

This Preliminary Official Statement and the information contained in it are subject to completion and amendment in a final Official Statement. This Preliminary Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there may not be any sale of the Notes offered by this Preliminary Official Statement, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of that jurisdiction.

# PRELIMINARY OFFICIAL STATEMENT DATED JULY 20, 2021

## NEW ISSUE

## REVENUE ANTICIPATION NOTES

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to Erie 1 BOCES under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed under the Code. In addition, in the opinion of Bond Counsel to Erie 1 BOCES, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "TAX MATTERS" herein.*

*Erie 1 BOCES will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.*

### BOARD OF COOPERATIVE EDUCATIONAL SERVICES FIRST SUPERVISORY DISTRICT - ERIE COUNTY, NEW YORK ("Erie 1 BOCES")

### \$6,000,000\* REVENUE ANTICIPATION NOTES - 2021 (the "Notes")

**Dated: August 5, 2021**

**Due: April 29, 2022**

The Notes will be unsecured general obligations of the Board of Cooperative Educational Services, First Supervisory District – Erie County, New York, ("Erie 1 BOCES"), payable as to both principal and interest from any monies of Erie 1 BOCES legally available, therefore. The Notes are being issued in anticipation of the receipt of revenues due from Component School Districts. Erie 1 BOCES has no taxing power.

The Notes will not be subject to redemption prior to maturity.

At the option of the purchaser(s), the Notes will be issued in (i) registered form registered in the name of the successful bidder(s) or (ii) registered book-entry form registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC").

If the Notes are issued registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by Erie 1 BOCES, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by Erie 1 BOCES to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. Erie 1 BOCES will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

CUSIP identification numbers will be printed on the Notes if Bond Counsel is provided with such numbers by the close of business on the Sale Date of the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery and pay for the Notes in accordance with the terms hereof. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid for by Erie 1 BOCES; provided, however, that the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser. DTC is an automated depository for securities and a clearinghouse for securities transactions, and will be responsible for establishing and maintaining a book-entry-only system for recording the ownership interests of its participants, which include certain banks, trust companies and securities dealers, and the transfer of the interests among its participants. The DTC participants will be responsible for establishing and maintaining records with respect to the Notes. Individual purchases of beneficial ownership interests in the Notes may be made only through book entries made on the books and records of DTC (or a successor depository) and its participants.

The Notes are dated August 5, 2021 and bear interest from that date until April 29, 2022, the maturity date, at the annual rate as specified by the purchaser of the Notes. The Notes are not subject to redemption prior to maturity.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of an unqualified approving legal opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. It is anticipated that the Notes will be available for delivery on or about August 5, 2021.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY ERIE 1 BOCES FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). SEE "DISCLOSURE UNDERTAKING FOR THE NOTES" HEREIN. CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES HEREIN DESCRIBED, AS REQUIRED BY THE RULE.

July 20, 2021

\*Preliminary, subject to change.

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT – ERIE COUNTY, NEW YORK  
2021-2022  
BOARD OF EDUCATION**

**JOHN SHERMAN  
President**

Edward Cavan..... Vice President  
Mary Busse .....Trustee  
Raymond Carr.....Trustee  
Andrew Loeb .....Trustee  
Janet MacGregor Plarr .....Trustee  
Renee Wilson .....Trustee

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Lynn M. Fusco, Ph.D..... District Superintendent  
James Fregelette.....Executive Director, Administration and Operations  
Peter Ciminelli .....School Business Administrator  
Lynne Bogdan..... Treasurer  
Timothy Kehoe .....Purchasing Manager  
Patricia Hochadel .....District Clerk  
Colleen Sloan .....General Counsel

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**BOND COUNSEL**

**Hawkins Delafield & Wood LLP  
New York, New York**

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**MUNICIPAL ADVISOR**



**Capital Markets Advisors, LLC  
Hudson Valley \* Long Island \* Southern Tier \* Western New York  
(716) 662-3910**

No dealer, broker, salesman or other person has been authorized by Erie 1 BOCES to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by Erie 1 BOCES from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Erie 1 BOCES since the date hereon.

**TABLE OF CONTENTS**

THE NOTES ..... 1  
    Description ..... 1  
    Authority for and Purpose of Issue ..... 1  
    Nature of Obligation ..... 1  
    Book-Entry-Only System ..... 1  
ERIE 1 BOCES ..... 3  
    Purposes of BOCES ..... 3  
    Component School Districts ..... 4  
    Revenue from Component School Districts ..... 4  
    Revenue from Non-Component School Districts ..... 4  
    Budgetary Procedures ..... 4  
    Contractual Agreement ..... 5  
    Percentage of Contractual Liability ..... 5  
    State Aid ..... 5  
    Form of BOCES Government ..... 7  
    Employees ..... 7  
    Employee Pension Benefits ..... 7  
    Other Post-Employment Benefits ..... 8  
    Enrollment Trends ..... 9  
    BOCES Facilities ..... 10  
    Financial Statements ..... 10  
    Investment Policy ..... 10  
    Tax Collection Procedure of Component School Districts ..... 11  
    The Tax Levy Limit Law ..... 11  
    Revenue Anticipation Notes ..... 12  
    Other Indebtedness ..... 13  
    Other Information ..... 13  
ECONOMIC AND DEMOGRAPHIC DATA ..... 13  
    Population ..... 13  
    Income ..... 14  
    Employment and Unemployment ..... 14  
    Largest Taxpayers ..... 15  
MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE ..... 15  
LITIGATION ..... 17  
TAX MATTERS ..... 17  
    Opinion of Bond Counsel ..... 17  
    Certain Ongoing Federal Tax Requirements and Certifications ..... 18  
    Certain Collateral Federal Tax Consequences ..... 18  
    Original Issue Discount ..... 18  
    Note Premium ..... 19  
    Information Reporting and Backup Withholding ..... 19  
    Miscellaneous ..... 19  
DISCLOSURE UNDERTAKING FOR THE NOTES ..... 20  
RATING ..... 20  
MUNICIPAL ADVISOR ..... 20  
ADDITIONAL INFORMATION ..... 20

APPENDIX A – FINANCIAL SUMMARIES AND CASH FLOW STATEMENTS  
APPENDIX B – AUDITED FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2020  
APPENDIX C – FORM OF BOND COUNSEL OPINION  
APPENDIX D – FORM OF NOTICE OF EVENTS UNDERTAKING

## **OFFICIAL STATEMENT**

### **BOARD OF COOPERATIVE EDUCATIONAL SERVICES FIRST SUPERVISORY DISTRICT - ERIE COUNTY, NEW YORK**

**\$6,000,000\***

### **REVENUE ANTICIPATION NOTES - 2021 (the "Notes")**

This Official Statement which includes the cover page and appendices hereto, presents certain information relating to the Board of Cooperative Educational Services of the First Supervisory District – Erie County, New York ("Erie 1 BOCES", "County" and "State", respectively), in connection with the sale of \$6,000,000\* Revenue Anticipation Notes – 2021. All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of Erie 1 BOCES contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of Erie 1 BOCES relating thereto are qualified in their entirety by reference to the definitive forms of the Notes and such proceedings.

## **THE NOTES**

### ***Description***

The Notes will be dated and will mature, without the option of prior redemption as reflected on the cover page hereof.

### ***Authority for and Purpose of Issue***

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 25.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a revenue anticipation note resolution adopted by the Erie 1 BOCES Board on April 8, 2020 to finance cash flow requirements necessitated by the timing of receipts and expenditures. The Notes are authorized to be issued in anticipation of the receipt of revenues due from the component school districts for services or for administrative and clerical expenses.

### ***Nature of Obligation***

Each Note when duly issued and paid for will constitute a contract between Erie 1 BOCES and the holder thereof.

The Notes will be unsecured general obligations of Erie 1 BOCES, payable as to both principal and interest from any monies of Erie 1 BOCES legally available therefor. The Notes do not constitute a debt or obligation of the County of Erie or any component school district of Erie 1 BOCES. Erie 1 BOCES has no taxing power.

### ***Book-Entry-Only System***

If the Notes are registered to the Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully-registered notes registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Notes and will be deposited with DTC. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants")

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\*Preliminary, subject to change.

deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Erie 1 BOCES, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or Erie 1 BOCES, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Erie 1 BOCES, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Erie 1 BOCES. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

Erie 1 BOCES may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Erie 1 BOCES believes to be reliable, but Erie 1 BOCES takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

## **ERIE 1 BOCES**

### ***Purposes of BOCES***

A Board of Cooperative Educational Services also known as a cooperative board or a shared services board is an educational agency that serves a cluster of local school districts within a region known as "the component school districts". Erie 1 BOCES, for which the Notes are being issued, is the 5th largest of the 37 BOCES Districts in New York State. The Erie 1 BOCES has a contract to provide services to approximately 70,500 students within the 19 component school districts in Erie County, as well as approximately 300 non-component districts across New York State. The function of this agency is to service its member districts, mainly to broaden educational opportunities for the local school child. Among services for elementary and secondary school youths:

- To administer occupational education centers for career-bound teenagers.
- To operate special schools and classrooms for youngsters who are handicapped.
- To conduct programs of outdoor education, performing arts education, computer-assisted instruction, and cultural and academic enrichment.
- To supply skilled teachers of special subjects, including art, music, driver education, foreign language, physical education, remedial reading, and technical education.
- To provide the services of psychiatrists, psychologists, social workers, counselors, dental hygienists, nurse-teachers, speech and hearing therapists, and other specialists.
- To operate educational television networks, centralized film libraries, and instructional media centers.

Through the cooperative boards, these and other programs and services are available to the local school pupil as part of their regular schooling to supplement the educational offerings of their home district. They are delivered to the student in their home or school in some cases; in others, they are bused to a nearby BOCES center.

In addition to services being rendered directly to the pupil, the cooperative boards provide many services directly to local school administrators, teachers and other staff members.

- To supply a variety of automated data processing services, including budgetary accounting, secondary school scheduling, grade reporting and averaging, attendance accounting, school census reporting, payroll preparation and standardized test scoring.
- To provide itinerant teachers and specialists who divide their time among two or more local districts and work under the direction of local staff.
- To furnish research and development specialists who assist in local curriculum planning and development.
- To conduct in-service training courses for teachers and administrators.
- To maintain central libraries of educational research materials.
- To train school bus drivers and custodians.
- To furnish consultants of every kind.
- To process and catalog school library books.
- To assist in the purchase of equipment and supplies through a program of cooperative purchasing.
- To microfilm personnel records and help local districts recruit new teachers and administrators; and assist teachers to obtain certification after meeting state requirements for teaching positions.

ERIE 1 BOCES HAS NO DIRECT TAXING AUTHORITY, AND LIKE OTHER PARTNERSHIPS AND COOPERATIVES, IT RECEIVES ITS FINANCIAL SUPPORT FROM THOSE WHO RECEIVE ITS BENEFITS.

Thus, except for occasional federal grants, and even less occasional special grants, Erie 1 BOCES derives all of its financial support from local school districts. Erie 1 BOCES' ability to borrow in the form of revenue anticipation notes is well-anchored in existing statutes and is supported by existing executed contracts with the component school districts from whom such revenue will be received. Of particular note in this regard is Section 1950, 4g, of the New York State Education Law, which gives statutory authority for Erie 1 BOCES to borrow money in anticipation of revenue due to BOCES; Chapter 914 of the Laws of 1977, which amends the New York State Local Finance Law by deeming a BOCES to be a school district for purposes of issuing revenue anticipation notes; and Section 1950, 4d, of the New York State Education Law, which provides for completion of legal contracts by component school districts of a BOCES prior to the beginning of the fiscal year. It should also be noted that such State Aid payments due the districts are channeled through Erie 1 BOCES for certain services except specific handicapped students covered under Chapter 53, laws of 1980, Public Excess Cost Aid.

### ***Component School Districts***

The component school districts (the "Component School Districts") which comprise Erie 1 BOCES are listed on page A-3 in Appendix A.

### ***Revenue from Component School Districts***

Erie 1 BOCES bills component school districts during the year on the basis of estimated operating costs. At the end of the year, billings are adjusted to reflect the actual cost of operations. Each component school district is charged for the specific services used, except for administrative and facilities rental costs, which are charged to component school districts on the basis of each district's resident weighted average daily attendance of the second preceding year.

It should be noted that all 19-member school districts of the Erie 1 BOCES have formally contracted with Erie 1 BOCES for the administrative and rental of facilities expenses. As of June 24, 2021, the 2021-22 General Fund budget appropriations amount to \$163,435,977, of which \$14,786,995 represents guaranteed revenue to cover administrative, rental of facilities and capital expenses. The remaining \$148,648,982 represents program or service cost expenditures.

### ***Revenue from Non-Component School Districts***

In addition to the 19 members school districts that contract for services from Erie 1 BOCES there are approximately 300 non-component districts which purchase services. Most of these services are provided by the Information Technology Services and Learning Technology Services divisions which make up a Regional Information Center (RIC). The RICs were set up by New York State to provide regional centers for computer support, training and service. The Western New York Regional Information Center is made up of districts located in Allegany, Cattaraugus, Chautauqua, Erie, Niagara, Orleans and Steuben counties. Districts are billed similar to component districts through their local BOCES. Other services Erie 1 BOCES provides to non-component districts include the Policy and Finance & Legislation services. Policy is offered statewide and the Finance & Legislation program is offered regionally. As of June 24, 2021, for the 2021-22 school year the contracts by non-component school districts amount to \$68,182,015.

### ***Budgetary Procedures***

Pursuant to Education Law, Erie 1 BOCES annually prepares, prior to the annual meeting of the Boards of Education of the Component School Districts, a tentative budget for Erie 1 BOCES program.

Prior to February 1st, requests for services are filed by the Component School District's with Erie 1 BOCES, which thereafter submits its program to the New York State Education Department for approval. Erie 1 BOCES notifies each Component School District on or before March 10th as to the services which have been approved by the Commissioner of Education, after which each Component School District notifies Erie 1 BOCES on or before May



1st of its intention to participate in such shared services. A meeting of the component boards of education is held prior to May 15th at which time the tentative budget is available for inspection by said board of education. After such annual meetings, Erie 1 BOCES adopts the budget for the ensuing year.

Such budget, when so adopted, after deducting applicable State aid grants and other revenues is charged against all of the component School Districts which are required to add such amount to the budget of such Component School District, levy and collect the same at the same time and in the same manner as such district collects other taxes for its own use and pay such amounts to the Treasurer of Erie 1 BOCES. In the event the tentative budget of a Component School District is not approved by a majority of the voters, such charge from Erie 1 BOCES may be raised by such Component School Districts as an ordinary contingent expense in a like manner as if the same had been voted by the voters.

### ***Contractual Agreement***

Upon adoption of the budget for the ensuing fiscal year, contracts are drafted and executed by Erie 1 BOCES and the respective Component School Districts. Said contracts are based on the budget estimates.

The contracts, along with the State required Cooperative Service Agreement (“COSER”) form (which specifies program content of the proposed services to be performed by Erie 1 BOCES) are forwarded to the State Commissioner of Education. The State Commissioner of Education notifies Erie 1 BOCES of any programs or services deemed ineligible for State aid. With the knowledge of approved programs contents for State aid, Erie 1 BOCES and Component School Districts may modify the aforementioned contracts. Said contracts are also adjusted for more accurate cost projections and then resubmitted to the State Commissioner of Education. All contracts must be approved by the Commissioner’s office. Such approval is usually routinely granted; however, the contracts are not valid and binding until such approval is obtained. Each Component Erie 1 BOCES is billed pursuant to its contract, and remits to the Treasurer of Erie 1 BOCES.

### ***Percentage of Contractual Liability***

The percentage of contractual liability by Component School Districts for the 2020-21 fiscal year and the projected contractual liability for the 2021-22 fiscal year is included in Appendix A.

