

**BOARD OF COOPERATIVE EDUCATIONAL
SERVICES FIRST SUPERVISORY DISTRICT
OF MONROE COUNTY, NEW YORK
BASIC FINANCIAL STATEMENTS
For Year Ended June 30, 2026**



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INDEPENDENT AUDITORS' REPORT

To the Board Members
Board of Cooperative Educational Services
First Supervisory District of Monroe County

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Board of Cooperative Educational Services First Supervisory District of Monroe County, New York (the BOCES), as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the BOCES as of June 30, 2026, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in BOCES' total OPEB liability and related ratio, schedule of the BOCES' proportionate share of the net pension liability, schedule of BOCES contributions, and budgetary comparison information on pages 4-18 and 52-57 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2026 on our consideration of the BOCES internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES internal control over financial reporting and compliance.

Mengel, Metzger, Barw & Co. LLP

Fairport, New York
October 9, 2026

Management's Discussion and Analysis
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF
MONROE COUNTY
Fiscal Year-ended June 30, 2026

This section of the Board of Cooperative Educational Services First Supervisory District of Monroe County (BOCES) annual financial report presents its discussion and analysis of the BOCES' financial performance during the fiscal year-ended June 30, 2026. Please read it in conjunction with the BOCES' financial statements, which immediately follow this section.

Financial Highlights

The year-end surplus distribution to be returned to the BOCES constituents increased to \$7,203,346 from \$7,000,238. This distribution is 3.49% of the year-end budget; which is within the targeted range for year-end surplus, per our guidelines. Our year-end surplus was primarily generated due to decreased spending across the organization.

BOCES total liabilities (what is owed) exceeded its total assets (what is owned) by \$202,656,175. This is an increase of \$14,274,572, from the prior year. This increase is primarily attributable to changes in OPEB and pension-related actuarial amounts, along with debt repayment and capital asset activity. We report our pension assets and liabilities on the government-wide financial statements and the pension assets, liabilities, deferred pension outflows and inflows decreased \$4,621,641 from the prior year. Additionally, the BOCES continues to make facility improvements and purchase technology and other equipment on behalf of our Districts. Capital assets are reported on our government-wide financial statements and increased \$1,265,761 from the prior year.

BOCES governmental funds reported combined fund balances of (\$16,870,777), an decrease of \$3,105,996 from the prior year. This is the result of a \$4,255,986 decrease in the General Fund balance, partially offset by a \$1,149,990 increase in the nonmajor governmental fund balances. This is primarily attributable to the reporting requirements related to GASB 87 and GASB 96. The BOCES currently has one capital project in process and is expending funds on it.

The Adult Education Program is currently operating with a deficit fund balance of \$213,336. The program experienced a decrease in enrollment. The COVID 19 Pandemic affected Adult Education as enrollment decreased. The BOCES Board of Education approved pausing this program for the 2022-2023 school year due to the decreased enrollment, flat reimbursement rates and increase in expenses; which has resulted in a significant shortfall of funds for several years.

- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the BOCES acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the BOCES' budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

