248,629	6,655,235	6,175,642	37,946	441,647
Itinerant Services	2,987,649	2,651,276	2,290,210	2,433	358,633
General Instruction	2,181,090	2,286,778	1,980,101	6,169	300,508
Instruction Support	3,629,859	4,587,138	3,949,194	385,035	252,909
Other Services	7,416,433	8,589,897	7,584,981	68,151	936,765
Total Expenditures	<u>33,471,587</u>	<u>34,763,253</u>	<u>31,079,929</u>	<u>\$ 798,967</u>	<u>\$ 2,884,357</u>
Other Financing Uses					
Return of Surplus			2,537,769		
Total Expenditures and Other Financing Uses	<u>\$ 33,471,587</u>	<u>\$ 34,763,253</u>	<u>33,617,698</u>		
Net Change in Fund Balances			853,160		
Fund Balances - Beginning of Year			3,304,585		
Fund Balances - End of Year			<u>\$ 4,157,745</u>		

Notes to Required Supplementary Information:

The BOCES administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is 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.

OTSEGO NORTHERN CATSKILL BOCES
SCHEDULES OF CHANGES IN THE BOCES
TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018
Service cost	\$ 2,559,266	\$ 3,667,101	\$ 3,455,491	\$ 2,327,478	\$ 1,301,248	\$ 1,349,056
Interest	2,063,561	1,548,504	1,650,167	2,016,453	2,088,885	1,914,363
Differences between expected and actual experience	(3,798,417)	(777,156)	(1,542,567)	(1,406,342)	1,304,403	
Changes in assumptions or other inputs	(4,333,553)	(15,041,039)	(5,151,412)	14,683,575	(766,171)	(2,704,902)
Expected benefit payments	(1,749,581)	(1,630,690)	(1,572,383)	(1,483,002)	(1,480,078)	(1,248,413)
Net change in total OPEB liability	(5,258,724)	(12,233,280)	(3,160,704)	16,138,162	2,448,287	(689,896)
Total OPEB liability - beginning of year	56,600,600	68,833,880	71,994,584	55,856,422	53,408,135	54,098,031
Total OPEB liability - ending of year	<u>\$ 51,341,876</u>	<u>\$ 56,600,600</u>	<u>\$ 68,833,880</u>	<u>\$ 71,994,584</u>	<u>\$ 55,856,422</u>	<u>\$ 53,408,135</u>
Covered employee payroll	\$ 11,251,740	\$ 10,728,872	\$ 10,343,815	\$ 10,326,850	\$ 8,862,342	\$ 8,668,414
Total OPEB liability as a percentage of covered payroll	456.30%	527.55%	665.46%	697.16%	630.27%	616.12%

Notes to Required Supplementary Information:

Changes of Assumptions: Changes include assumptions regarding inflation, healthcare cost trends, salary changes, ad hoc postemployment benefit charges (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees.

Actuarial Assumptions: The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 5 to the financial statements

Plan Assets: No assets are accumulated in a trust that meets all of the following criteria of GASB No. 75, paragraph 4, to pay benefits.

Information is presented only for the years available.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF BOCES CONTRIBUTIONS
For the Year Ended June 30, 2023

		ERS Pension Plan Last 10 Fiscal Years									
		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$	336,183	\$ 467,568	\$ 435,110	\$ 435,591	\$ 405,682	\$ 421,367	\$ 405,926	\$ 396,783	\$ 574,784	\$ 437,898
Contributions in Relation to the Contractually Required Contribution		336,183	467,568	435,110	435,591	405,682	421,367	405,926	396,783	574,784	437,898
Contribution Deficiency (Excess)	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
BOCES' Covered-ERS Employee Payroll	\$	3,254,666	\$ 3,287,235	\$ 3,261,529	\$ 3,239,256	\$ 2,956,932	\$ 3,133,598	\$ 2,696,613	\$ 2,527,264	\$ 2,623,414	\$ 2,729,765
Contributions as a Percentage of Covered-Employee Payroll		10.33%	14.22%	13.34%	13.45%	13.72%	13.45%	15.05%	15.70%	21.83%	16.04%

		TRS Pension Plan Last 10 Fiscal Years									
		2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$	700,831	\$ 735,957	\$ 734,629	\$ 691,033	\$ 768,824	\$ 639,751	\$ 806,444	\$ 908,347	\$ 1,125,914	\$ 801,653
Contributions in Relation to the Contractually Required Contribution		700,831	735,957	734,629	691,033	768,824	639,751	806,444	908,347	1,125,914	801,653
Contribution Deficiency (Excess)	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$
BOCES' Covered-TRS Employee Payroll	\$	6,810,797	\$ 7,509,765	\$ 7,708,594	\$ 7,799,470	\$ 7,239,397	\$ 6,528,071	\$ 6,880,922	\$ 6,850,279	\$ 6,477,654	\$ 6,455,839
Contributions as a Percentage of Covered-Employee Payroll		10.29%	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.38%	12.42%