### ***State Aid***

The component school districts are eligible for State aid for payments to Erie 1 BOCES at levels commensurate with other operating expenditures. However, such aid is received in the ensuing fiscal year by Erie 1 BOCES, less deductions for the New York State Teacher’s Retirement System. Erie 1 BOCES remits the applicable State aid to each component school district in the same fiscal year in which such aid is received by Erie 1 BOCES.

There is no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the component districts of Erie 1 BOCES can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget. In any event, State aid appropriated and apportioned to the component districts of Erie 1 BOCES can be paid only if the State has such monies available therefor.

No delay in payment of State aid to component school district’s 2021-22 fiscal year is presently anticipated although no assurance can be given that there will not be a delay in payment thereof. Should the component school districts of Erie 1 BOCES fail to receive monies expected from the State in the amounts and at the times expected, the school districts are permitted to issue revenue anticipation notes in anticipation of the receipt of delayed State aid.

The amount of State aid to component school districts of the BOCES is dependent in part upon the financial condition of the State. Currently, due the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it have

and are expected to continue to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time; however, it is anticipated that the State will be required to take certain gap-closing actions. Such actions may include but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the component school districts of the BOCES and the BOCES.

The State's 2019-2020 Enacted Budget provided for school aid of approximately \$27.9 billion, an increase of more than \$1 billion in school aid spending from the 2018-2019 school year. Due to significant State revenue loss as a result of the impact of the COVID-19 pandemic, State aid in the State's 2020-21 Enacted Budget was 3.7% lower than in the State's 2019-2020 Enacted Budget. However, the 2020-2021 State aid declines were offset, in part, by \$1.1 billion of increased federal funding through the Coronavirus Aid, Relief, and Economic Security Act (CARES). With these federal funds, State aid totaled \$27.9 billion in the State's 2020-2021 Enacted Budget, an annual increase of approximately \$100 million or 0.4 percent from the 2019-2020 Enacted Budget. The State's 2020-21 Enacted Budget also authorized the State's Budget Director to make periodic adjustments to State aid in the event that actual State revenues came in below 99% of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. In December 2020, a second federal stimulus bill was enacted and provided additional funding for schools in the State. As of February 1, 2021, the State Education Department ("SED") advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding.

The State's 2021-22 Enacted Budget provides \$29.5 billion in State funding to school districts for the 2021-22 school year the highest level of State aid ever. This represents an increase of \$3.0 billion or 11.3 percent compared to the 2020-21 school year, and includes a \$1.4 billion or 7.6 percent Foundation Aid increase. Approximately 75 percent of this increase is targeted to high-need school districts.

The State's 2021-22 Enacted Budget also programs \$13 billion of federal Elementary and Secondary School Emergency Relief Fund and the Governor's Emergency Education Relief Fund to public schools. This funding available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2021-22 Enacted Budget allocates \$629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the State's 2021-22 Enacted Budget uses \$105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-22 school year.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in adoption of the State budget, which is due at the start of the State's fiscal year of April 1. The State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State's 2021-22 Enacted Budget was adopted on April 7, 2021. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

As described above, the State's 2020-21 Enacted Budget included, and the State's 2021-22 Enacted Budget includes, significant amounts of federal funding. The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, the COVID-19 pandemic, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid

projections, and the assumptions on which they rely, are subject to revision. Reductions in federal funding levels could have a materially adverse impact on the State budget.

In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

***Form of BOCES Government***

Like all other public-school systems in New York State, Erie 1 BOCES operates under the Education Law and the rules and regulations of the Commissioner of Education. Section 1950 and Section 1951 of the Education Law apply particularly to the cooperative boards, outlining their relationships with the local districts, specifying their duties and responsibilities, and authorizing them to hire staff members, enter into contracts, and generally operate like a local district.

Like other public-school systems, Erie 1 BOCES is governed by a policy-making Board of Education. Its seven members are elected by the Boards of Education of member districts. Members of Erie 1 BOCES board serve three-year terms. The election must be held between April 16th and April 30th.

The chief executive officer of Erie 1 BOCES is a district superintendent who also is an officer of the State Education Department. She is appointed by Erie 1 BOCES board, subject to the Commissioner of Education’s approval, and she administers Erie 1 BOCES in accordance with state law and the board’s policies.

The district superintendent is accountable to her board and the Commissioner. Erie 1 BOCES board is accountable to the local boards and the Commissioner. The President of the Board of Education of Erie 1 BOCES is the chief fiscal officer of Erie 1 BOCES.

***Employees***

Erie 1 BOCES employs approximately 1,007 employees. The number of employees represented by unions is shown as follows:

**TABLE 1**  
**Employees**  
(As of June 15, 2021)

<b><u>Employees</u></b>	<b><u>Union Representation</u></b>	<b><u>Contract Expiration Date</u></b>
358	AFSCME – 12 month	June 30, 2023
19	Erie 1 Administrators Association	June 30, 2023
309	Erie 1 Professional Educators Association	June 30, 2022
121	Erie 1 Management Association	June 30, 2022
32	Exempt/Confidential	June 30, 2022
168	AFSCME – 10 month	June 30, 2022

***Employee Pension Benefits***

New York State Certified (teachers and administrators) are members of the New York State Teachers Retirement System (“TRS”). Payments to the TRS are generally deducted from State aid payments. All non-certified employees of Erie 1 BOCES eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee’s Retirement System (“ERS”). Both the TRS and ERS (the “State Retirement System” or “SRS”) are noncontributory with respect to members hired prior to July 1, 1976. All members of the respective systems that were hired on or after July 1, 1976 and before December 31, 2009, with less than 10 year’s full-time service, contributed 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, then Governor Paterson signed into law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these contributions to cease after a certain period of service.

On March 16, 2013, Governor Cuomo signed into law the new Tier 6 pension program, effective for new ERS and TRS employees hired after April 1, 2013. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

Pension reform legislation enacted in 2003 and 2004 changed the cycle of ERS billing to match budget cycles of Erie 1 BOCES. Under the previous method, Erie 1 BOCES was unsure of how much it paid to the system until after its budget was implemented. Under the current method the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1 instead of the following April 1 so that Erie 1 BOCES will be able to more accurately include the cost of the contribution into its budget. The reform legislation also (i) required Erie 1 BOCES to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower contribution possible and (ii) moved the annual payment date for contributions from December 15th to February 1st, effective December 15, 2004.

Due to poor performance of the investment portfolio of the State Retirement System, New York State Comptroller Thomas DiNapoli has announced that the employer contribution rates for required pension contributions to the SRS will continue to increase. To help mitigate the impact of their ERS increases, legislation has been enacted that permits local governments and school district to amortize a portion of such contributions. Under such legislation, local governments and school district that choose to amortize a portion of their ERS contributions will be required to set aside and reserve funds with the SRS for certain future rate increases.

In Spring 2013, the State and TRS approved a Stable Contribution Option (“SCO”) that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates (“ARCs”). ERS followed suit and modified its existing SCO, which was adopted in 2010. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts as described below. The plan, which was approved in Governor Cuomo’s 2014-15 budget would let districts contribute 14.13% of employee costs toward pensions. The Erie 1 BOCES has not opted into the pension smoothing plan.

The New York State ERS rate for the 2020-21 fiscal year was 16.2%. The 2021-22 ERS rate will increase to 18.3%. The 2020-21 TRS rate was 9.53%. The 2021-22 TRS rate is 9.80%.

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan.

### ***Other Post-Employment Benefits***

Erie 1 BOCES provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

Erie 1 BOCES early implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the fiscal year ended June 30, 2017. The implementation of

GASB Statement No. 75 requires Erie 1 BOCES net OPEB liability to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

Erie 1 BOCES is in compliance with the requirements of GASB 75, and a summary of the actuarial valuation is included in the Erie 1 BOCES June 30, 2020 Financial Audit attached herein.

The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	<b>Total OPEB Liability</b>
Balances as June 30, 2019	<u>\$4,192,845</u>
Changes for the year:	
Service cost	133,738
Interest	134,304
Change in benefit terms	0
Differences between expected and actual experience	(179,247)
Changes in assumptions or other inputs	280,315
Benefit payments	<u>(402,410)</u>
Net changes in total OPEB liability	<u>(53,300)</u>
Balance at June 30, 2020	<u>\$4,139,545</u>

### ***Enrollment Trends***

The following table presents the past and projected school enrollment statistics for Erie 1 BOCES: Includes: CTE; Special Ed; Alt Ed.

**TABLE 2**  
**School Enrollment Trends**  
(Fiscal Year Ending June 30)

<b>Fiscal Year Ending <u>June 30:</u></b>	<b>Actual <u>Enrollment</u></b>	<b>Fiscal Year Ending <u>June 30</u></b>	<b>Projected <u>Enrollment</u></b>
2018	2,611	2022	2,670
2019	2,652	2023	2,675
2020	2,651	2024	2,675
2021	2,665	2025	2,675

## ***BOCES Facilities***

Erie 1 BOCES currently operates in the following facilities:

**TABLE 3**  
**School Facilities**

<b><u>Erie 1 Service Centers</u></b>	<b><u>Service</u></b>	<b><u>Own/Lease</u></b>	<b><u>Annual Rental &amp; Lease Payments</u></b>
Harkness Career and Technical Center	Career & Technical Education	Owned	\$ 0
Kenton Career & Technical Center	Career & Technical Education	Owned	0
Potter Career & Technical Center	Career & Technical Education	Owned	0
West Seneca	General Service & Administrative	Leased	1,440,876
Northtowns Academy (Sweet Home)	OSP & Alt. Ed.	Leased	424,998
E1B Learning Center (West Seneca)	Special Education	Leased	627,811
E1B Maryvale Center	Special Education	Leased	266,947
Special Education – 48 buildings/93 classrooms	Spec Ed classrooms	Leased	75,000
Special Education – 3 Buildings	Special Education Summer Program	Leased	48,000
Edge Academy (Cheektowaga)	Alternative Education	Leased	<u>539,788</u>
		<b>Total:</b>	<b>\$3,425,420</b>

*Source: Erie 1 BOCES Officials as of July 1, 2021*

## ***Financial Statements***

Erie 1 BOCES retains Lumsden McCormick LLP as independent Certified Public Accountants. The last audited report covers the period ending June 30, 2020 and is included as Appendix B. In addition, the State Comptroller's office and Department of Audit and Control, periodically performs a compliance review to ascertain whether Erie 1 BOCES has complied with the requirements of various State and Federal statutes.

Summary of revenues and expenditures, balance sheets and current budgets are included in Appendix A.

## ***Investment Policy***

Pursuant to State law, including sections 10 and 11 of the General Municipal Law (the "GML"), Erie 1 BOCES is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The authority to deposit and invest funds is delegated to the Treasurer. These functions shall be performed in accordance with the applicable sections of the General Municipal Law and the Local Finance Law of the State of New York. In accordance with Erie 1 BOCES investment policy adopted June 14, 2000, the Treasurer may invest funds in the following eligible investments: (1) Obligations of the State of New York. (2) Obligations of the United States Government, or any obligations for which principal and interest are fully guaranteed by the United States Government. (3) Time Deposit Accounts placed in a commercial bank authorized to do business in the State of New York, providing the account is collateralized as required by law. [Banking Law Section 237(2) prohibits a savings bank from a local government. This also applies to savings and loan associations.] (4) Transaction accounts (demand deposits) both interest bearing and non-interest bearing that do not require notice of withdrawal placed in a commercial bank authorized to do business in the State of New York, providing the account is collateralized as required by law. (5) Certificates of Deposits placed in a commercial bank authorized to do business in the State of New York providing the Certificates are collateralized as required by law. (6) Securities purchased pursuant to a Repurchase Agreement whereby one-party purchases securities from a second party and the second party agrees to repurchase those same securities on a specific future date at an agreed rate of return (the interest rate).

All of the foregoing instruments and investments are required to be payable or redeemable to the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were

provided and, in the case of instruments or investments purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of Erie 1 BOCES, such instruments and investments must be purchased through, delivered to and held in the custody of a bank or trust company in the State pursuant to a written custodial agreement as provided in Section 10 of the GML.

The Board of Education of Erie 1 BOCES has adopted an investment policy and such policy conforms to applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of Erie 1 BOCES are made in accordance with such policy.

### ***Tax Collection Procedure of Component School Districts***

Erie 1 BOCES has no taxing power.

Property taxes for school districts in Erie County are levied by the Component Districts and are collected in most cases by the town tax receivers. Such taxes are due on September 15 and may be paid without penalty through October 15. The town tax receiver pays to each school district monies as the amounts are collected.

The penalty on unpaid taxes is 5% from October 16 to October 31 and an additional 1% for each month thereafter.

On or before December 1, the town tax receiver files a report of any uncollected school district taxes with the County. The County thereafter on or before April 1 pays to each school district the amount of its uncollected taxes. Thus, each school district receives its full levy prior to the end of its fiscal year.

### ***The Tax Levy Limit Law***

The following information relates to the Component School Districts of Erie 1 BOCES. Erie 1 BOCES has no taxing power.

On June 24, 2011, Chapter 97 of the Laws of 2011 (herein referred to as the "Tax Levy Limit Law" or "Law") was signed by the Governor. The Tax Levy Limit Law modified previous law by imposing a limit on the amount of real property taxes that a school district may levy. The Law is effective for Component School District's 2021-2022 fiscal year, commencing July 1, 2021.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

**Real Property Tax Rebate.** Chapter 59 of the Laws of 2014 (“Chapter 59”) includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2021 and 2022 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2021 and 2022 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2020 and 2021 and 2022 fiscal years. Other municipal units of government must have their budgets in compliance for their 2021 and 2022 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved “government efficiency plan” which demonstrates “three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies”.

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law.

***Revenue Anticipation Notes***

The following table shows revenue anticipation notes issued for the last five fiscal years.

**TABLE 4**  
**Revenue Anticipation Notes**

<b>Fiscal Year Ending</b>	
<b><u>June 30</u></b>	<b><u>Amount</u></b>
2017	4,500,000
2018	5,000,000
2019	0
2020	0
2021	8,000,000



**Other Indebtedness**

Other than the Notes described herein, Erie 1 BOCES has no other indebtedness except for several installment purchase agreements for the purchase of computer equipment for terms of up to 60 months. The future minimum payments as of June 30, 2020 are as follows:

**TABLE 5**  
**Installment Purchase Agreements**

<b>Fiscal Year Ending June 30</b>	<b>Principal Amount</b>
2021	\$7,259,763
2022	5,116,741
2023	3,058,651
2024	1,457,067
2025	419,472
Balance at June 30, 2020	<u>\$17,311,694</u>

Source: Audited Financial Statements ending June 30, 2020

Changes in the total installment purchase agreements of Erie 1 BOCES for the year ended June 30, 2020 were as follows:

<b>Balance July 1, 2019</b>	<b>Additional Agreements</b>	<b>Payments</b>	<b>Balance June 30, 2020</b>
<u>\$18,584,001</u>	<u>\$7,106,390</u>	<u>\$8,378,697</u>	<u>\$17,311,694</u>

Source: Audited Financial Statements ending June 30, 2020

**Other Information**

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes are to be issued is the Education Law and the Local Finance Law.

This Official Statement does not include financial data of any political subdivision having power to levy taxes within the component school districts of Erie 1 BOCES.

The fiscal year of Erie 1 BOCES is July 1 to June 30.

**ECONOMIC AND DEMOGRAPHIC DATA**

**Population**

The following table presents population trends for the County and the State, based on recent census data. Data provided for the County is not necessarily representative of Erie 1 BOCES.