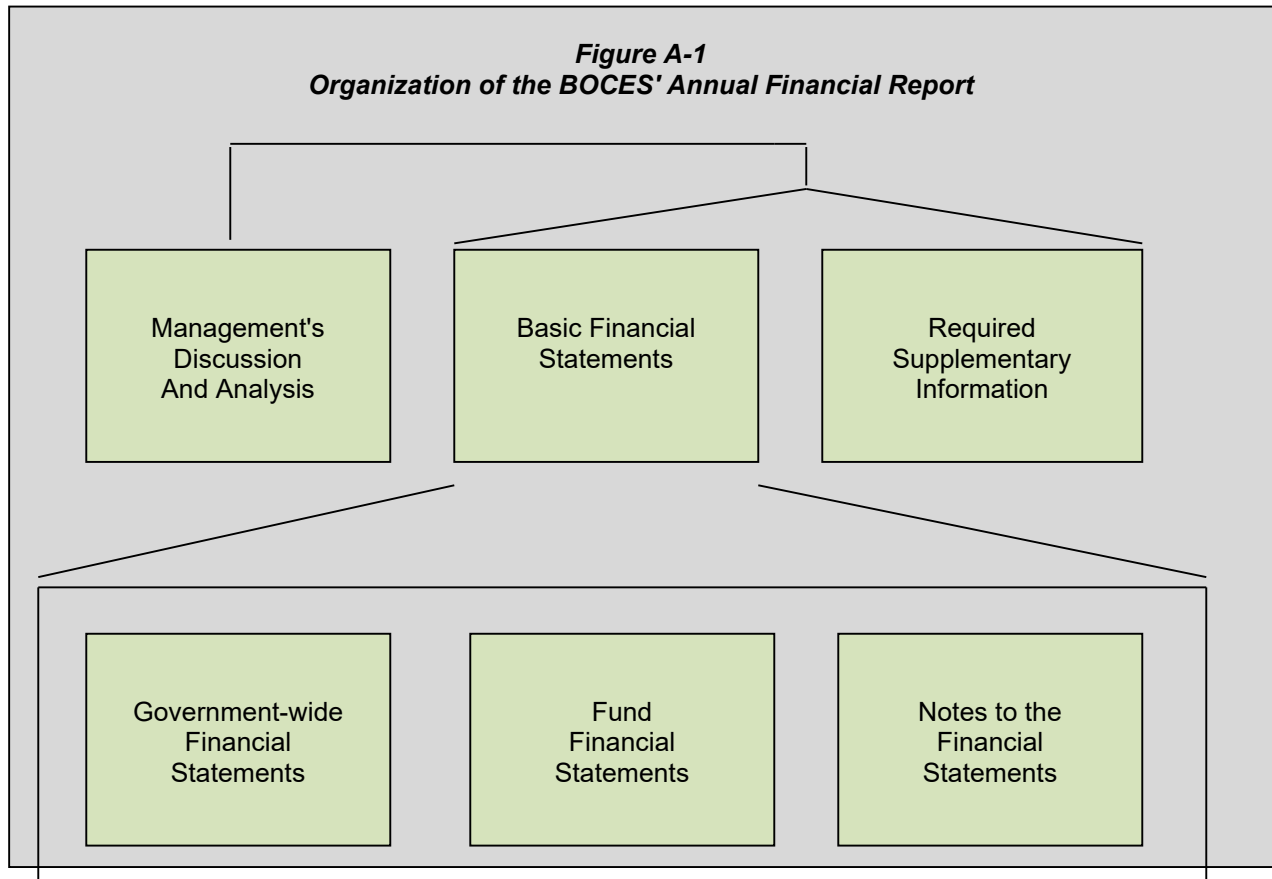


Figure A-2 summarizes the major features of the BOCES' financial statements, including the portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2

Major Features of the Government-wide and Financial Statements

	Government-Wide Statements	Fund Financial Statements	
		Government Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary fund)	The activities of the BOCES that are not proprietary or fiduciary	Instances in which the BOCES administers recourse on behalf of someone else, such as student activities money
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position-Fiduciary Fund • Statement of Changes in Net Position-Fiduciary Fund
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Types of asset/liability information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital short-term and long-term	Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows that come due during the year or soon thereafter, generally no capital assets or long term liabilities included	All assets and liabilities, both short-term and long-term, funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenditures during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon thereafter end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Statements

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

The two government-wide statements report the BOCES' net position and how it has changed. Net position is the difference between the BOCES' assets and liabilities. To assess the BOCES' overall health, you need to consider non-financial factors such as changes in the BOCES' programs and the condition of school buildings and other facilities.

In the government-wide financial statements, the BOCES' activities are shown as governmental activities. Most of the BOCES' basic services are included here, such as regular and special education and administration. Grants and charges to component and non-component units finance these activities.

Fund Financial Statements

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

- Some funds are required by state law while the BOCES establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues (such as Federal grants).
- The BOCES currently uses the General Fund to track Co-Ser expenditures, the Special Aid Fund to track federal and state grant program revenues and expenditures, the Capital Projects Fund to track capital building projects, the School Lunch Fund to track our school lunch program and the Custodial Fund to track fiduciary related payments.