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF THE BOCES PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET
For the Year Ended June 30, 2023

	ERS Pension Plan Last 10 Fiscal Years									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
BOCES' proportion of the net pension liability	0.011810%	0.011174%	0.011574%	0.011270%	0.011205%	0.010989%	0.010976%	0.011240%	0.001178%	0.001178%
BOCES' proportionate share of the net pension (asset) liability	\$ 2,532,539	\$ (913,433)	\$ 11,525	\$ 2,984,282	\$ 793,883	\$ 354,656	\$ 1,031,305	\$ 1,804,060	\$ 397,987	\$ 532,362
BOCES' covered-employee payroll	\$ 3,254,666	\$ 3,287,235	\$ 3,261,529	\$ 3,239,256	\$ 2,956,932	\$ 3,133,598	\$ 2,696,613	\$ 2,527,264	\$ 2,623,414	\$ 2,729,765
BOCES' proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	78%	28%	0%	92%	27%	11%	38%	71.38%	15.17%	19.50%
Plan fiduciary net position as a percentage of total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.7%	97.9%	97.2%

	TRS Pension Plan Last 10 Fiscal Years									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
BOCES' Proportion of the net pension asset/liability	0.042391%	0.045484%	0.045946%	0.043379%	0.040077%	0.041221%	0.042228%	0.042215%	0.042914%	0.044109%
BOCES' proportionate share of the net pension (asset) liability	\$ 813,447	\$ (7,881,950)	\$ 1,269,602	\$ (1,126,985)	\$ (724,695)	\$ (313,319)	\$ 452,283	\$ (4,384,828)	\$ (4,780,395)	\$ (290,346)
BOCES' covered-employee payroll	\$ 7,509,765	\$ 7,708,594	\$ 7,799,470	\$ 7,239,397	\$ 6,528,071	\$ 6,880,922	\$ 6,850,279	\$ 6,477,654	\$ 6,455,839	\$ 6,683,110
BOCES' proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	10.83%	102.25%	16.28%	15.57%	11.10%	4.55%	6.60%	67.69%	74.05%	4.34%
Plan fiduciary net position as a percentage of total pension liability	98.60%	113.20%	97.80%	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULES OF A431 SCHOOL DISTRICT ACCOUNT
For the Year Ended June 30, 2023

Credit Balance, Beginning of Year	\$ (3,027,551)
Debits	
Billings	33,066,766
Refund Balances Due School Districts - June 30, 2022	3,325,010
Encumbrances - June 30, 2023	<u>798,966</u>
Total Debits	<u>37,190,742</u>
Subtotal	<u>34,163,191</u>
Credits	
Collections	(32,920,838)
Adjustment - Credits to School Districts - Revenue in Excess of Expenditures	(2,458,417)
Encumbrances - June 30, 2022	<u>(878,318)</u>
Total Credits	<u>(36,257,573)</u>
Balance, End of Year	<u><u>\$ (2,094,382)</u></u>
<u>Summary:</u>	
A380 Accounts Receivable Components	\$ 443,387
A431 School District Accounts	<u>(2,537,769)</u>
Balance, End of Year	<u><u>\$ (2,094,382)</u></u>

See Independent Auditor's Report.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2023

	Original Authorization	Revised Authorization	Expenditures		Unexpended Balance	Fund Balance June 30, 2022	Methods of Financing			Fund Balance June 30, 2023
			Prior Years	Current Year			Proceeds of Obligations	State and Local Sources	Total	
Installment Purchase Agreements	\$ 517,643	\$ 517,643	\$	\$ 517,643	\$ 517,643	\$	\$ 517,643	\$	\$ 517,643	\$
2023 Lease Activity - TEMA Lease	99,804	99,804		99,804	99,804		99,804		99,804	
NCOC Greenhouse 7066-001	274,000	253,190	2,850	250,340	253,190	250,340				
OAOOC Ventilation/Water Tank 006-022	1,059,562	1,059,562	97,350	408,015	505,365	952,673		111,702	111,702	656,360
NCOC Roof Project	1,618,407	1,618,407	14,847	747,483	762,330	855,016		659,475	659,475	767,008
Totals	\$ 3,569,416	\$ 3,548,606	\$ 115,047	\$ 2,023,285	\$ 2,138,332	\$ 2,058,029	\$ 617,447	\$ 771,177	\$ 1,388,624	\$ 1,423,368

OTSEGO NORTHERN CATSKILLS BOCES
NET INVESTMENT IN CAPITAL ASSETS
For the Year Ended June 30, 2023

Capital and Right to Use Assets, Net	18,834,623
Add:	
Fund Balance Capital	1,423,368
Deduct:	
Long-Term Debt and Lease Payable	<u>(1,685,121)</u>
Net Investment in Capital Assets	<u>\$ 18,572,870</u>

See Independent Auditor's Report.