**TABLE 6**  
**Population Trend**  
*(In thousands)*

	<b><u>2000</u></b>	<b><u>2010</u></b>	<b><u>Percentage Change</u></b>
County	950,265	919,040	(3.2%)
State	18,976,457	19,378,102	2.1%

Source: United States Census Bureau.

## ***Income***

The following table presents per capita and median household income for the County and the State. Data provided for the County is not necessarily representative of Erie 1 BOCES.

**TABLE 7**  
**2010 Income**

	<u>Per Capita</u>	<u>Median Household Income</u>
County	\$25,387	\$46,816
State	\$30,011	\$54,148

Source: *United States Census Bureau.*

## ***Employment and Unemployment***

The following tables provide information concerning employment and unemployment in the County and the State. Data provided for the County and the State is not necessarily representative of Erie 1 BOCES.

**TABLE 8**  
**Yearly Average Unemployment Rates**

<u>Year</u>	<u>County</u>	<u>State</u>
2016	4.9%	4.9%
2017	5.1%	4.6%
2018	4.4%	4.1%
2019	4.3%	3.8%
2020	9.5%	10.0%

Source: *New York State Department of Labor*

**TABLE 9**  
**Monthly Unemployment Rates**

<u>Month</u>	<u>County</u>	<u>State</u>
June 2020	13.3%	15.5%
July	14.0%	16.0%
August	10.8%	12.5%
September	6.7%	9.4%
October	6.4%	9.2%
November	6.5%	8.3%
December	7.9%	8.5%
January 2021	7.8%	9.4%
February	8.0%	9.7%
March	7.1%	8.4%
April	6.0%	7.7%
May	5.3%	6.9%

Source: *New York State Department of Labor.*

**TABLE 10**  
**Civilian Labor Force**  
(Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
County	445.1	444.1	442.1	441.3	439.3
State	9,527.0	9,549.0	9,511.2	9,507.1	9,289.2

Source: *New York State Department of Labor*

**TABLE 11**  
**Largest Employers in County**  
(as of December 31, 2020)

<u>Employer</u>	<u>Type of Activity</u>	<u>Number of Full Time Employees</u>
State of New York	Government	22,100
U.S. Government	Government	15,000
Kaleida Health	Health Care	8,448
M & T Bank	Commercial Bank	7,892
Catholic Health System	Health Care	7,826
University of Buffalo	Education	7,078
Buffalo City School District	Education	6,477
Wegmans Food Markets Inc.	Retail	5,576
Tops Friendly Markets	Retail	5,311
County of Erie	Government	5,010

Source: Buffalo Business First dated December 31, 2020

***Largest Taxpayers***

The following table presents the full valuations of ten of the County's largest taxpayers for the 2019-20 fiscal year.

**TABLE 12**  
**Largest Taxable Properties**  
(as of December 31, 2019)

	<u>Equalized Full Valuation</u>	<u>% of Equalized Full Valuation</u>
National Grid / Niagara Mohawk	\$948,777,944	1.56%
National Fuel Gas Corporation	795,293,745	1.30%
Benderson Development Company, Inc.	733,714,820	1.20%
Pyramid Company of Buffalo	295,506,045	0.48%
NY State Electric and Gas Corporation	271,161,132	0.44%
Uniland Development	256,941,394	0.42%
Ellicott Group LLC	250,709,648	0.41%
Verizon New York, Inc.	196,571,908	0.32%
Norfolk/Conrail/CSX	192,423,912	0.32%
Ciminelli International	<u>182,520,772</u>	<u>0.30%</u>
TOTAL:	<u>\$4,123,621,320</u>	<u>6.76%</u>

Source: Official Statement of Erie County dated December 31, 2019

**MARKET MATTERS AFFECTING FINANCINGS**  
**OF THE MUNICIPALITIES OF THE STATE**

The BOCES' credit rating could be affected by circumstances beyond the BOCES' control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of property within the component school districts and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the BOCES' credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell all or a part of the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the BOCES to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

Erie 1 BOCES relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to Erie 1 BOCES can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to Erie 1 BOCES can be paid only if the State has such monies available therefore. (See "State Aid" and "Events Affecting New York School Districts" herein). Should Erie 1 BOCES fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, Erie 1 BOCES is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on Erie 1 BOCES's financial condition and operating results by a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been recent efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to Erie 1 BOCES's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence later in the year could have a material adverse effect on the State and municipalities and school districts located in the State, including Erie 1 BOCES. Erie 1 BOCES is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "State Aid" and "Events Affecting New York School Districts" herein).

Erie 1 BOCES is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). Erie 1 BOCES's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should Erie 1 BOCES fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, Erie 1 BOCES is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, Erie 1 BOCES will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon Erie 1 BOCES requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "State Aid" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see “Tax Matters” herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Notes. (See “The Tax Levy Limit Law” herein.)

## **LITIGATION**

In common with other public school districts, Erie 1 BOCES from time to time receives notices of claim and is party to litigation. In the opinion of the attorney for Erie 1 BOCES, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no claims or action pending which, if determined against Erie 1 BOCES, would have an adverse material effect on the financial condition of Erie 1 BOCES.

In May of 2020 Erie 1 BOCES received correspondence containing allegations that a former employee had engaged in inappropriate conduct with a female student. In follow up to that correspondence, Erie 1 BOCES was formally served in September of 2020 with an Amended Verified Summons and Complaint filed in NYS Supreme Court on behalf of the female student, which includes allegations against Erie 1 BOCES made pursuant to the NYS’ Child Victim’s Act. Erie 1 BOCES is represented in the matter by outside counsel assigned by its insurance carrier. As of July 20, 2021, the parties are currently participating in discovery.

In February of 2021, Erie 1 BOCES received a Notice of Charges of Discrimination (on the basis of disability) filed by a former employee with the U.S. Equal Employment Opportunity Commission (EEOC). Erie 1 BOCES is represented by in-house counsel in this matter. Erie 1 BOCES submitted its Position Statement in response to the Charges in April of 2021. No determination has yet been reached on these Charges by the EEOC as of July 20, 2021.

On June 10, 2021, Erie 1 BOCES received a formal complaint from a female student pursuant to Title IX, alleging sexual harassment by a tenured employee. Erie 1 BOCES is currently investigating this complaint in accordance with grievance procedures required by the regulations implementing Title IX, and taking disciplinary action against the tenured employee in accordance with NYS Education Law (seeking termination). Erie 1 BOCES has not received any formal notice of claim or nor has it been served with litigation in this matter as of July 20, 2021.

## **TAX MATTERS**

### ***Opinion of Bond Counsel***

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to Erie 1 BOCES, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of Erie 1 BOCES (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by Erie 1 BOCES in connection with the Notes, and Bond Counsel has assumed compliance by Erie 1 BOCES with certain provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to Erie 1 BOCES, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including the City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

### ***Certain Ongoing Federal Tax Requirements and Certifications***

The Code establishes certain significant ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on such Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. Erie 1 BOCES, in executing the Tax Certificate, will certify to the effect that Erie 1 BOCES will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

### ***Certain Collateral Federal Tax Consequences***

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

### ***Original Issue Discount***

“Original Issue Discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Note having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Note under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note.

Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

### ***Note Premium***

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note, determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Premium Note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

### ***Information Reporting and Backup Withholding***

Information reporting requirements apply to interest on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or unless the recipient is one of a limited class of exempt recipients, including corporations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

### ***Miscellaneous***

Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or the marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

## **DISCLOSURE UNDERTAKING FOR THE NOTES**

This Official Statement is in a form “deemed final” by Erie 1 BOCES for the purposes of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). At the time of the delivery of the Notes, Erie 1 BOCES will provide an executed copy of its “Undertaking to Provide Notices of Events” substantially as set forth in Appendix D hereto.

### **RATING**

As Erie 1 BOCES has no outstanding bonded indebtedness, Erie 1 BOCES has neither sought nor received an underlying assessment of its credit worthiness from a municipal bond credit rating agency.

Erie 1 BOCES did not apply for a rating on the Notes.

### **MUNICIPAL ADVISOR**

Capital Markets Advisors, LLC has acted as Municipal Advisor to Erie 1 BOCES in connection with the sale of the Notes.

In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the Erie 1 BOCES to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Notes.

### **ADDITIONAL INFORMATION**

Additional information may be obtained from Jim Fregelette, Executive Director, Administration and Operations at 355 Harlem Road, West Seneca, NY 14224, phone: (716) 821-7100, email: jfregelette@e1b.org or Capital Markets Advisors, LLC, Financial Advisor to Erie 1 BOCES, at (716) 662-3910.

This Official Statement is submitted only in connection with the sale of the Notes by Erie 1 BOCES and may not be reproduced or used in whole or in part for any other purpose.

Capital Markets Advisors, LLC may place a copy of this Official Statement on its website at [www.capmark.org](http://www.capmark.org). Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Capital Markets Advisors, LLC has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither Erie 1 BOCES nor Capital Markets Advisors, LLC assumes any liability or responsibility for errors or omissions on such website. Further, Capital Markets Advisors, LLC and Erie 1 BOCES disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Capital Markets Advisors, LLC and Erie 1 BOCES also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

This Official Statement has been duly executed and delivered by the President of the Board of Education.

### **BOARD OF COOPERATIVE EDUCATIONAL SERVICES FIRST SUPERVISORY DISTRICT**

By: \_\_\_\_\_  
John Sherman  
President of the Board of Education

Dated: July 20, 2021



**APPENDIX A**

**FINANCIAL SUMMARIES AND CASH FLOW STATEMENTS**

**BOARD OF COOPERATIVE EDUCATION SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY**

**General Fund  
Balance Sheets**

**Fiscal Year Ended June 30:**

	<u>2019</u>	<u>2020</u>
<u>Assets:</u>		
Cash and Cash Equivalents	\$14,860,005	\$18,679,420
Due From School Districts	13,754,141	9,044,302
Accounts Receivable	66,750	124,210
State and Federal Aid Receivable	13,649,399	12,369,757
Due From Other Funds	703,923	256,404
Investments	<u>4,787,900</u>	<u>5,180,246</u>
 Total Assets	 <u><u>\$47,822,118</u></u>	 <u><u>\$45,654,339</u></u>
 <u>Liabilities, Equity and Other Credits:</u>		
Accounts Payable	\$2,593,532	\$3,408,659
Accrued Liabilities	714,865	929,698
State Aid Due to School Districts	13,649,399	12,369,757
Refunds to Component School Districts	7,314,653	6,748,847
Due to Retirement Systems	<u>4,186,075</u>	<u>3,944,456</u>
Total Liabilities	<u>28,458,524</u>	<u>27,401,417</u>
 <u>Fund Balance:</u>		
<u>Restricted:</u>		
Employee benefit accrued liability	7,807,947	7,521,168
Workers' compensation	714,378	647,824
Retirement contribution	1,743,759	2,115,819
Unemployment insurance	750,000	849,820
<u>Assigned:</u>		
Other purposes	<u>8,347,510</u>	<u>7,118,291</u>
Total Fund Balance	<u>19,363,594</u>	<u>18,252,922</u>
 Total Liabilities and Fund Balances	 <u><u>\$47,822,118</u></u>	 <u><u>\$45,654,339</u></u>

*Source: Audited Financial Statements  
Summary not audited*

**BOARD OF COOPERATIVE EDUCATION SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Fiscal Year Ended June 30:**

Revenues:	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<b>Local Sources:</b>					
Charges to Components	\$77,807,363	\$83,610,272	\$85,662,752	\$88,347,523	\$89,066,410
Charges to non-components & other BOCEs	61,819,119	69,534,287	68,680,721	71,187,961	71,261,851
Charges for Services	79,231	155,789	151,342	347,565	224,687
Use of Money and Property	39,184	103,728	203,703	447,822	309,674
Sale of Prop. & Comp. for Loss	211,541	221,733	305,826	326,448	280,011
Miscellaneous	5,349,107	4,156,169	3,168,151	3,417,216	3,250,067
<b>Total Revenues</b>	<u>145,305,545</u>	<u>157,781,978</u>	<u>158,172,495</u>	<u>164,074,535</u>	<u>164,392,700</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Administration	5,813,581	6,087,446	5,922,877	6,418,643	6,879,299
Occupational Education	15,160,547	15,682,958	15,681,552	16,132,747	16,518,551
Instruction for Special Education	17,248,799	17,696,593	18,292,110	20,755,896	21,062,180
Itinerant Services	7,182,402	7,065,613	7,370,177	7,109,976	7,777,615
General Instruction	5,683,492	5,957,383	5,691,614	6,930,775	7,192,092
Instructional support	37,351,551	46,927,459	43,456,309	46,414,161	44,543,504
Other Services	50,022,862	51,020,650	51,280,944	53,745,701	56,289,876
<b>Total Expenditures</b>	<u>138,463,234</u>	<u>150,438,102</u>	<u>147,695,583</u>	<u>157,507,899</u>	<u>160,263,117</u>
<b>Excess of Revenues &amp; Other</b>					
Financing Sources over Expenditures & Other Financing Uses	6,842,311	7,343,876	10,476,912	6,566,636	4,129,583
Operating transfers - in	0	0	0	0	0
Operating transfers - out	0	(6,422,883)	(5,440,916)	(5,498,773)	(5,240,255)
<b>Total Other Financing Sources (USES)</b>	<u>6,842,311</u>	<u>920,993</u>	<u>5,035,996</u>	<u>1,067,863</u>	<u>(1,110,672)</u>
<b>Other Changes in Fund Equity:</b>					
Surplus distribution due school districts	(5,375,419)	0	0	0	0
Net reserve transactions	1,836,569	0	0	0	0
Fund Equity, Beginning of Year	9,035,281	12,338,742	13,259,735	18,295,731	19,363,594
<b>Fund Balance - End of Year</b>	<u>\$12,338,742</u>	<u>\$13,259,735</u>	<u>\$18,295,731</u>	<u>\$19,363,594</u>	<u>\$18,252,922</u>

Source: Audited Financial Statements  
Summary not audited

**BOARD OF COOPERATIVE EDUCATION SERVICES**  
**FIRST SUPERVISORY DISTRICT OF ERIE COUNTY**  
**Statement of Estimated Revenues and Budget Appropriations**  
**Fiscal Year Ending June 30:**

	<u>Actual Budget</u> <u>2019-20</u>	<u>Actual Budget</u> <u>2020-21</u>	<u>Proposed Budget</u> <u>2021-2022*</u>
<b>Estimated Revenues of</b>			
<b>Component Districts</b>			
Akron	\$ 2,869,155	\$ 2,982,470	\$ 2,424,499
Alden	2,121,700	2,142,498	1,978,717
Amherst	3,648,539	4,304,705	3,461,928
Cheektowaga	3,239,677	3,411,047	3,556,318
Clarence	3,730,534	3,868,639	4,558,721
Cleveland Hill	2,641,725	3,045,578	3,428,096
Depew	3,612,531	3,661,545	3,787,559
Frontier	8,426,507	7,442,107	7,970,698
Grand Island	3,753,900	6,377,722	3,431,696
Hamburg	6,080,754	3,496,757	6,423,472
Kenmore	10,375,492	11,536,328	10,957,450
Lackawanna	3,982,748	4,475,895	4,146,388
Lancaster	7,138,582	7,668,462	7,985,523
Maryvale	3,934,872	4,720,880	4,080,164
Sloan	3,978,921	3,439,622	3,259,801
Sweet Home	2,678,928	3,126,877	3,421,995
Tonawanda	3,593,158	2,842,874	2,669,276
West Seneca	7,386,540	9,781,383	9,340,669
Williamsville	7,878,122	7,951,159	8,370,992
<i>Sub Total</i>	<u>91,072,385</u>	<u>96,276,548</u>	<u>95,253,962</u>
Other Revenues	82,468,349	81,581,983	68,182,015
Total	<u><b>173,540,734</b></u>	<u><b>177,858,531</b></u>	<u><b>163,435,977</b></u>
<b>Appropriations:</b>			
Administrative Services	\$ 7,653,304	\$ 7,272,975	\$ 14,669,071
Career Development Services	22,153,305	21,478,787	21,244,228
Communicaiton Services	809,561	851,186	793,252
Human Resources Services	727,754	754,461	117,924
Labor Relations Services	2,798,404	3,222,487	2,454,341
Planning, Research & Management Serv.	3,382,084	4,905,793	3,704,977
Special Education Services	34,751,326	34,939,750	34,440,674
Technology Services	101,264,996	104,433,092	86,011,510
<b>Total Appropriations</b>	<u><b>\$173,540,734</b></u>	<u><b>\$177,858,531</b></u>	<u><b>\$163,435,977</b></u>

Source: School District Officials

\*The 2022 total reflects the current status of participation of services. Additional services will be added as the year progresses. Revenue is expected to grow by an approximately 12% as additional services are added during the 2022 fiscal year.