The BOCES has two types of funds:

- Governmental Funds: Most of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the relationship (or differences) between them.
- Fiduciary Funds: The BOCES is the trustee, or fiduciary, for assets that belong to others, such as student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the BOCES as a Whole

The BOCES' "Statement of Net Position" represents a snapshot in time of all that is owned minus all that is owed. Since the BOCES is very limited in the financial resources that can be left over at the end of any given school year, the largest component of the year-ending net assets is a reflection of investment in capital assets less any outstanding debt on those assets. These capital assets, although reflected in the Statement of Net Position, are generally not available for spending, for they are used to provide services to students.

Figure A-3

Condensed Statement of Net Position				
	Governmental Activities		Total Dollar	Total Percentage
	<u>2026</u>	<u>2025</u>	<u>Change</u>	<u>Change</u>
<u>ASSETS:</u>				
Current and Other Assets	\$ 89,769,540	\$ 78,756,962	\$ 11,012,578	13.98%
Capital Assets	68,598,466	67,332,705	1,265,761	1.88%
Total Assets	\$ 158,368,006	\$ 146,089,667	\$ 12,278,339	8.40%
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>				
Deferred Outflows of Resources	\$ 48,225,196	\$ 33,095,766	\$ 15,129,430	45.71%
<u>LIABILITIES:</u>				
Long-Term Debt Obligations	\$ 182,473,778	\$ 169,670,786	\$ 12,802,992	7.55%
Other Liabilities	43,528,932	38,742,638	4,786,294	12.35%
Total Liabilities	\$ 226,002,710	\$ 208,413,424	\$ 17,589,286	8.44%
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred Inflows of Resources	\$ 131,552,275	\$ 136,008,364	\$ (4,456,089)	(3.28%)
<u>NET POSITION:</u>				
Net Investment in Capital Assets	\$ 57,090,162	\$ 53,079,092	\$ 4,011,070	7.56%
<u>Restricted For,</u>				
Unemployment Reserve	421,502	433,062	(11,560)	(2.67%)
Retirement Contribution Reserve	9,141,260	9,472,818	(331,558)	(3.50%)
Teacher Retirement Contribution Reserve	3,785,728	3,566,728	219,000	6.14%
Liability Reserve	275,000	275,000	-	0.00%
Employee Benefit Accrued Liability Reserve	2,166,047	2,200,000	(33,953)	(1.54%)
Capital Reserve	1,311,065	1,244,083	66,982	5.38%
Scholarships	68,165	74,352	(6,187)	(8.32%)
Unrestricted	(276,915,104)	(287,275,882)	10,360,778	3.61%
Total Net Position	\$ (202,656,175)	\$ (216,930,747)	\$ 14,274,572	6.58%

Current and other assets, those assets available for use in paying liabilities or the Districts share of the net pension asset, totaled \$89,769,540 at year's end.

Current liabilities stand at \$43,528,932 at the close of the year. Much of this liability is due to component school Districts in the form of state aid that once received will be paid to them.

Long-Term Debt Obligations totaling \$182,473,778 at the close of the year are made up of a few key components as detailed in the notes to the financial statements.