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
315-735-5216 Fax: 315-735-5210

Independent Auditor's 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 Cooperative Educational Services
Sole Supervisory District Otsego Northern Catskills, 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 Otsego Northern Catskills BOCES, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Otsego Northern Catskills BOCES' basic financial statements, and have issued our report thereon dated September 20, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BOCES' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

D'Arcangelo & Co., LLP

September 20, 2023

Utica, New York

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

120 Lomond Court, Utica, N.Y. 13502-5950
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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Cooperative Educational Services
Sole Supervisory District of Otsego Northern Catskills, New York

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Otsego Northern Catskill BOCES's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Otsego Northern Catskill BOCES's major federal programs for the year ended June 30, 2023. Otsego Northern Catskill BOCES's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Report on Internal Control Over Compliance

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

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

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

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

D'Arcangelo & Co., LLP

September 20, 2023

Utica, New York

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal ALN</u>	<u>Agency or Pass-Through Number</u>	<u>Current Year Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>United States Department of Labor</u>				
(Passed Through the New York State Department of Labor)				
Consolidated Funding Application Workforce Development Initiative	17.258	DOL01-C19380GG-355	\$ 159,095	
Total WIA Cluster and United States Department of Labor			<u>159,095</u>	
<u>U.S. Department of Education</u>				
(Passed Through the State Education Department of the State of New York)				
Special Education - Grants to States (Special Education Cluster)	84.027	0310-39-9960	1,001,817	
Vocational Education - Basic Grants to States	84.048	8000-16-0029	<u>82,261</u>	
Total Pass-Through Grants			<u>1,084,078</u>	
<u>(Direct)</u>				
COVID-19 Education Stabilization Fund				
Higher Education Emergency Relief Fund (HEERF) - Student Portion	84.425E	N/A	50,000	
Higher Education Emergency Relief Fund (HEERF) - Institutional Portion	84.425F	N/A	<u>68,613</u>	
Total Education Stabilization Fund			<u>118,613</u>	
Federal Direct Student Loans (Direct Loan)	84.268	N/A	64,750	
Federal Pell Grant Program	84.063	N/A	<u>92,385</u>	
Total Student Financial Aid Cluster			<u>157,135</u>	
Total U.S. Department of Education			<u>1,359,826</u>	
<u>Total Federal Financial Assistance</u>			<u>\$ 1,518,921</u>	<u>\$</u>

See Notes to Schedule of Expenditures of Federal Awards and Independent Auditor's Report.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying Schedule of Expenditures of Federal Awards represents all Federal awards administered by the Otsego Northern Catskills BOCES. The BOCES' organization is defined in Note 1 to the BOCES' basic financial statements.

Basis of Accounting

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the BOCES and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. CLUSTER PROGRAMS

The following programs are identified by "OMB Compliance Supplement" to be part of a cluster of programs:

U.S. Department of Education

Student Financial Aid Cluster

ALN #84.268 Federal Direct Student Loans (Direct Loan)

ALN #84.063 Federal Pell Grant Program

Special Education Cluster

ALN #84.027 Special Education – Grants to States

Education Stabilization Fund Cluster

ALN #84.425E Higher Education Emergency Relief Fund (HEERF) - Student Portion

ALN #84.425F Higher Education Emergency Relief Fund (HEERF) – Institutional Portion

3. STUDENT FINANCIAL AID CLUSTER

The Student Financial Aid Cluster revenue of \$157,135 is reported by the BOCES as Charges for Services since the amounts are for tuition paid by the program for qualifying students.

4. INDIRECT COST RATE

The BOCES has not elected to use the 10% de minimis indirect cost rate.

5. DONATED PERSONAL PROTECTIVE EQUIPMENT (UNAUDITED)

During the emergency period of COVID-19, federal agencies and recipients of federal assistance funds donated personal protective equipment (PPE) to non-federal entities. In connection with that donation, the recipient must disclose the estimated value of donated PPE, but such amounts are not included in the Schedule of Expenditures of Federal Awards. The BOCES did not receive donated PPE during the reporting year.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2023

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR-200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	U.S. Department of Education - Special Education Cluster ALN #84.027 – Special Education – Grants to States
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

Findings – Financial Statement Audit

No findings noted.

Findings and Questioned Costs – Major Federal Award Programs Audit

No findings noted.

**OTSEGO NORTHERN CATSKILLS BOCES
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2023**

No findings noted.