**ERIE 1 BOCES  
CASH FLOW PROJECTION  
GENERAL FUND**

**Estimated 2021/2022**

	July	August	September	October	November	December	January	February	March	April	May	June	Total
<b>BEGINNING BALANCE</b>	11,526,125	9,560,125	(1,588,875)	(5,687,375)	(4,186,375)	2,945,625	(422,075)	1,355,925	7,006,925	11,207,925	14,958,925	20,509,925	11,526,125
<b>RECEIPTS:</b>													
<b>RAN proceeds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Receivables:</i>													
Component Schools	5,000,000	5,000,000	5,000,000	10,000,000	11,000,000	9,000,000	10,000,000	9,000,000	9,000,000	9,000,000	11,000,000	7,000,000	100,000,000
Non Component Schools	50,000	50,000	50,000	400,000	400,000	200,000	100,000	200,000	600,000	300,000	300,000	300,000	2,950,000
Other BOCES	7,000,000	5,000,000	10,000,000	5,000,000	8,000,000	5,000,000	4,000,000	5,000,000	7,000,000	6,000,000	4,000,000	6,000,000	72,000,000
Other Revenue (primarily E-Rate)	700,000	250,000	650,000	650,000	100,000	100,000	50,000	1,300,000	100,000	100,000	100,000	50,000	4,150,000
<b>Interest</b>	1,000	1,000	1,500	1,000	1,000	1,300	1,000	1,000	1,000	1,000	1,000	1,000	12,800
<b>Total Receipts</b>	<b>12,751,000</b>	<b>10,301,000</b>	<b>15,701,500</b>	<b>16,051,000</b>	<b>19,501,000</b>	<b>14,301,300</b>	<b>14,151,000</b>	<b>15,501,000</b>	<b>16,701,000</b>	<b>15,401,000</b>	<b>15,401,000</b>	<b>13,351,000</b>	<b>179,112,800</b>
<b>DISBURSEMENTS:</b>													
<i>Payroll:</i>													
1st payroll	1,000,000	1,400,000	1,900,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	2,400,000	26,300,000
2nd payroll	1,400,000	1,400,000	2,300,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	2,450,000	5,600,000	30,300,000
3rd payroll	-	-	2,450,000	-	-	-	-	-	2,450,000	-	-	1,050,000	5,950,000
<i>A/P:</i>													
Warrants	9,000,000	15,000,000	9,500,000	7,500,000	5,000,000	5,300,000	5,300,000	2,800,000	4,000,000	3,000,000	3,800,000	6,700,000	76,900,000
IPA's	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	9,000,000
Health, dental, life	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	16,800,000
<i>Periodic Items:</i>													
RAN - Repayment	-	-	-	-	-	-	-	-	-	-	-	-	-
Fund Special Aid expenses	1,000,000	1,500,000	1,500,000	-	-	-	-	-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	-
403(b) incentives (majority July)	167,000	-	-	-	-	-	23,000	-	-	-	-	-	190,000
Worker's Comp (Nov.,Dec.)	-	-	-	-	319,000	319,000	-	-	-	-	-	-	638,000
ERS (December)	-	-	-	-	-	5,000,000	-	-	-	-	-	-	5,000,000
E-Rate (April)	-	-	-	-	-	-	-	-	-	2,600,000	-	-	2,600,000
403(b) retirement incentives (June)	-	-	-	-	-	-	-	-	-	-	-	500,000	500,000
Fund reserves (June)	-	-	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000
TRS (from State Aid - June)	-	-	-	-	-	-	-	-	-	-	-	3,120,000	3,120,000
Surplus - prior year (June)	-	-	-	-	-	-	-	-	-	-	-	5,500,000	5,500,000
<b>Total Disbursements</b>	<b>14,717,000</b>	<b>21,450,000</b>	<b>19,800,000</b>	<b>14,550,000</b>	<b>12,369,000</b>	<b>17,669,000</b>	<b>12,373,000</b>	<b>9,850,000</b>	<b>12,500,000</b>	<b>11,650,000</b>	<b>9,850,000</b>	<b>28,020,000</b>	<b>184,798,000</b>
<b>ENDING BALANCE</b>	<b>\$ 9,560,125</b>	<b>\$ (1,588,875)</b>	<b>\$ (5,687,375)</b>	<b>\$ (4,186,375)</b>	<b>\$ 2,945,625</b>	<b>\$ (422,075)</b>	<b>\$ 1,355,925</b>	<b>\$ 7,006,925</b>	<b>\$ 11,207,925</b>	<b>\$ 14,958,925</b>	<b>\$ 20,509,925</b>	<b>\$ 5,840,925</b>	<b>\$ 5,840,925</b>
RAN proceeds	-	6,000,000	-	-	-	-	-	-	-	-	-	-	-
RAN - Repayment	-	-	-	-	-	-	-	-	-	(6,030,000)	-	-	-
<b>ENDING BALANCE, WITH RAN</b>	<b>\$ 9,560,125</b>	<b>\$ 4,411,125</b>	<b>\$ 312,625</b>	<b>\$ 1,813,625</b>	<b>\$ 8,945,625</b>	<b>\$ 5,577,925</b>	<b>\$ 7,355,925</b>	<b>\$ 13,006,925</b>	<b>\$ 17,207,925</b>	<b>\$ 14,928,925</b>	<b>\$ 20,479,925</b>	<b>\$ 5,810,925</b>	<b>\$ 5,810,925</b>

**ERIE 1 BOCES  
ACTUAL CASHFLOW - 2020/2021**

**GENERAL FUND**

	Actual											Estimated	2020/2021
	July	August	September	October	November	December	January	February	March	April	May	June	Total
<b>BEGINNING BALANCE</b>	13,233,208	15,738,984	15,949,899	17,361,892	17,499,361	25,773,134	19,309,637	20,029,848	24,671,709	28,929,344	23,292,336	27,514,334	13,233,208
<b>RECEIPTS:</b>													
<b>RAN proceeds</b>	-	8,030,051	-	-	-	-	-	-	-	-	-	-	8,030,051
<i>Receivables:</i>													
Component Schools	6,170,963	4,716,364	7,258,970	8,506,648	9,657,276	6,444,460	9,420,027	8,048,293	9,033,672	8,664,359	9,887,644	5,000,000	92,808,676
Non Component Schools	60,504	255,901	91,903	412,364	473,506	234,411	77,417	206,383	538,501	190,354	200,187	250,000	2,991,431
Other BOCES	7,377,290	5,731,559	9,937,071	4,608,656	8,484,173	3,759,407	3,387,585	5,042,876	7,375,570	6,191,366	4,381,495	6,000,000	72,277,048
Other Revenue (primarily E-Rate)	706,930	226,917	656,151	826,231	(259,239)	167,172	53,204	1,703,007	(181,001)	-	217,480	50,000	4,166,852
<b>Interest</b>	991	1,443	2,227	775	1,138	782	777	1,390	758	880	735	800	12,696
<b>Total Receipts</b>	<b>14,316,678</b>	<b>18,962,235</b>	<b>17,946,322</b>	<b>14,354,674</b>	<b>18,356,854</b>	<b>10,606,232</b>	<b>12,939,010</b>	<b>15,001,949</b>	<b>16,767,500</b>	<b>15,046,959</b>	<b>14,687,541</b>	<b>11,300,800</b>	<b>180,286,754</b>
<b>DISBURSEMENTS:</b>													
<i>Payroll:</i>													
1st payroll	883,102	1,358,292	1,826,534	2,377,742	2,573,659	2,613,097	2,394,507	2,593,874	2,387,122	2,364,968	2,582,027	2,386,104	26,341,028
2nd payroll	1,325,092	1,313,931	2,182,414	2,314,650	2,214,030	2,347,731	2,387,653	2,207,375	2,295,028	2,352,309	2,192,589	5,400,000	28,532,802
3rd payroll	-	-	2,347,013	-	-	-	-	-	2,393,155	-	-	910,000	5,650,168
<i>A/P:</i>													
Warrants	7,938,956	12,977,183	6,692,665	7,129,788	4,714,841	4,960,735	4,982,941	2,655,007	3,768,725	2,830,734	3,516,808	8,000,000	70,168,383
IPA's	593,577	685,425	679,022	688,025	713,232	738,573	679,699	678,519	716,237	1,010,932	774,119	775,000	8,732,360
Health, dental, life	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	16,800,000
<i>Periodic Items:</i>													
RAN - Repayment	-	-	-	-	-	-	-	-	-	8,071,944	-	-	8,071,944
Fund Special Aid expenses	(350,000)	813,000	1,406,681	307,000	(1,776,681)	384,655	373,999	825,313	(450,402)	236,010	-	(1,769,575)	-
403(b) incentives (July)	20,175	115,489	-	-	-	-	-	-	-	-	-	-	135,664
Worker's Comp (Nov.,Dec.)	-	-	-	-	244,000	243,543	-	-	-	-	-	-	487,543
ERS (December)	-	-	-	-	-	4,381,395	-	-	-	-	-	-	4,381,395
E-Rate (April)	-	-	-	-	-	-	-	-	-	2,417,070	-	-	2,417,070
403(b) incentives - EPEA (June 2020)	-	88,000	-	-	-	-	-	-	-	-	-	100,000	188,000
Fund reserves (June)	-	-	-	-	-	-	-	-	-	-	-	2,000,000	2,000,000
TRS (from State Aid - June)	-	-	-	-	-	-	-	-	-	-	-	2,847,224	2,847,224
Surplus - prior year (June)	-	-	-	-	-	-	-	-	-	-	-	5,240,256	5,240,256
<b>Total Disbursements</b>	<b>11,810,902</b>	<b>18,751,320</b>	<b>16,534,329</b>	<b>14,217,205</b>	<b>10,083,081</b>	<b>17,069,729</b>	<b>12,218,799</b>	<b>10,360,088</b>	<b>12,509,865</b>	<b>20,683,967</b>	<b>10,465,543</b>	<b>27,289,009</b>	<b>181,993,837</b>
<b>ENDING BALANCE</b>	<b>15,738,984</b>	<b>15,949,899</b>	<b>17,361,892</b>	<b>17,499,361</b>	<b>25,773,134</b>	<b>19,309,637</b>	<b>20,029,848</b>	<b>24,671,709</b>	<b>28,929,344</b>	<b>23,292,336</b>	<b>27,514,334</b>	<b>11,526,125</b>	<b>11,526,125</b>

**BOARD OF COOPERATIVE  
EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF  
ERIE COUNTY**

**FINANCIAL STATEMENTS**

**JUNE 30, 2020**

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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**Table of Contents**

June 30, 2020

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Independent Auditors' Report

Management's Discussion and Analysis

Financial Statements

Statement of Net Position

Statement of Activities

Balance Sheet – Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP) and Actual - General Fund

Statement of Fiduciary Net Position

Notes to Financial Statements

Required Supplementary Information (Unaudited)

Schedule of BOCES' Proportionate Share of the Net Pension Position – New York State Teachers' Retirement System

Schedule of BOCES' Contributions – New York State Teachers' Retirement System

Schedule of BOCES' Proportionate Share of the Net Pension Position – New York State and Local Employees' Retirement System

Schedule of BOCES' Contributions – New York State and Local Employees' Retirement System

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

Supplementary Information

Analysis of General Fund Account A431 – School Districts (Fund Basis)

Schedule of Capital Project Expenditures

Schedule of Expenditures of Federal Awards and related notes

Reports on Federal Award Programs

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance

Schedule of Findings and Questioned Costs



## INDEPENDENT AUDITORS' REPORT

The Board of Education  
Board of Cooperative Educational Services  
First Supervisory District of Erie County

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and other required supplementary information as listed in the table of contents be presented to supplement the financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise BOCES' basic financial statements. The accompanying supplementary information as listed in the table of contents, including the schedule of expenditures of federal awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information including the schedule of expenditures of federal awards is the responsibility of management and is derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information including the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020 on our consideration of BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BOCES' internal control over financial reporting and compliance.



October 14, 2020

**Management's Discussion and Analysis**

June 30, 2020

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**Introduction**

Management's Discussion and Analysis (MD&A) of Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES) provides an overview of BOCES' financial activities and performance for the year ended June 30, 2020. The information contained in the MD&A should be considered in conjunction with the information presented as part of BOCES' financial statements that follow. This MD&A, the financial statements, and notes thereto are essential to obtaining a full understanding of BOCES' financial position and results of operations. BOCES' financial statements have the following components: (1) government-wide financial statements, (2) governmental fund financial statements, (3) reconciliations between the government-wide and governmental fund financial statements, (4) agency fund statements, (5) notes to the financial statements, and (6) supplementary information.

The government-wide financial statements are designed to provide readers with a broad overview of BOCES' finances in a manner similar to a private-sector business. The statement of net position presents information on all of BOCES' assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the net difference reported as net position. The statement of activities presents information showing how BOCES' net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods. The government-wide financial statements present information about BOCES as a whole. All of the activities of BOCES are considered to be governmental activities.

Governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the year. Such information may be useful in evaluating BOCES' near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of BOCES' near-term financing decisions. The reconciliation portion of the financial statements facilitates the comparison between governmental funds and governmental activities.

Agency funds are used to account for resources held for the benefit of parties outside BOCES. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support BOCES' programs. The notes to the financial statements provide additional information that is essential for a full understanding of the government-wide and governmental fund financial statements.

Supplementary information further explains and supports the financial statements and includes information required by generally accepted accounting principles and the New York State Education Department.

<b>Condensed Statement of Net Position</b>	<b>2020</b>	2019	Change	
			\$	%
Current and other assets	\$ 56,010,000	\$ 54,617,000	\$ 1,393,000	2.6%
Capital assets	73,921,000	75,865,000	(1,944,000)	(2.6%)
<b>Total assets</b>	<b>129,931,000</b>	130,482,000	(551,000)	(0.4%)
<b>Deferred outflows of resources</b>	<b>32,891,000</b>	22,159,000	10,732,000	48.4%
Long-term liabilities	61,607,000	42,212,000	19,395,000	45.9%
Other liabilities	30,631,000	29,800,000	831,000	2.8%
<b>Total liabilities</b>	<b>92,238,000</b>	72,012,000	20,226,000	28.1%
<b>Deferred inflows of resources</b>	<b>6,671,000</b>	6,467,000	204,000	3.2%
<b>Net position</b>				
Net investment in capital assets	56,610,000	57,281,000	(671,000)	(1.2%)
Restricted	11,134,000	11,016,000	118,000	1.1%
Unrestricted	(3,831,000)	5,865,000	(9,696,000)	(165.3%)
<b>Total net position</b>	<b>\$ 63,913,000</b>	\$ 74,162,000	\$ (10,249,000)	(13.8%)

Net position amounted to \$63,913,000 and \$74,162,000 as of June 30, 2020 and 2019, respectively. The largest portion of BOCES' net position reflects its investment in capital assets consisting of land, buildings and improvements, and technology and equipment, less related amounts owed on installment purchase agreements. BOCES uses capital assets to provide services to students at component and non-component districts; consequently, these assets are not available for future spending.