Figure A-4

Changes in Net Position				
	Governmental Activities		Total	Total
	<u>2026</u>	<u>2025</u>	<u>Dollar</u>	<u>Percentage</u>
			<u>Variance</u>	<u>Variance</u>
<u>REVENUES:</u>				
<u>Program -</u>				
Charges for Service	\$ 201,645,457	\$ 192,615,976	\$ 9,029,481	4.69%
Operating Grants & Contributions	4,020,907	4,001,357	19,550	0.49%
Total Program	\$ 205,666,364	\$ 196,617,333	\$ 9,049,031	4.60%
<u>General -</u>				
Investment Earnings	\$ 500,606	\$ 726,210	\$ (225,604)	(31.07%)
Miscellaneous	59,977	338,713	(278,736)	(82.29%)
Total General	\$ 560,583	\$ 1,064,923	\$ (504,340)	(47.36%)
TOTAL REVENUES	\$ 206,226,947	\$ 197,682,256	\$ 8,544,691	4.32%
<u>EXPENSES:</u>				
Administration	\$ 4,423,660	\$ 6,705,334	\$ (2,281,674)	(34.03%)
Career and Tech Education	9,314,034	10,752,773	(1,438,739)	(13.38%)
Instruction for the Handicapped	68,788,212	71,960,591	(3,172,379)	(4.41%)
Itinerant Services	23,041,729	24,242,795	(1,201,066)	(4.95%)
General Information	3,375,169	4,390,866	(1,015,697)	(23.13%)
Instructional Support	19,009,252	18,885,697	123,555	0.65%
Other Services	62,878,277	58,691,894	4,186,383	7.13%
School Lunch	693,525	642,011	51,514	8.02%
Interest	428,517	377,912	50,605	13.39%
TOTAL EXPENSES	\$ 191,952,375	\$ 196,649,873	\$ (4,697,498)	(2.39%)
<u>INCREASE (DECREASE)</u>				
IN NET POSITION	\$ 14,274,572	\$ 1,032,383	\$ 13,242,189	1282.68%

The primary source of revenue for the BOCES are charges to the Districts for participation in BOCES COSERS. Overall the tuition rates are established by the BOCES for each COSER and are charged to the Districts based on service requests. Throughout the year Districts may increase or decrease their service request. At the end of the year any revenues received in excess of expenditures in a COSER are refunded back to the participating Districts and any expenditures in excess of revenues are billed to the participating Districts.

The largest component of expenditures is Instruction for Handicapped Students totaling \$68,788,212. The primary programs are Creekside, Bird/Morgan, O'Connor Academy, eSTART, and Transition.

The second largest component of expenditures is Other Services totaling \$62,878,277 and relates to the Regional Information Center (RIC) which includes administrative and instructional technology.

Increases are a result of additional service requests from Districts which generates state aid paid back to those Districts in the subsequent year.

The remaining key expenditures are related Career and Technical Education programming and Itinerant Support Services.

The BOCES also enrolls students in vocational, multi-occupational FOCUS programs and Handicapped programs. The table in figure A-5 represents the tuitions and actual and projected enrollment.

Figure A-5

Figure A-5

Comparison of Tuition Rates and Student Enrollments (in thousands of dollars)							
COSER	Program		Adopted 2025-26	Proposed 2026-27	Total Dollar Variance	Total Percentage Variance	
101	Vocational Education	Tuition	\$ 11,900	\$ 12,620	\$ 720	6.05%	
		Students	703	675	(28)	(3.98%)	
103	Multi-Occupational/ FOCUS Programs	Tuition	\$ 12,362	\$ 13,230	\$ 868	7.02%	
		Students	141	115	(26)	(18.44%)	
202	Severely Disabled 12:1:4 Creekside/Hillside/ Day Treatments	Tuition	\$ 61,800	\$ 64,890	\$ 3,090	5.00%	
		Students	228	222	(6)	(2.63%)	
213	District Based/ SEARCH 12:1:1/TOUR						
		Project LIFE	Tuition	\$ 54,101	\$ 57,350	\$ 3,249	6.01%
		Project SEARCH	Tuition	\$ 46,345	\$ 52,920	\$ 6,575	14.19%
		Project SELF	Tuition	\$ 57,220	\$ 65,810	\$ 8,590	15.01%
		TOUR	Tuition	\$ 47,945	\$ 55,140	\$ 7,195	15.01%
			Students	53	55	2	3.77%
216	Elementary/Secondary Program 6:1:1 Bird/Morgan- Enhanced Grades K-8 O'Connor Academy eSTART						
			Tuition	\$ 91,733	\$ 99,070	\$ 7,337	8.00%
			Tuition	\$ 75,000	\$ 80,250	\$ 5,250	7.00%
			Tuition	\$ 47,215	\$ 52,410	\$ 5,195	11.00%
			Students	279	302	23	8.24%

Financial Analysis of the BOCES Funds

The overall financial performance of BOCES is represented by the performance of its governmental funds. For the year-ended June 30, 2026, the combined fund balance of all governmental funds was (\$16,870,777), which is less than the previous year's reported combined ending fund balance of (\$13,764,781).