BOCES' net position includes resources that are subject to external restrictions on how they may be used. These reserves are set aside for specific purposes governed by law and regulations and include the employee benefit accrued liability reserve, which must be used to pay future accumulated sick and vacation time earned, the retirement contribution reserve, which is used for contributions to the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS), and reserves for unemployment and workers' compensation insurance.

Current and other assets increased \$1,393,000 (decrease of \$2,812,000 or 4.9% in 2019). These balances consist primarily of cash and receivables from other governments and third parties. The changes in individual account balances reflect timing of cash flows. The balance also includes the net pension asset, which represents BOCES' proportionate share of the TRS net pension position, which increased \$1,326,000 to \$4,347,000. Capital assets decreased \$1,944,000 (increase of \$1,053,000 or 1.4% in 2019) due to depreciation expense and disposals in excess of capital project costs and technology and other equipment purchases.

The increase in long-term liabilities of \$19,395,000 (increase of \$4,642,000 or 12.4% in 2019) is due to an increase of \$19,980,000 in the ERS net pension liability and a \$740,000 increase in the value of employees' accumulated sick and vacation time earned. These increases were offset by a decrease in the liability for installment purchases agreements of \$1,272,000. Other liabilities increased \$831,000 (decrease of \$5,492,000 or 15.6% in 2019) due to increases in accounts payable and the prepayment by two districts of their portions of BOCES' district-wide facilities project, which is recorded in unearned revenue. These increases were offset by decreases in State aid due to school districts of \$1,280,000 and refunds to component school districts of \$566,000.

Changes in deferred outflows and deferred inflows of resources include changes in pension activity at the State level which are required to be reflected on BOCES' financial statements. Deferred outflows of resources include contributions required to be paid by BOCES to the State pension systems after the measurement date. Deferred outflows and deferred inflows of resources also reflect variances from actuarial assumptions, actual results of investment earnings compared to projected earnings, and changes of assumptions. BOCES has no control or authority over these transactions.

<b>Condensed Statement of Activities</b>	<b>2020</b>	2019	Change	
			\$	%
<b>Revenues</b>				
Charges for services	\$ 164,904,000	\$ 163,913,000	\$ 991,000	0.6%
Operating and capital grants and contributions	10,183,000	10,471,000	(288,000)	(2.8%)
Interest	239,000	262,000	(23,000)	(8.8%)
Loss on disposal of assets	(35,000)	(11,000)	(24,000)	218.2%
<b>Total revenues</b>	<b>175,291,000</b>	174,635,000	656,000	0.4%
<b>Expenses</b>				
Administration	7,813,000	7,235,000	578,000	8.0%
Occupational education	23,836,000	23,448,000	388,000	1.7%
Instruction for special education	26,590,000	25,651,000	939,000	3.7%
Itinerant services	8,834,000	8,015,000	819,000	10.2%
General instruction	8,171,000	7,819,000	352,000	4.5%
Instructional support	39,313,000	40,121,000	(808,000)	(2.0%)
Other services	70,983,000	60,517,000	10,466,000	17.3%
<b>Total expenses</b>	<b>185,540,000</b>	172,806,000	12,734,000	7.4%
Change in net position	(10,249,000)	1,829,000	(12,078,000)	(660.4%)
Net position – beginning	74,162,000	72,333,000	1,829,000	2.5%
<b>Net position – ending</b>	<b>\$ 63,913,000</b>	\$ 74,162,000	\$ (10,249,000)	(13.8%)

BOCES' revenues increased by \$656,000 (3.1% or \$5,285,000 increase in 2019). Fluctuations in revenue categories are the result of districts choosing to enlist more or less services and purchase more or less equipment from BOCES. These decisions are made annually based on equipment needs and whether BOCES-provided or district-provided services are deemed to be more cost effective by each district. Operating and capital grants and contributions decreased \$288,000 (decrease of \$142,000 or 1.3% in 2019). Grants and contributions for services provided for special education instruction increased while state programs to assist with teacher training decreased. Charges for services increased \$991,000 (increase of \$5,328,000 or 3.4% in 2019) as a result of increases in general instruction, specifically Pathways in Technology and Alternative Education programs.

Total expenses on a full accrual basis increased \$12,734,000 (increase of \$11,505,000 or 7.1% in 2019). The increase in expenses is due to increases in depreciation and employee benefit expenses, which are allocated across all expense categories. Most significantly, pension expense increased \$7,550,000 or 102.9% (\$895 or 0.01% increase in 2019) due to amortization of the impact of the decrease in the discount rate from 7.0% to 6.8%.

### Financial Analysis of BOCES' Funds

Total fund balances for the governmental funds decreased from \$21,796,000 to \$21,032,000 as described below:

- BOCES' general fund revenue exceeded expenditures by \$4,130,000 in 2020 as compared to an excess of \$6,567,000 in 2019. BOCES also used reserves and reduced encumbrances by a total of \$1,110,000, resulting in a refund to component districts of \$5,240,000. In comparison, BOCES had a net funding of reserves totaling \$1,068,000 in 2019, resulting in refunds of \$5,499,000.
- Fund balance in the special aid fund increased \$417,000 or 18.3% (increase of \$171,000 or 8.1% in 2019) due to a reduction in instructional support costs.
- Payroll increased \$2,530,000 or 4.2% (increase of \$2,157,000 or 3.7% in 2019) as a result of additional hires and rate increases as stipulated by collective bargaining agreements.

## General Fund Budgetary Highlights

The original revenue budget of \$134,748,000 was increased to \$169,256,000 based on changes in requested services by districts. Actual revenue totaled \$164,393,000, \$4,864,000 less than anticipated. The final general fund expenditure budget was \$177,604,000, which is \$10,223,000 or 5.8% more than actual expenditures and carryover encumbrances. The largest variances were in occupational education, instructional support, and other services. Revenue and expenditure variances to budget were more significant than normal in 2020 due to the impact of COVID-19 on the districts. Anticipated services requested by districts could not be provided.

## Capital Assets

	2020	2019
Land	\$ 300,000	\$ 300,000
Construction in progress	468,000	33,000
Buildings and improvements	37,695,000	37,465,000
Technology and equipment	157,032,000	142,060,000
	<u>195,495,000</u>	179,858,000
Accumulated depreciation	<u>(121,574,000)</u>	(103,993,000)
	<u>\$ 73,921,000</u>	\$ 75,865,000

Current year additions of \$19,245,000, which consisted mainly of technology purchases, were offset by depreciation expense and disposals of \$21,189,000.

## Debt

At June 30, 2020, BOCES had \$17,312,000 of outstanding installment purchase agreements, with \$7,260,000 due within one year (\$18,584,000 outstanding in 2019). Outstanding compensated absences were \$12,879,000 (\$12,139,000 in 2019) with \$1,030,000 estimated to be paid within one year.

Additional information on BOCES' long-term liabilities can be found in the notes to the financial statements.

## Current Financial Issues and Concerns

The extent of the impact of COVID-19 on BOCES' operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on all school districts and BOCES and their residents, employees, and vendors, none of which can be predicted. BOCES has already experienced a 20% holdback of State aid that could become permanent. Significant reductions are expected in 2020-2021 for State aid and sales tax revenues that will impact BOCES's component districts. These uncertainties combined with declining overall district enrollment and New York State's tax levy cap create multiple challenges for New York State's public schools. As the component districts formulate annual and multi-year financial plans, the revenue streams available to them will inevitably have an effect on the level and mix of BOCES services they can purchase.

BOCES will continue to make every attempt to mitigate the impact of rising costs of education on the overall budget. The property tax levy cap's impact on our component districts further emphasizes the importance of using reserves judiciously and implementing creative cost cutting measures. These issues and concerns are exacerbated by COVID-19 requiring management to plan carefully and prudently to provide the educational resources necessary to meet student needs and the flexibility on how students are taught.

## Contacting BOCES' Financial Management

This financial report is designed to provide our citizens, investors, creditors, and component districts with a general overview of BOCES' finances and to demonstrate BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact Peter Ciminelli, Business Administrator, Erie 1 BOCES, 355 Harlem Road, West Seneca, New York 14224.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Statement of Net Position**

June 30, 2020

(With comparative totals as of June 30, 2019)

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 20,934,657	\$ 16,717,693
Due from school districts	9,044,302	13,754,141
Accounts receivable	1,966,906	501,500
State and federal aid receivable, net	14,523,424	15,375,047
Due from fiduciary funds	13,107	459,313
Investments	5,180,246	4,787,900
Net pension asset	4,347,338	3,021,162
Capital assets (Note 4)	195,494,829	179,858,354
Accumulated depreciation	(121,573,421)	(103,992,859)
<b>Total assets</b>	<b>129,931,388</b>	<b>130,482,251</b>
<b>Deferred Outflows of Resources</b>		
Deferred outflows of resources related to pensions	31,924,354	21,101,920
Deferred outflows of resources related to OPEB	966,368	1,056,810
<b>Total deferred outflows of resources</b>	<b>32,890,722</b>	<b>22,158,730</b>
<b>Liabilities</b>		
Accounts payable	3,842,199	3,183,575
Accrued liabilities	1,012,195	812,112
State aid due to school districts	12,369,757	13,649,399
Refunds to component school districts	6,748,847	7,314,653
Due to retirement systems	3,944,456	4,186,075
Unearned revenue	2,713,255	654,003
Long-term liabilities		
Due within one year:		
Installment purchase agreements	7,259,763	7,316,876
Compensated absences	1,030,000	971,000
Due beyond one year:		
Installment purchase agreements	10,051,931	11,267,125
Compensated absences	11,849,000	11,168,000
Net pension liability	27,276,532	7,296,297
Total OPEB liability	4,139,545	4,192,845
<b>Total liabilities</b>	<b>92,237,480</b>	<b>72,011,960</b>
<b>Deferred Inflows of Resources</b>		
Deferred inflows of resources related to pensions	6,499,475	6,416,731
Deferred inflows of resources related to OPEB	171,701	50,194
<b>Total deferred inflows of resources</b>	<b>6,671,176</b>	<b>6,466,925</b>
<b>Net Position</b>		
Net investment in capital assets	56,609,714	57,281,494
Restricted	11,134,631	11,016,084
Unrestricted	(3,830,891)	5,864,518
<b>Total net position</b>	<b>\$ 63,913,454</b>	<b>\$ 74,162,096</b>

See accompanying notes.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Statement of Activities**

For the year ended June 30, 2020  
(With summarized comparative totals for June 30, 2019)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
<b>Governmental activities</b>						
Administration	\$ 7,813,113	\$ 6,821,879	\$ -	\$ 415,000	\$ (576,234)	\$ (165,482)
Occupational education	23,835,669	16,675,506	5,045,144	-	(2,115,019)	(1,898,404)
Instruction for special education	26,589,709	20,867,948	2,653,732	-	(3,068,029)	(2,397,292)
Itinerant services	8,833,900	7,176,897	-	-	(1,657,003)	(747,783)
General instruction	8,171,435	7,312,668	-	-	(858,767)	(1,095,784)
Instructional support	39,313,364	45,858,553	2,068,892	-	8,614,081	8,989,829
Other services	70,983,077	60,190,792	-	-	(10,792,285)	(1,106,293)
	<u>\$ 185,540,267</u>	<u>\$ 164,904,243</u>	<u>\$ 9,767,768</u>	<u>\$ 415,000</u>	<u>(10,453,256)</u>	<u>1,578,791</u>
<b>General revenues</b>						
					239,537	262,059
					(34,923)	(11,331)
					<u>204,614</u>	<u>250,728</u>
					(10,248,642)	1,829,519
					74,162,096	72,332,577
					<u>\$ 63,913,454</u>	<u>\$ 74,162,096</u>



BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Balance Sheet - Governmental Funds**

June 30, 2020

(with summarized comparative totals as of June 30, 2019)

	General		Special	Capital	Total Governmental Funds	
			Aid	Projects	2020	2019
<b>Assets</b>						
Cash and cash equivalents	\$ 18,679,420	\$ 381,199	\$ 1,874,038	\$ 20,934,657	\$ 16,717,693	
Due from school districts	9,044,302	-	-	9,044,302	13,754,141	
Accounts receivable	124,210	1,842,696	-	1,966,906	501,500	
State and federal aid receivable, net	12,369,757	2,153,667	-	14,523,424	15,375,047	
Due from other funds	256,404	-	-	256,404	703,923	
Investments	5,180,246	-	-	5,180,246	4,787,900	
<b>Total assets</b>	<b>\$ 45,654,339</b>	<b>\$ 4,377,562</b>	<b>\$ 1,874,038</b>	<b>\$ 51,905,939</b>	<b>\$ 51,840,204</b>	
<b>Liabilities and Fund Balances</b>						
Accounts payable	\$ 3,408,659	\$ 433,540	\$ -	\$ 3,842,199	\$ 3,183,575	
Accrued liabilities	929,698	82,497	-	1,012,195	812,112	
State aid due to school districts	12,369,757	-	-	12,369,757	13,649,399	
Refunds to component school districts	6,748,847	-	-	6,748,847	7,314,653	
Due to retirement systems	3,944,456	-	-	3,944,456	4,186,075	
Due to other funds	-	243,297	-	243,297	244,610	
Unearned revenue	-	922,484	1,790,771	2,713,255	654,003	
<b>Total liabilities</b>	<b>27,401,417</b>	<b>1,681,818</b>	<b>1,790,771</b>	<b>30,874,006</b>	<b>30,044,427</b>	
<b>Fund Balances</b>						
Restricted:						
Employee benefit accrued liability	7,521,168	-	-	7,521,168	7,807,947	
Workers' compensation	647,824	-	-	647,824	714,378	
Retirement contribution	2,115,819	-	-	2,115,819	1,743,759	
Unemployment insurance	849,820	-	-	849,820	750,000	
Assigned:						
Other purposes	7,118,291	2,695,744	83,267	9,897,302	10,779,693	
<b>Total fund balances</b>	<b>18,252,922</b>	<b>2,695,744</b>	<b>83,267</b>	<b>21,031,933</b>	<b>21,795,777</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 45,654,339</b>	<b>\$ 4,377,562</b>	<b>\$ 1,874,038</b>	<b>\$ 51,905,939</b>	<b>\$ 51,840,204</b>	

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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**Reconciliation of the Governmental Funds  
 Balance Sheet to the Statement of Net Position**

June 30, 2020

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**Total fund balances - governmental funds** \$ 21,031,933

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 73,921,408

BOCES' proportionate share of the net pension position as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Net pension asset	4,347,338	
Deferred outflows of resources related to pensions	31,924,354	
Net pension liability	(27,276,532)	
Deferred inflows of resources related to pensions	<u>(6,499,475)</u>	2,495,685

BOCES' total OPEB liability as well as OPEB-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:

Deferred outflows of resources related to OPEB	966,368	
Total OPEB liability	(4,139,545)	
Deferred inflows of resources related to OPEB	<u>(171,701)</u>	(3,344,878)

Certain liabilities are not due and payable currently and therefore are not reported as liabilities of the governmental funds. These liabilities are:

Installment purchase agreements	(17,311,694)	
Compensated absences	<u>(12,879,000)</u>	(30,190,694)

**Net position - governmental activities** \$ 63,913,454

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Statement of Revenues, Expenditures, and  
Changes in Fund Balances - Governmental Funds**

For the year ended June 30, 2020  
(with summarized comparative totals for June 30, 2019)

	General	Special Aid	Capital Projects	Total Governmental Funds	
				2020	2019
<b>Revenues</b>					
Charges to components	\$ 89,066,410	\$ 2,558,338	\$ -	<b>\$ 91,624,748</b>	\$ 90,943,581
Charges to non-components and other BOCES	71,261,851	92,988	-	<b>71,354,839</b>	71,282,924
Charges for services	224,687	3,619,480	-	<b>3,844,167</b>	3,581,429
Capital contributions from components	-	-	415,000	<b>415,000</b>	415,000
Use of money and property	309,674	-	540	<b>310,214</b>	448,847
Sale of property and compensation for loss	280,011	431	-	<b>280,442</b>	326,851
Miscellaneous	3,250,067	526,962	-	<b>3,777,029</b>	3,965,418
State sources	-	7,573,869	-	<b>7,573,869</b>	7,874,439
Federal sources	-	1,666,937	-	<b>1,666,937</b>	1,633,681
<b>Total revenues</b>	<b>164,392,700</b>	<b>16,039,005</b>	<b>415,540</b>	<b>180,847,245</b>	<b>180,472,170</b>
<b>Expenditures</b>					
Administration	6,879,299	-	-	<b>6,879,299</b>	6,418,643
Occupational education	16,518,551	5,045,144	-	<b>21,563,695</b>	21,378,718
Instruction for special education	21,062,180	2,653,732	-	<b>23,715,912</b>	23,006,036
Itinerant services	7,777,615	-	-	<b>7,777,615</b>	7,109,976
General instruction	7,192,092	-	-	<b>7,192,092</b>	6,930,775
Instructional support	44,543,504	2,906,703	-	<b>47,450,207</b>	49,748,770
Other services	56,289,876	5,016,381	-	<b>61,306,257</b>	58,725,608
Capital outlay	-	-	7,592,147	<b>7,592,147</b>	10,500,950
<b>Total expenditures</b>	<b>160,263,117</b>	<b>15,621,960</b>	<b>7,592,147</b>	<b>183,477,224</b>	<b>183,819,476</b>
Excess revenues (expenditures)	4,129,583	417,045	(7,176,607)	<b>(2,629,979)</b>	(3,347,306)
<b>Other financing sources (uses)</b>					
Equipment from installment purchases	-	-	7,106,390	<b>7,106,390</b>	9,784,032
Refunds to component school districts	(5,240,255)	-	-	<b>(5,240,255)</b>	(5,498,773)
<b>Total other financing sources (uses)</b>	<b>(5,240,255)</b>	<b>-</b>	<b>7,106,390</b>	<b>1,866,135</b>	<b>4,285,259</b>
Net change in fund balances	(1,110,672)	417,045	(70,217)	<b>(763,844)</b>	937,953
Fund balances - beginning	19,363,594	2,278,699	153,484	<b>21,795,777</b>	20,857,824
<b>Fund balances - ending</b>	<b>\$ 18,252,922</b>	<b>\$ 2,695,744</b>	<b>\$ 83,267</b>	<b>\$ 21,031,933</b>	<b>\$ 21,795,777</b>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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**Reconciliation of the Governmental Funds Statement of Revenues,  
 Expenditures, and Changes in Fund Balances to the Statement of Activities**

For the year ended June 30, 2020

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<b>Total net change in fund balances - governmental funds</b>	\$ (763,844)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. In the statement of activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense and disposals exceed capital outlays.	(1,944,087)
Capital assets acquired through installment purchase agreements are reported as other financing sources in the governmental funds but increase long-term liabilities in the statement of net position.	(7,106,390)
Principal payments on installment purchase agreements are reported as expenditures in the governmental funds and as a reduction of debt in the statement of net position.	8,378,697
Pension expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balance and actuarially determined on the statement of activities. These differences are:	
2020 TRS and ERS contributions	6,914,637
2020 ERS accrued contribution	1,085,772
2019 ERS accrued contribution	(1,029,855)
2020 TRS pension expense	(5,464,681)
2020 ERS pension expense	<u>(9,420,242)</u>
	(7,914,369)
OPEB expense is recognized when paid on the fund statement of revenues, expenditures, and changes in fund balances and actuarially determined on the statement of activities.	(158,649)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds these expenditures are reported as paid.	<u>(740,000)</u>
<b>Change in net position - governmental activities</b>	<b>\$ (10,248,642)</b>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Statement of Revenues, Expenditures, and Changes in  
 Fund Balance Budget (Non-GAAP) and Actual - General Fund**

For the year ended June 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Encumbrances	Variance with Final Budget Over/(Under)
	Original	Final			
<b>Revenues</b>					
Charges to components	\$ 78,146,682	\$ 89,227,873	\$ 89,066,410		\$ (161,463)
Charges to non-components and other BOCES	56,020,903	79,447,897	71,261,851		(8,186,046)
Charges for services	-	-	224,687		224,687
Use of money and property	50,000	50,000	309,674		259,674
Sale of property and compensation for loss	-	-	280,011		280,011
Miscellaneous	530,685	530,685	3,250,067		2,719,382
<b>Total revenues</b>	<b>134,748,270</b>	<b>169,256,455</b>	<b>164,392,700</b>		<b>(4,863,755)</b>
<b>Expenditures</b>					
Administration	7,229,055	7,397,116	6,879,299	90,443	(427,374)
Occupational education	17,542,808	18,459,655	16,518,551	868,212	(1,072,892)
Instruction for special education	18,039,821	22,073,028	21,062,180	186,047	(824,801)
Itinerant services	7,254,998	8,187,917	7,777,615	48	(410,254)
General instruction	6,046,586	7,634,238	7,192,092	155,579	(286,567)
Instructional support	35,670,430	48,905,772	44,543,504	1,801,289	(2,560,979)
Other services	51,312,082	64,946,239	56,289,876	4,016,673	(4,639,690)
<b>Total expenditures</b>	<b>143,095,780</b>	<b>177,603,965</b>	<b>160,263,117</b>	<b>7,118,291</b>	<b>(10,222,557)</b>
Excess revenues (expenditures)	(8,347,510)	(8,347,510)	4,129,583	(7,118,291)	5,358,802
<b>Other financing sources (uses)</b>					
Carryover encumbrances	8,347,510	8,347,510	-		(8,347,510)
Refunds to component school districts	-	-	(5,240,255)		5,240,255
<b>Total other financing sources (uses)</b>	<b>8,347,510</b>	<b>8,347,510</b>	<b>(5,240,255)</b>		<b>(13,587,765)</b>
<b>Excess revenues (expenditures) and other financing sources (uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,110,672)</b>	<b>\$ (7,118,291)</b>	<b>\$ (8,228,963)</b>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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**Statement of Fiduciary Net Position**

June 30, 2020

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	<u>Agency</u>
<b>Assets</b>	
Cash	\$ 390,098
<b>Liabilities</b>	
Due to governmental funds	\$ 13,107
Extraclassroom activities balances	37,115
Agency liabilities	<u>339,876</u>
<b>Total liabilities</b>	<u>\$ 390,098</u>

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**Notes to Financial Statements**

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**1. Summary of Significant Accounting Policies**

**Reporting Entity**

Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES) is governed by Education and other laws of the State of New York (the State). BOCES is an independent entity governed by an elected Board consisting of seven members. BOCES' Superintendent is the chief executive officer and the President of the Board serves as the chief fiscal officer. The Board is responsible for and controls all activities related to public school education within BOCES. Board members have decision-making authority, the power to designate management, the ability to influence operations, and the primary accountability for fiscal matters.

Boards of Cooperative Educational Services were established by State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, legislation was passed allowing boards of cooperative educational services to provide vocational and special education. Boards of cooperative educational services are voluntary, cooperative associations of school districts in a geographic area that share planning, services, and programs to provide educational and support activities more economically, efficiently, and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following 19 school districts in the State's First Supervisory District of Erie County:

Akron	Cleveland Hill	Lancaster
Alden	Depew	Lackawanna
Amherst	Frontier	Sweet Home
Cheektowaga	Grand Island	Tonawanda
Cheektowaga-Maryvale	Kenmore-Town of Tonawanda	West Seneca
Cheektowaga-Sloan	Hamburg	Williamsville
Clarence		

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

BOCES receives funding from local, state, and federal sources and must comply with requirements of these funding sources. However, BOCES is not included in any other governmental reporting entity as defined by accounting principles generally accepted in the United States of America nor does it contain any component units. School districts maintain autonomous boards, budgets, and operations and are therefore not considered component units of BOCES.

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

**Public Entity Risk Pools**

BOCES participates in and administers the NY44 Health Benefits Plan Trust and the Erie #1 Self-Funded Workers' Compensation Consortium, which are public entity risk pools. These plans are designed to provide health insurance and workers' compensation coverage for participating entities. These activities are further discussed in Note 8.

## Basis of Presentation

*Government-wide Statements:* The statement of net position and the statement of activities display financial activities of the overall BOCES, except for fiduciary activities. Eliminations have been made to minimize double counting of internal activities. These statements are required to distinguish between *governmental* and *business-type* activities of BOCES. Governmental activities generally are financed through state aid, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. BOCES does not maintain any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of BOCES' governmental activities.

- Direct expenses are those that are specifically associated with a program or are clearly identifiable to a particular function. Indirect expenses relate to the administration and support of BOCES' programs, including personnel, overall administration, and finance. All indirect expenses, including employee benefits, are allocated directly to functional areas on both the government-wide and governmental fund statements.
- Program revenues include (a) charges paid primarily by component school districts for goods or services and administrative support, (b) grants and contributions that are restricted to meeting the operational requirements of a particular program, and (c) capital grants and contributions limited to the purchase or construction of specific capital assets. Revenues that are not classified as program revenues, including interest earnings and net proceeds from the sale of capital assets, are presented as general revenues.

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

BOCES reports the following major fund:

- *General fund.* This is BOCES' primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

BOCES also elected to display the following as major funds:

- *Special aid fund.* This fund is used to account for the proceeds of specific revenue sources – other than expendable trusts or major capital projects – such as federal, state, and local grants and awards that are restricted, committed, or assigned to expenditure for specific purposes. Either governments or other third parties providing the grant funds impose these restrictions.
- *Capital projects fund.* This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

BOCES reports the following fiduciary fund:

- *Agency fund.* This fund accounts for assets held by BOCES as agent for various student groups and clubs, payroll, and employee third-party withholdings. The agency fund is custodial in nature and does not involve measurement of results of operations.

The financial statements include certain prior year summarized comparative information in total but not by separate governmental activities and major funds. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with BOCES' financial statements for the year ended June 30, 2019, from which the summarized information was derived.



## **Basis of Accounting and Measurement Focus**

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. BOCES considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset purchases are reported as expenditures in governmental funds. Equipment purchased under installment purchase agreements and refunds to component school districts are reported as other financing sources.

Under the terms of grant agreements, revenues are recognized to the extent of program expenditures. Amounts received in advance of the expenditures are considered unearned and reported as revenue when the expense is incurred.

## **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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

## **Budget Process, Amendments, and Encumbrances**

§1950 §4(b) of the Education Law requires adoption of a final budget no later than May 15<sup>th</sup> of the ensuing year. BOCES administration prepares a proposed administrative, capital, and program budget, as applicable, for approval by members of BOCES' Board for the general fund.

A tentative administrative budget is provided to the component districts for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority vote of component school boards.

Annual appropriations are adopted and employed for control of the general fund. These budgets are adopted on a GAAP basis under the modified accrual basis of accounting. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations authorized for the current year may be increased by the planned use of specific restricted, committed, and assigned fund balances and subsequent budget amendments approved by the Board as a result of new revenue sources related to expanded services requested by component districts.

Major capital expenditures are subject to individual project budgets based on the cost of the project and charges to components rather than annual appropriations. For the capital projects fund, these budgets do not lapse at year end and are carried over to the completion of the project.

Encumbrance accounting is used to assure budgetary control over commitments related to unperformed (executory) contracts for goods or services outstanding at the end of each year. Encumbrances are budgetary expenditures in the year committed and again in the subsequent period when the expenditure is paid. All budget appropriations that are unencumbered lapse at the end of the fiscal year. Encumbrances outstanding at year end are presented for GAAP-related purposes as committed or assigned fund balances and do not constitute expenditures or liabilities. At July 1, encumbrances carried forward from the prior year are reestablished as budgeted appropriations.

### Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand, demand deposits, and repurchase agreements. Investments include U.S. Treasury securities held in external investment pools recorded at amortized cost.

### Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals. Contributed assets are recorded at fair value at the time received. Depreciation is provided in the government-wide statements over estimated useful lives using the straight-line method. Maintenance and repairs are expensed as incurred; significant improvements are capitalized.

Capitalization thresholds for determining which asset purchases are added to capital accounts and the estimated useful lives of capital assets are:

	Capitalization Policy	Estimated Useful Life in Years
Buildings and improvements	\$ 50,000	15-20
Equipment	\$ 5,000	5-25
Technology	\$ 299	5

### Short-Term Debt

To meet its short-term cash flow needs, BOCES may issue revenue anticipation notes (RANs), which are short-term debt obligations secured by the future collection of revenues. These notes are recorded as a liability in the fund receiving the proceeds from the issuance of the notes. RANs represent liabilities that will be extinguished by the use of expendable, available resources of the fund.

### Refunds to Component School Districts

Education Law requires that the net cost of operating a board of cooperative educational services be allocated to the component school districts in each fiscal year. Accordingly, the general fund of the fund financial statements must result in a matching of the total service expenditures and revenues charged to each school district based upon their pro-rata share of services. At the end of each fiscal year, BOCES will accrue an amount to be returned to the school districts so that the operations of the general fund break even after funding and use of reserves. This amount is included in other financing sources and uses on the accompanying statement of revenues, expenditures, and changes in fund balances – governmental funds. The net amount is accrued as a liability on the government-wide and fund statements, as it is payable with currently available financial resources.

### Pensions

BOCES participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS) (the Systems) as mandated by State Law. The Systems recognize benefit payments when due and payable in accordance with benefit terms; investment assets are reported at fair value. On the government-wide statements, BOCES recognizes its proportionate share of net pension position, deferred outflows and deferred inflows of resources, pension expense (revenue), and information about and changes in the fiduciary net position on the same basis as reported by the respective defined benefit pension plans.

### Other Postemployment Benefits (OPEB)

On the government-wide statements, the total OPEB liability, deferred outflows and deferred inflows of resources, and OPEB expense of BOCES' defined benefit healthcare plan (Note 7) have been measured on the same basis as reported by the plan. Benefit payments are due and payable in accordance with benefit terms.

## Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid accumulated sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and those expected to become eligible to receive such payments are included. Sick pay is accrued on the basis of negotiated contracts with administrative and employee groups which provide for the payment of accumulated sick time or the option of converting this vested amount to provide for payment of health insurance at retirement until exhausted.

The government-wide financial statements reflect the entire liability, while in the governmental funds financial statements, only the amount of matured liabilities is accrued based on expendable available financial resources.

## Equity Classifications

### Government-Wide Statements

- *Net investment in capital assets* – consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as component districts, federal or state laws, or provisions of enabling legislation.
- *Unrestricted* – the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that is not included in the determination of net investment in capital assets or the restricted component of net position and therefore is available for general use by BOCES.

### Governmental Fund Statements

BOCES considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, BOCES considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

Restricted fund balances generally result from reserves created by the State of New York Legislature and included in General Municipal Law or State Education Law as authorized for use by the Board of Education. Certain reserves may require Board action for their establishment and/or use. Earnings on invested resources are required to be added to the various reserves.