General Fund

The General Fund is the chief operating fund of BOCES. At the end of the current year, the total fund balance of the General Fund was (\$25,064,510). Fund balance for the General Fund decreased by \$4,255,986 compared with the prior year. See table below:

Figure A-6

General Fund Balance				
	Governmental Activities		Total Dollar	Total Percentage
	<u>2026</u>	<u>2025</u>	<u>Change</u>	<u>Change</u>
<u>General Fund:</u>				
Total Revenues	\$ 203,901,112	\$ 194,877,116	\$ 9,023,996	4.63%
Total Expenditures	200,840,550	197,050,863	3,789,687	1.92%
Total Expenditures	(7,316,548)	(6,200,373)	(1,116,175)	(18.00%)
Change in Fund Balance	\$ 3,060,572	\$ (2,173,737)	\$ 5,234,319	240.80%
Fund Balance				
Nonspendable	\$ 246,137	\$ 262,063	\$ (15,926)	(6.08%)
Restricted	17,168,767	17,266,043	(97,276)	(0.56%)
Unassigned	(42,479,414)	(38,336,630)	(4,142,784)	10.81%
Total Fund Balance	\$ (25,064,510)	\$ (20,808,524)	\$ (4,255,986)	(20.45%)

Nonspendable Fund Balance – represents those items that represent prepaid expenditures for health, workers' compensation, and liability insurances.

Restricted Fund Balance – is the largest component of fund balance, 75% relate to the ERS and TRS reserve and 13% relates to employee benefit accrued liability reserve. A detail of the restricted reserves can be found in the footnotes to the financial statements.

Unassigned Fund Balance – BOCES unassigned fund balance is summarized in Figure A-7. The prepaid leases represent monies paid to BOCES for leased transactions which the cash has been received but the revenue is amortized and recognized over the life of the contract. A corresponding deferred inflow equal to the prepaid leases are reported on the balance sheet.

Figure A-7

Deficit Fund Balance				
	2026	2025	Total Dollar Change	Total Percentage Change
Assigned Encumbrances	\$ 1,435,814	\$ 885,633	\$ 550,181	62.12%
Prepaid Leases	(43,915,228)	(39,222,263)	(4,692,965)	(11.97%)
Total Unassigned	\$ (42,479,414)	\$ (38,336,630)	\$ (4,142,784)	(10.81%)

BOCES is not allowed to retain surplus from operations with the exception of carryover encumbrances and restricted reserve funds. Any surplus revenue over expenditures is distributed back to the participants in surplus refund checks. The current year surplus refund totaled \$7,203,346.

Overall expenditures increased \$3,789,687 over the prior year.

The administrative portion of the budget is paid for by the component Districts based on the resident weighted average daily attendance (RWADA). Section 1950 of the Education Law requires that costs for administrative budget to be apportioned among Districts based on RWADA. Several other program budgets are also charged on this basis. Fluctuations in the population of students within the 10 component Districts will influence the distribution of all the costs tied to the RWADA formula. Generally, if a single District's student population decreases, measured as a percentage of the entire student population of a BOCES that Districts percentage of RWADA driven costs will also decrease. As a Districts population grows to a larger percentage of the overall population, that Districts RWADA driven costs will increase. The formula that is used does not, however, count every student equally, so the RWADA count assigned to a District is not a simple count of the number of students registered. Regular education school students at a secondary level and certain special education students receive a heavier weighting than primary and elementary students.

Figure A-8

Allocation of Charges to Component Districts		
	2025-26 RWADA % Change	2026-27 RWADA % Change
Brighton	8.22%	8.27%
East Irondequoit	6.37%	6.31%
East Rochester	2.11%	2.04%
Fairport	12.86%	12.70%
Honeoye Falls-Lima	4.89%	4.95%
Penfield	11.16%	11.29%
Pittsford	13.45%	13.41%
Rush-Henrietta	13.43%	13.68%
Webster	18.89%	18.74%
West Irondequoit	8.62%	8.61%
Total	100.00%	100.00%

Capital Asset and Debt Administration

Capital Assets

Current plans for capital improvements do not include any expenditure from borrowed funds. The BOCES five-year capital asset plan includes repairs and reconstruction projects that will be financed by the yearly capital portion of the administrative budget and an unanimously approved Inter-Municipal Agreement by all ten component school Districts.