Committed fund balances, if any, are authorized by the Board of Education as recommended by BOCES' management prior to the end of the fiscal year, although funding of the commitment may be established subsequent to year end. Assigned fund balances include amounts encumbered at year end. Additionally, the Board of Education has given BOCES' management the authority to assign fund balances for specific purposes that are neither restricted nor committed. Nonspendable fund balances represent resources that cannot be spent as they are not expected to be converted to cash.

Fund balance restrictions consist of the following reserves:

- *Employee benefit accrued liability* – is used to account for the payment of accumulated vacation and sick time due upon termination of an employee's services. It is 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.
- *Workers' compensation* – is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this program.
- *Retirement contribution* – is used to finance retirement contributions payable to TRS and ERS. For TRS, funding is limited to 2% annually of eligible salaries up to a maximum reserve of 10% of eligible salaries. At June 30, 2020, the retirement contribution reserve consists of \$928,000 for TRS and \$1,187,819 for ERS.
- *Unemployment insurance* – is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants as BOCES has elected to use the benefit reimbursement method.

## Interfund Balances

The operations of BOCES include transactions between funds including resources for cash flow purposes. These interfund receivables and payables are repaid within one year. Permanent transfers of funds provide financing or other services.

In the government-wide statements, the amounts reported on the statement of net position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to fiduciary funds.

Interfund receivables and payables are netted on the accompanying governmental funds balance sheet as the right of legal offset exists. It is BOCES' practice to settle these amounts at the net balances due between funds.

## 2. Cash, Cash Equivalents, and Investments

Cash management is governed by State laws and as established in BOCES' written policies. Cash resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. BOCES' banking policies permit the Treasurer to use demand accounts and certificates of deposit. Invested resources are limited to obligations of the United States Treasury and its Agencies, repurchase agreements, and obligations of the State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit 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 school districts.

Custodial credit risk is the risk that, in the event of a bank failure, BOCES' deposits may not be returned to it. At June 30, 2020, BOCES' bank deposits were fully collateralized by FDIC coverage and securities held by the pledging institutions' trust departments or agents or in an undivided security interest in pooled assets in BOCES' name.

Credit risk is the risk of loss attributed to the magnitude of BOCES' investment in a single issuer. BOCES' external investment pool is rated AAAM by S&P Global Ratings.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit its exposure, BOCES' external investment pool limits the purchase of investments to a maturity date of no more than 397 days from the purchase date. The maximum dollar weighted average maturity of the pool's investments is 60 days or less.

## 3. Interfund Transactions – Fund Financial Statements

Fund	Receivable	Payable
General	\$ 363,478	\$ 107,074
Special aid	108,478	351,775
Fiduciary	16,668	29,775
	<u>\$ 488,624</u>	<u>\$ 488,624</u>

The general fund provides cash flow to the various other funds; these amounts are repaid in the subsequent year when funds are received from the State after final expenditure reports have been submitted and approved or when payroll withholdings and retiree dental and health insurance premiums have been paid.

#### 4. Capital Assets

	July 1, 2019	Increases	Retirements/ Reclassifications	June 30, 2020
<b>Non-depreciable capital assets:</b>				
Land	\$ 299,968	\$ -	\$ -	\$ 299,968
Construction in progress	33,371	434,525	-	467,896
Total non-depreciable assets	333,339	434,525	-	767,864
<b>Depreciable capital assets:</b>				
Buildings and improvements	37,465,495	229,628	-	37,695,123
Technology and equipment	142,059,520	18,581,019	(3,608,697)	157,031,842
Total depreciable assets	179,525,015	18,810,647	(3,608,697)	194,726,965
<b>Less accumulated depreciation:</b>				
Buildings and improvements	23,089,563	697,174	-	23,786,737
Technology and equipment	80,903,296	20,176,720	(3,293,332)	97,786,684
Total accumulated depreciation	103,992,859	20,873,894	(3,293,332)	121,573,421
Total depreciable assets, net	75,532,156	(2,063,247)	(315,365)	73,153,544
	\$ 75,865,495	\$ (1,628,722)	\$ (315,365)	\$ 73,921,408

Depreciation expense has been allocated to the following functions: administration \$895,999, occupational education \$2,151,892, instruction for special education \$2,743,480, itinerant services \$1,013,001, general instruction \$936,739, instructional support \$5,800,423, and other services \$7,332,360.

As of June 30, 2020, net investment in capital assets consists of the following:

Capital assets, net of accumulated depreciation	\$ 73,921,408
Installment purchase agreements	(17,311,694)
	<u>\$ 56,609,714</u>

#### 5. Long-Term Liabilities

	July 1, 2019	Increases	Decreases	June 30, 2020	Amount Due in One Year
Installment purchase agreements	\$ 18,584,001	\$ 7,106,390	\$ 8,378,697	\$ 17,311,694	\$ 7,259,763
Compensated absences	12,139,000	740,000	-	12,879,000	1,030,000
	<u>\$ 30,723,001</u>	<u>\$ 7,846,390</u>	<u>\$ 8,378,697</u>	<u>\$ 30,190,694</u>	<u>\$ 8,289,763</u>

Future minimum payments for the installment purchase agreements as of June 30, 2020 are as follows:

Years ending June 30,	Principal	Interest
2021	\$ 7,259,763	\$ 357,702
2022	5,116,741	229,321
2023	3,058,651	113,046
2024	1,457,067	22,816
2025	419,472	2,293
	<u>\$ 17,311,694</u>	<u>\$ 725,178</u>

Since the use of the assets is assigned to component and non-component districts, BOCES does not keep detailed activity of the cost and accumulated depreciation applicable to these installment purchases.

## Lease Obligations

BOCES leases property from component and non-component school districts and administrative offices from a third party under the terms of various operating leases. Rental expense for all operating leases amounted to \$1,675,751 for classrooms and \$1,680,544 for administrative offices for the year ended June 30, 2020. Future minimum rentals to be paid for all operating leases are:

Years ending June 30,	Classrooms	Administrative Offices
2021	\$ 1,945,972	\$ 1,694,169
2022	1,699,730	1,452,626
2023	1,707,639	1,455,420
2024	56,574	1,470,240
2025	-	1,485,372
2026-2029	-	3,434,424
	<u>\$ 5,409,915</u>	<u>\$ 10,992,251</u>

## 6. Pension Plans

### Plan Descriptions

BOCES participates in the following cost-sharing, multiple employer, public employee retirement systems:

- TRS is administered by the New York State Teachers' Retirement Board and provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained from the New York State Teachers' Retirement System at [www.nystrs.org](http://www.nystrs.org).
- ERS provides retirement benefits as well as death and disability benefits. New York State Retirement and Social Security Law governs obligations of employers and employees to contribute and provide benefits to employees. ERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained from the New York State and Local Retirement System at [www.osc.state.ny.us/retire](http://www.osc.state.ny.us/retire).

*Benefits:* The Systems provide retirement, disability, and death benefits for eligible members, including automatic cost of living adjustments. In general, retirement benefits are determined based on an employee's individual circumstances using a pension factor, an age factor, and final average salary. The benefits vary depending on the individual's employment tier. Pension factors are determined based on tier and an employee's years of service, among other factors.

*Contribution Requirements:* No employee contribution is required for those hired prior to July 1976. The Systems require employee contributions of 3% of salary for the first 10 years of service for those employees who joined the Systems from July 1976 through December 2009. Participants hired on or after January 1, 2010 through March 31, 2012 are required to contribute 3.5% (TRS) or 3% (ERS) of compensation throughout their active membership in the Systems. Participants hired on or after April 1, 2012 are required to contribute a percentage ranging from 3% to 6% each year, based on their level of compensation. Pursuant to Article 11 of Education Law, an actuarially determined contribution rate is established annually for TRS by the New York State Teachers' Retirement Board. This rate was 8.86% for 2020. For ERS, the Comptroller annually certifies the rates used, expressed as a percentage of the wages of participants, to compute the contributions required to be made by BOCES to the pension accumulation fund. For 2020, these rates ranged from 9.4% - 21.4%.

The amount outstanding and payable to TRS for the year ended June 30, 2020 was \$2,609,968. A liability to ERS of \$1,085,772 is accrued based on BOCES' legally required contribution for employee services rendered from April 1 through June 30, 2020.

## Net Pension Position, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources

At June 30, 2020, BOCES reported an asset of \$4,347,338 for its proportionate share of the TRS net pension position and a liability of \$27,276,532 for its proportionate share of the ERS net pension position.

The TRS net pension position was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of June 30, 2018, with update procedures applied to roll forward the net pension position to June 30, 2019. BOCES' proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to TRS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At June 30, 2019, BOCES' proportion was 0.167334%, an increase of 0.000259 from its proportion measured as of June 30, 2018.

The ERS net pension position was measured as of March 31, 2020, and the total pension liability was determined by an actuarial valuation as of April 1, 2019. BOCES' proportion of the net pension position was based on the ratio of its actuarially determined employer contribution to ERS's total actuarially determined employer contributions for the fiscal year ended on the measurement date. At the March 31, 2020 measurement date, BOCES' proportion was 0.1030058%, an increase of 0.0000279 from its proportion measured as of March 31, 2019.

For the year ended June 30, 2020, BOCES recognized pension expense of \$14,884,923 on the government-wide statements (TRS expense of \$5,464,681 and ERS expense of \$9,420,242). At June 30, 2020, BOCES reported deferred outflows and deferred inflows of resources as follows:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,946,080	\$ 323,277	\$ 1,605,334	\$ -
Changes of assumptions	8,212,702	2,002,489	549,220	474,242
Net difference between projected and actual earnings on pension plan investments	-	3,486,340	13,983,276	-
Changes in proportion and differences between BOCES' contributions and proportionate share of contributions	460,250	37,308	471,752	175,819
BOCES' contributions subsequent to the measurement date	2,609,968	-	1,085,772	-
	<u>\$ 14,229,000</u>	<u>\$ 5,849,414</u>	<u>\$ 17,695,354</u>	<u>\$ 650,061</u>

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

Years ending June 30,	TRS	ERS
2021	\$ 2,058,585	\$ 2,730,932
2022	216,587	3,959,537
2023	2,051,457	5,148,610
2024	1,399,040	4,120,442
2025	188,576	-
Thereafter	(144,627)	-
	<u>\$ 5,769,618</u>	<u>\$ 15,959,521</u>

## Actuarial Assumptions

For TRS, the actuarial assumptions used in the June 30, 2018 valuation, with update procedures used to roll forward the total pension liability to June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014. These assumptions are:

*Inflation* – 2.2%

*Salary increases* – Based on TRS member experience, dependent on service, ranging from 1.90%-4.72%

*Projected Cost of Living Adjustments (COLA)* – 1.3% compounded annually

*Investment rate of return* – 7.1% compounded annually, net of investment expense, including inflation

*Mortality* – Based on TRS member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, applied on a generational basis

*Discount rate* – 7.1%

The long-term expected rate of return on TRS pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. 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.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation, with update procedures used to roll forward the total pension liability to March 31, 2020, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

*Inflation* – 2.5%

*Salary increases* – 4.2%

*COLA* – 1.3% annually

*Investment rate of return* – 6.8% compounded annually, net of investment expense, including inflation

*Mortality* – Society of Actuaries' Scale MP-2018

*Discount rate* – 6.8%

The long-term expected rate of return on ERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses 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.

## Investment Asset Allocation

Best estimates of arithmetic real rates of return (net of the long-term inflation assumption) for each major asset class and the Systems' target asset allocations as of the applicable valuation dates are summarized as follows:

Asset Class	TRS		ERS	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33%	6.3%	36%	4.1%
Global and international equities	20%	7.2%-7.8%	14%	6.2%
Private equities	8%	9.9%	10%	6.8%
Real estate	11%	4.6%	10%	5.0%
Inflation-indexed bonds	-	-	4%	0.5%
Domestic fixed income securities	16%	1.3%	-	-
Global fixed income securities	2%	0.9%	-	-
Bonds and mortgages	7%	2.9%	17%	0.8%
Short-term	1%	0.3%	1%	-
Other	2%	3.6%-6.5%	8%	3.3%-6.0%
	<u>100%</u>		<u>100%</u>	



**Discount Rate**

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

The following presents BOCES’ proportionate share of its net pension position calculated using the discount rate of 7.1% (TRS) and 6.8% (ERS) and the impact of using a discount rate that is 1% higher or lower than the current rate.

	1.0% Decrease	At Current Discount Rate	1.0% Increase
BOCES’ proportionate share of the TRS net pension asset (liability)	\$ (19,623,428)	\$ 4,347,338	\$ 24,456,105
BOCES’ proportionate share of the ERS net pension asset (liability)	\$ (50,060,138)	\$ (27,276,532)	\$ (6,292,735)

**7. OPEB**

**Plan Description**

BOCES maintains a single-employer defined benefit healthcare plan (the Plan) providing for continuation of medical insurance benefits for retired District Superintendents and their spouses. The Plan is also open to all eligible employees and provides continued insurance through the conversion of sick time or by payment of monthly premiums by retirees through participation in BOCES’ policies. BOCES thereby provides an implicit rate subsidy on behalf of eligible employees. Eligibility for benefits is based on covered employees who retire from BOCES at age 55 or older and have met vesting requirements. The Plan has no assets, does not issue financial statements, and is not a trust.

At April 1, 2019, employees covered by the Plan include:

Active employees	838
Inactive employees or beneficiaries currently receiving benefits	208
Inactive employees entitled to but not yet receiving benefits	-
	<u>1,046</u>

**Total OPEB Liability**

BOCES’ total OPEB liability of \$4,139,545 was measured as of March 31, 2020 and was determined by an actuarial valuation as of June 30, 2019, rolled forward through an interim valuation to June 30, 2020.

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

*Healthcare cost trend rates* – based on the National Health Expenditure Projections 2011-2027 for short-term rates and the Society of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2020 for long-term rates, initially 5.20% in 2020, with an ultimate rate of 4.18% after 2070

*Salary increases* – 3.22%

*Mortality* – Pub-2010 Public Retirement Plans Mortality Tables, headcount-weighted, without separate contingent survivor mortality, fully generational using scale MP-2019

*Discount rate* – 2.48% based on the Fidelity Municipal General Obligation AA 20-Year Bond rate as of the measurement date

*Inflation rate* – 2.22%

**Changes in the Total OPEB Liability**

	Total OPEB Liability
Balance at June 30, 2019	\$ 4,192,845
Changes for the year:	
Service cost	113,738
Interest	134,304
Changes of benefit terms	-
Differences between expected and actual experience	(179,247)
Changes of assumptions or other inputs	280,315
Benefit payments	(402,410)
Net changes	(53,300)
Balance at June 30, 2020	\$ 4,139,545

The following presents the sensitivity of BOCES’ total OPEB liability to changes in the discount rate, including what BOCES’ total OPEB liability would be if it were calculated using a discount rate that is 1% higher or lower than the current discount rate:

	1.0% Decrease (1.48%)	Discount Rate (2.48%)	1.0% Increase (3.48%)
Total OPEB liability	\$ (4,440,864)	\$ (4,139,545)	\$ (3,867,635)

The following presents the sensitivity of BOCES’ total OPEB liability to changes in the healthcare cost trend rates, including what BOCES’ total OPEB liability would be if it were calculated using trend rates that are 1% higher or lower than the current healthcare cost trend rates:

	1.0% Decrease (4.20% to 3.18%)	Healthcare Cost Trend Rate (5.20% to 4.18%)	1.0% Increase (6.20% to 5.18%)
Total OPEB liability	\$ (3,808,572)	\$ (4,139,545)	\$ (4,520,502)

**OPEB Expense and Deferred Outflows and Deferred Inflows of Resources**

For the year ended June 30, 2020, BOCES recognized OPEB expense of \$584,365. At June 30, 2020, BOCES reported deferred outflows 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	\$ 652,810	\$ 130,802
Changes of assumptions or other inputs	213,231	40,899
Benefit payments subsequent to the measurement date	100,327	-
	\$ 966,368	\$ 171,701

Benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending June 30, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending June 30,	
2021	\$ 329,613
2022	241,034
2023	62,691
2024	43,571
2025	17,431
	\$ 694,340

## **8. Risk Management**

### **General Liability**

BOCES purchases commercial insurance for various risk of loss due to torts, theft, damage, errors and omissions, and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

### **Health Insurance**

BOCES administers and participates in the NY44 Health Benefits Plan Trust (the Plan). The Plan has been established to administer a health insurance program to lower the costs of such coverage to the 37 participating members as of June 30, 2019 (the most recent information available).

BOCES has transferred all risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than the annual premium equivalent. If the Plan's assets were to be exhausted, members would be equally responsible for the remaining liabilities.

The Plan has published its own financial report for the year ended June 30, 2019, which can be obtained from BOCES' administrative offices.

### **Workers' Compensation**

BOCES also administers and participates in the Erie #1 Self-Funded Workers' Compensation Consortium (the Plan). The Plan administers a workers' compensation insurance fund pursuant to Article 5 of the Workers' Compensation Law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. The Plan includes eight participating members as of June 30, 2019 (the most recent information available).

BOCES and the participating school districts have transferred partial risk to the Plan. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the plan's assets are not adequate to meet claims. No such supplemental assessments have been required in the previous three years.

The Plan has published its own financial report for the year ended June 30, 2019, which can be obtained from BOCES' administrative offices.

## **9. Commitments and Contingencies**

### **Grants**

BOCES receives financial assistance from federal and state agencies in the form of grants. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of BOCES. Based on prior experience, management expects such amounts to be immaterial.

### **Litigation**

BOCES is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims and lawsuits will not have a material adverse effect upon the financial position of BOCES.

## **Encumbrances**

Significant outstanding encumbrances in the general fund as of June 30, 2020 include \$5,354,000 for technology services and equipment.

## **Construction Commitments**

BOCES is in the process of entering into contracts with various construction companies for its capital improvements project expected to cost \$21,156,000. As of June 30, 2020, \$468,000 has been expended.

## **10. Subsequent Events**

In August 2020, BOCES issued \$8,000,000 in revenue anticipation notes with interest at 1.25%, maturing in April 2021.

## **11. Risks and Uncertainties**

On January 31, 2020, the United States Secretary of Health and Human Services (HHS) declared a public health emergency related to the global spread of coronavirus COVID-19, and a pandemic was declared by the World Health Organization in February 2020. Efforts to fight the widespread disease included limiting or closing many businesses and all schools and BOCES, resulting in a severe disruption of operations for organizations. The extent of the impact of COVID-19 on BOCES' operational and financial performance will depend on further developments, including the duration and spread of the outbreak and its impact on school districts and BOCES, including their residents, employees, and vendors, none of which can be predicted.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Required Supplementary Information  
 Schedule of BOCES' Proportionate Share of the Net Pension Position  
 New York State Teachers' Retirement System**

As of the measurement date of June 30,	2019	2018	2017	2016	2015	2014	2013
BOCES' proportion of the net pension position	0.167334%	0.167075%	0.168309%	0.171915%	0.171213%	0.185514%	0.192114%
BOCES' proportionate share of the net pension asset (liability)	\$ 4,347,338	\$ 3,021,162	\$ 1,279,317	\$ (1,841,283)	\$ 17,783,588	\$ 20,665,137	\$ 1,264,599
BOCES' covered payroll	\$ 27,930,697	\$ 27,214,684	\$ 26,671,468	\$ 26,528,228	\$ 25,715,118	\$ 27,396,758	\$ 28,140,574
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	15.56%	11.10%	4.80%	6.94%	69.16%	75.43%	4.49%
Plan fiduciary net position as a percentage of the total pension liability	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
The following is a summary of changes of assumptions:							
Inflation	2.2%	2.25%	2.5%	2.5%	3.0%	3.0%	3.0%
Salary increases	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	1.90%-4.72%	4.0%-10.9%	4.0%-10.9%	4.0%-10.9%
Cost of living adjustments	1.3%	1.5%	1.5%	1.5%	1.625%	1.625%	1.625%
Investment rate of return	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Discount rate	7.1%	7.25%	7.25%	7.5%	8.0%	8.0%	8.0%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	AA	AA	AA

Data prior to 2013 is not available.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Required Supplementary Information**  
**Schedule of BOCES' Contributions**  
**New York State Teachers' Retirement System**

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,609,968	\$ 2,966,240	\$ 2,667,039	\$ 3,125,896	\$ 3,517,643	\$ 4,507,860	\$ 4,451,973	\$ 3,331,844
Contribution in relation to the contractually required contribution	(2,609,968)	(2,966,240)	(2,667,039)	(3,125,896)	(3,517,643)	(4,507,860)	(4,451,973)	(3,331,844)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 29,457,878	\$ 27,930,697	\$ 27,214,684	\$ 26,671,468	\$ 26,528,228	\$ 25,715,118	\$ 27,396,758	\$ 28,140,574
Contributions as a percentage of covered payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

*Data prior to 2013 is unavailable.*

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Required Supplementary Information**  
**Schedule of BOCES' Proportionate Share of the Net Pension Position**  
**New York State and Local Employees' Retirement System**

As of the measurement date of March 31,	2020	2019	2018	2017	2016	2015
BOCES' proportion of the net pension position	0.1030058%	0.1029779%	0.1014298%	0.1094205%	0.1036747%	0.1027231%
BOCES' proportionate share of the net pension liability	\$ (27,276,532)	\$ (7,296,297)	\$ (3,273,591)	\$ (10,281,395)	\$ (16,640,085)	\$ (3,470,238)
BOCES' covered payroll	\$ 29,382,450	\$ 28,293,624	\$ 27,270,071	\$ 28,854,972	\$ 25,915,969	\$ 26,669,954
BOCES' proportionate share of the net pension position as a percentage of its covered payroll	92.83%	25.79%	12.00%	35.63%	64.21%	13.01%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.70%	97.90%

The following is a summary of changes of assumptions:

Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.7%
Salary increases	4.2%	4.2%	3.8%	3.8%	3.8%	4.9%
Cost of living adjustments	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%
Investment rate of return	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Discount rate	6.8%	7.0%	7.0%	7.0%	7.0%	7.5%
Society of Actuaries' mortality scale	MP-2018	MP-2014	MP-2014	MP-2014	MP-2014	MP-2014

Data prior to 2015 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Required Supplementary Information**  
**Schedule of BOCES' Contributions**  
**New York State and Local Employees' Retirement System**

For the years ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 4,304,669	\$ 4,171,734	\$ 4,093,560	\$ 4,442,749	\$ 4,761,288	\$ 5,074,862	\$ 5,227,193	\$ 4,622,786
Contribution in relation to the contractually required contribution	(4,304,669)	(4,171,734)	(4,093,560)	(4,442,749)	(4,761,288)	(5,074,862)	(5,227,193)	(4,622,786)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BOCES' covered payroll	\$ 29,382,450	\$ 28,293,624	\$ 27,270,071	\$ 28,854,972	\$ 25,915,969	\$ 26,669,954	\$ 25,668,478	\$ 24,880,829
Contributions as a percentage of covered payroll	14.65%	14.74%	15.01%	15.40%	18.37%	19.03%	20.36%	18.58%

*Data prior to 2013 is unavailable.*



BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Required Supplementary Information**  
**Schedule of Changes in BOCES'**  
**Total OPEB Liability and Related Ratios**

June 30,	2020	2019	2018	2017
Total OPEB liability - beginning	\$ 4,192,845	\$ 3,133,435	\$ 3,181,640	\$ 2,977,034
Changes for the year:				
Service cost	113,738	63,842	64,763	60,067
Interest	134,304	104,300	110,883	91,267
Changes of benefit terms	-	300,011	21,797	-
Differences between expected and actual experience	(179,247)	893,137	51,985	444,078
Changes of assumptions or other inputs	280,315	6,202	30,793	(78,079)
Benefit payments	(402,410)	(308,082)	(328,426)	(312,727)
Net change in total OPEB liability	(53,300)	1,059,410	(48,205)	204,606
Total OPEB liability - ending	\$ 4,139,545	\$ 4,192,845	\$ 3,133,435	\$ 3,181,640
Covered-employee payroll	\$ 47,830,746	\$ 46,338,642	\$ 44,853,975	\$ 44,853,975
Total OPEB liability as a percentage of covered-employee payroll	8.7%	9.0%	7.0%	7.1%

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes of benefit terms for 2019 include addition of life insurance benefits for one former Superintendent. Differences between expected and actual experience generally reflect differences due to changes in healthcare trend rates. For 2020, such amounts also include the repeal of the Cadillac Tax as part of the Further Consolidated Appropriations Act of 2020.

The following is a summary of changes of assumptions:

Healthcare cost trend rates	5.20% - 4.18%	5.20% - 4.32%	5.30% - 4.17%	5.30% - 4.17%
Inflation	2.22%	2.36%	2.31%	2.31%
Salary increases	3.22%	3.36%	3.31%	3.31%
Discount rate	2.48%	3.44%	3.61%	3.80%
Society of Actuaries' mortality scale	MP-2019	MP-2018	MP-2017	MP-2016

Data prior to 2017 is unavailable.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

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**Supplementary Information**  
**Analysis of General Fund Account A431 - School Districts (Fund Basis)**

For the year ended June 30, 2020

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July 1, 2019 - net debit balance	\$ 6,439,488
Debits:	
Billings to school districts	160,328,261
Refund of balances due to school districts	5,498,773
Encumbrances - June 30, 2020	7,118,291
E-rate - June 30, 2019 portion paid subsequent to year end	1,815,880
E-rate - June 30, 2020 portion paid prior to year end	454,883
Net funding of reserves	118,547
Total debits	<u>175,334,635</u>
Credits:	
Collections from school districts	165,038,100
Adjustment - credits to school districts - revenues in excess of expenditures	4,129,583
Encumbrances - June 30, 2019	8,347,510
E-rate - June 30, 2020	1,963,475
Total credits	<u>179,478,668</u>
June 30, 2020 - net debit balance	<u>\$ 2,295,455</u>
Balance represented by:	
Due from school districts	\$ 9,044,302
Refunds to component school districts	<u>(6,748,847)</u>
	<u>\$ 2,295,455</u>

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Supplementary Information**  
**Schedule of Capital Project Expenditures**

June 30, 2020

Project Title	Original Budget	Revised Budget	Expenditures			Unexpended Balance
			Prior Years	Current Year	Total	
Harkness Masonry - 2014	\$ 62,350	\$ 166,525	\$ 141,115	\$ 19,743	\$ 160,858	\$ 5,667
Kenton Windows - 2018	360,000	621,482	589,993	31,489	621,482	-
District-Wide Facilities Project	21,156,378	21,156,378	33,371	434,525	467,896	20,688,482
	<u>\$ 21,578,728</u>	<u>\$ 21,944,385</u>	<u>\$ 764,479</u>	<u>\$ 485,757</u>	<u>\$ 1,250,236</u>	<u>\$ 20,694,149</u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES  
 FIRST SUPERVISORY DISTRICT OF ERIE COUNTY

**Supplementary Information**  
**Schedule of Expenditures of Federal Awards**

For the year ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Expenditures
<u>U.S. Department of Education:</u>			
Direct Program:			
Student Financial Assistance Cluster:			
Federal Pell Grant Program	84.063	n/a	\$ 975,019
Federal Direct Student Loans	84.268	n/a	<u>1,578,583</u>
Total Student Financial Assistance Cluster			<u>2,553,602</u>
Passed Through New York State Education Department:			
Career and Technical Education -- Basic Grants to States	84.048	8000-19-0065	153
Career and Technical Education -- Basic Grants to States	84.048	8000-20-0065	430,406
Career and Technical Education -- Basic Grants to States	84.048	8000-20-9005	127,344
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	C014005	31,360
English Language Acquisition State Grants	84.365	0293-19-3009	42,953
English Language Acquisition State Grants	84.365	0293-20-3009	<u>44,452</u>
Total U.S. Department of Education			<u>3,230,270</u>
<u>U.S. Department of Agriculture:</u>			
Passed Through New York State Office of Temporary and Disability Assistance:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	C00271	<u>15,250</u>
Total Expenditures of Federal Awards			<u>\$ 3,245,520</u>

**Notes to Schedule of Expenditures of Federal Awards**

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**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs administered by the Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES), an entity as defined in Note 1 to BOCES' basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other governmental agencies, are included on the Schedule of Expenditures of Federal Awards.

**Basis of Accounting**

BOCES uses the modified accrual basis of accounting for each federal program, consistent with the fund basis financial statements.

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

**Indirect Costs**

BOCES does not use the 10% de minimis indirect cost rate permitted by the Uniform Guidance.

**2. Federal Direct Student Loans**

Total student loans guaranteed by the U.S. Department of Education issued through BOCES under CFDA Number 84.268 (Federal Direct Student Loans) for the year ended June 30, 2020 were:

Federal Direct Loans	\$	467,841
Unsubsidized Federal Direct Loans		1,054,765
Federal Direct PLUS Loans		55,977
	\$	<u>1,578,583</u>

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

The Board of Education  
Board of Cooperative Educational Services  
First Supervisory District of Erie County

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 remaining fund information of Board of Cooperative Educational Services First Supervisory District of Erie County (BOCES) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise BOCES' basic financial statements, and have issued our report thereon dated October 14, 2020.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

### **Purpose of this Report**

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

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 14, 2020

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

The Board of Education  
Board of Cooperative Educational Services  
First Supervisory District of Erie County

**Report on Compliance for Each Major Federal Program**

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

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.



## Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in blue ink that reads "Lyndon & McCormick, LLP". The signature is written in a cursive, flowing style.

October 14, 2020

**Schedule of Findings and Questioned Costs**

For the year ended June 30, 2020

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**Section I. Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

Name of Federal Program or Cluster	CFDA #	Amount
Student Financial Assistance Cluster:		
Federal Pell Grant Program	84.063	\$ 975,019
Federal Direct Student Loans	84.268	1,578,583
		\$ 2,553,602

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

**Section II. Financial Statement Findings**

No matters were reported.

**Section III. Federal Award Findings and Questioned Costs**

No matters were reported

**APPENDIX C**

**FORM OF BOND COUNSEL OPINION**

August 5, 2021

The Board of Education of  
Board of Cooperative Educational Services of the  
First Supervisory District of Erie County, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Board of Cooperative Educational Services of the First Supervisory District of Erie County, (the "BOCES"), New York, in connection with the authorization, sale and issuance of a \$6,000,000 Revenue Anticipation Note-2021 (the "Note"), dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Note for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding unsecured general obligation of the BOCES payable as both principal and interest from any monies of the BOCES legally available therefor. The BOCES has no taxing power. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the BOCES will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the BOCES represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the BOCES' representations, statements of intention and reasonable

expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the BOCES with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the BOCES, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

**APPENDIX D**

**FORM OF NOTICE OF EVENTS UNDERTAKING**

## UNDERTAKING TO PROVIDE NOTICES OF EVENTS

### Section 1. Definitions

“EMMA” shall mean Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the **Board of Cooperative Educational Services of the First Supervisory District of Erie County, New York.**

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board as of August 5, 2021.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$6,000,000 Revenue Anticipation Note-2021, dated August 5, 2021, maturing on April 29, 2022, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;

- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer,



other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **August 5, 2021**.

**THE BOARD OF COOPERATIVE EDUCATIONAL  
SERVICES OF THE FIRST SUPERVISORY  
DISTRICT OF ERIE COUNTY**

By \_\_\_\_\_  
President of the Board and Chief Fiscal Officer