At the close of the fiscal year-ended June 30, 2026, BOCES capital assets and lease assets, net of accumulated depreciation, totaled \$68,598,466. This is an increase of \$1,265,761 from the prior year. This increase is attributable to capital improvement project work occurring.

BOCES is committed to continued monitoring of this equipment and will persist in recording and accounting for the multitude of capital assets that are located in the component Districts.

Figure A-9

Capital Assets and Lease Assets, Net				
	<u>2026</u>	<u>2025</u>	<u>Total Dollar Change</u>	<u>Total Percentage Change</u>
<u>Capital Assets:</u>				
Land	\$ 659,079	\$ 659,079	\$ -	0.00%
Work in Progress	3,561,575	1,214,657	2,346,918	193.22%
Buildings and Improvements	38,606,718	39,502,552	(895,834)	(2.27%)
Machinery and Equipment	22,545,573	21,194,442	1,351,131	6.37%
Total Capital Assets	\$ 65,372,945	\$ 62,570,730	\$ 2,802,215	4.48%
<u>Lease & Subscription IT Assets:</u>				
Buildings	\$ 2,859,733	\$ 3,869,043	\$ (1,009,310)	(26.09%)
Subscription IT Assets	365,788	892,932	(527,144)	(59.04%)
Total Lease & Subscription IT Assets	\$ 3,225,521	\$ 4,761,975	\$ (1,536,454)	(32.27%)

Key Variances

- Work in Progress increased \$2,346,918 as a result of the 2024-2026 capital improvement project.

Long-Term Obligations

At June 30, 2026, the BOCES' long-term obligations consist of the following below:

Figure A-10

Outstanding Long-Term Debt				
	2026	2025	Total Dollar Change	Total Percentage Change
Installment Purchase Debt	\$ 7,935,528	\$ 9,222,576	\$ (1,287,048)	(13.96%)
Lease Liability	3,214,885	4,451,769	(1,236,884)	(27.78%)
SBITA's	320,210	539,946	(219,736)	(40.70%)
Net Pension Liability	4,725,352	15,281,784	(10,556,432)	(69.08%)
OPEB Liability	148,395,071	122,449,261	25,945,810	21.19%
Retainage Payable	37,681	39,322	(1,641)	(4.17%)
Compensated Absences	17,845,051	17,686,128	158,923	0.90%
Total Long-Term Obligations	\$ 182,473,778	\$ 169,670,786	\$ 12,802,992	7.55%

Key Variances

- Net Pension Liability decreased \$10,556,432 as a result of the change in the actuarial position of the retirement systems.
- OPEB Liability increased \$25,945,810 as a result of the annual actuarial valuation of post-employment benefit obligations, including updated actuarial assumptions and experience.

NYS ERS and TRS Pension Systems

All non-teaching and non-certified administrative employees of the BOCES eligible for pension or retirement benefits under the Retirement and Social Security Law of the State are members of the New York State and Local Employees' Retirement System ("ERS"). In the BOCES's 2026-27 budget, the appropriation for payments to ERS is \$5,513,676.

Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS" and collectively with ERS, the "Retirement Systems"). Payments to the TRS are deducted from the BOCES's State aid payments. In the BOCES's 2026-27 budget, the appropriation for payments to TRS is \$3,354,571.

The average contribution rate for the ERS for the 2026-26 fiscal year is 16.5%. The average contribution rate for the TRS for the 2026-26 fiscal year is 9.59%. The funding status of the ERS pension system as of March 31, 2026 indicates the System is funded at 93.08% while the TRS System is funded at 104% as of June 30, 2026. As a result the Teachers Retirement System reports a net pension asset totaling \$11,416,993.

Other Postemployment Benefits (OPEB)

The BOCES and other municipal units of government in the State are prohibited from reducing health benefits received by or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees.

OPEB consists primarily of health care benefits and may include other benefits such as disability benefits and live insurance. There is no authority in current State law to establish a trust account in order to fund any part of this liability, however, the BOCES budgets and pays the actual costs relating to this expenditure in the General Fund.

2026-27 Budget

The component Districts approved BOCES budget for the 2026-27 fiscal year totaling \$193,705,058. Key areas of the budget are as follows:

Figure A-11	
2026-27 Budget	
Administration	\$ 6,421,080
Capital	4,356,952
Vocational Education	11,567,490
Special Education	74,102,479
Support Services	28,174,880
Technology	46,942,161
Academic & Enrichment	4,821,517
Management Services	8,264,419
Cross Contracts	9,054,080
Total	\$ 193,705,058

The budget increase of \$17,806,518 or 10% is primarily driven by increases in salaries and benefits.

Currently Known Facts, Conditions or Decisions

Employment Contracts

During 2025-26, BOCES participated in active collective bargaining negotiations for two bargaining units and settled each contract during 2025-26. Contracts expire as follows: BOCES United Support Staff June 30, 2029, BOCES United Professionals Association June 30, 2029; BOCES Paraprofessionals, June 30, 2027; BOCES Administrative and Supervisory Association, June 30, 2028 and BOCES Professional Staff Personnel, June 30, 2027.

Unemployment Rate

Unemployment statistics are not available for BOCES as such, smallest area for which such statistics are available (which includes BOCES) is Monroe County. The data set forth below with respect to the County.

<u>Year</u>	County Unemployment <u>Rate</u>	New York State Unemployment <u>Rate</u>	U.S. Unemployment <u>Rate</u>
2021	5.2%	7.1%	5.3%
2022	3.5%	4.3%	3.6%
2023	3.7%	4.1%	3.6%
2024	3.7%	4.3%	4.0%

Enrollment

BOCES has students and adults enrolled in two major areas of Education, Special Education, and Career and Technical Education.

Special Education Enrollment and Tuition

When placing students, districts select among classrooms with different student/staff ratios consistent with each student's Individualized Education Program (IEP). The following are six of the alternatives:

- ❖ 12 students per teacher plus one paraprofessional (12:1:1)
- ❖ 6 students per teacher plus one paraprofessional (6:1:1)
- ❖ 12 students per teacher plus four paraprofessionals (12:1+1:3)
- ❖ 8 students per teacher plus 1 paraprofessional (8:1:1)
- ❖ 15 students per teacher plus 1 paraprofessional (15:1:1)
- ❖ 6 students per teacher plus 2.5 paraprofessional (6:1:2.5)

An addendum of enrollment and tuition information will be attached to this report if this BOCES provides other options of student/staff ratios.

Tuition rates exclude the costs of related services, preschool and summer school programs. BOCES with multiple tuition rates for a program have calculated an average rate. *Data source: 602 Report*

	2022-2023	2023-2024	2024-2025
8:1:1	13.00	5.50	3.00
12:1+1:3	245.20	247.10	242.00
6:1:1	272.05	277.25	276.00
12:1:1	47.575	51.85	55.00
15:1:1	0	0	0
6:1:2.5	0	0	0

Career and Technical Education (CTE)

BOCES CTE classes, offered primarily on a half-day basis, prepare high school students from component districts for skilled work force careers. Most CTE programs require two years to complete.

	General Education Students	Students with Disabilities	General Education Students	Students with Disabilities
Number of 11th/12th grade students enrolled in a CTE two-year sequence:	2023-2024	2023-2024	2024-2025	2024-2025
First-year students	171	130	176	126
Second-year students	171	107	148	107
Second-year students completing	167	102	146	105
Completers with technical endorsement	130	78	121	71
<u>Other Career-Related Programs</u>				
Number of 11th/12th grade students enrolled in one-year programs:				
“New Vision”	31	7	33	3
Participated 1 yr of a CTE Program	19	18	31	28
Other one-year programs	11	21	10	19

Capital Plan

The BOCES continues its initiative in improving its facilities. Component school Districts are providing \$2.9 million of funding in 2026-27 toward capital improvements of the facilities. We have collaborated with the Board of Education Facilities Committee to strategize ongoing capital improvements.

Additionally, the Board approved a Capital Improvement Project for \$6.2 million in 2023-2024. The 2024-2026 Capital Improvement Project consists of renovations, alterations and improvements to the buildings and facilities located at the BOCES campus on O’Connor Road, Fairport, New York (the “Campus”) and the Harris Building located on Baird Road, Fairport, New York (“Harris”), including but not limited to:

- Bathroom Reconstruction at both locations
- Electrical Upgrades at the Foreman Center
- Hallway flooring, ceiling, and lighting upgrades at the Foreman Center
- Classroom reconstruction at the Foreman Center
- Audiology Booths and Office Space at the Harris Building

Other Postemployment Benefits (OPEB)

BOCES continues to see this expenditure to be a significant impact on the overall budget. BOCES reviews and evaluates the health insurance programs we participate in on an annual basis in order to control the overall cost of health insurance for our active and retired employees. Through our participation in the Rochester Area School Health Plan (Plan I) and Rochester Area School Health Plan II Municipal Cooperative Health Benefit Plan (Plan II) we have made available new programs for health savings accounts and other subsidy plans to help control those costs.

Zero Emission Vehicle Mandate

New York State extended the timeline for school districts to transition to zero-emission school buses by 5 years requiring all newly purchased school buses to be zero-emission starting in 2032 and mandates that every school bus statewide be zero-emission by 2040, using electric or hydrogen fuel-cell technology. BOCES facing challenges such as funding or infrastructure may apply for up to two waivers, each granting a two-year extension, allowing as much as four additional years to comply. The initial extension waiver may now be applied for beginning with the 2032-33 school year. To support the transition, the State previously allocated over \$500 million through the Environmental Bond Act and the NY School Bus Incentive Program (NYSBIP), offering vouchers for buses, charging infrastructure, and Fleet Electrification Plans to help districts meet the required timelines.

Contacting the BOCES' Financial Management

This financial report is designed to provide BOCES' customers and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF
MONROE COUNTY
41 O'Connor Road
Fairport, New York 14450

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

**Statement of Net Position
June 30, 2026**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 22,104,662
Investments	8,981,268
Accounts receivable	31,983,385
Due from Districts	15,004,275
Inventories	32,820
Prepaid items	246,137
Net pension asset	11,416,993
Capital Assets:	
Land	659,079
Work in progress	3,561,575
Other capital assets (net of depreciation)	64,377,812
TOTAL ASSETS	\$ 158,368,006
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow of resources	\$ 48,225,196
LIABILITIES	
Accounts payable	\$ 4,668,907
Accrued liabilities	2,618,645
Unearned revenue	483,912
Due to other governments	113,834
State aid due to districts	22,497,802
Due to school districts	7,203,346
Due to teachers' retirement system	4,294,745
Due to employees' retirement system	1,647,741
Long-Term Obligations:	
Due in one year	10,471,381
Due in more than one year	172,002,397
TOTAL LIABILITIES	\$ 226,002,710
DEFERRED INFLOW OF RESOURCES	
Deferred inflow of resources	\$ 131,552,275
NET POSITION	
Net investment in capital assets	\$ 57,090,162
Restricted For:	
Retirement contribution reserve - ERS	9,141,260
Retirement contribution reserve - TRS	3,785,728
Other Purposes	4,241,779
Unrestricted	(225,220,712)
TOTAL NET POSITION	\$ (150,961,783)

(See accompanying notes to financial statements)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Statement of Activities
For Year Ended June 30, 2026

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contributions</u>	<u>Net Position</u>
<u>Primary Government -</u>				<u>Governmental</u>
				<u>Activities</u>
Administration	\$ 4,423,660	\$ 7,588,622	\$ 5,908	\$ 3,170,870
Career & tech education	9,314,034	10,636,460	273,566	1,595,992
Instruction for the handicapped	68,788,212	70,071,857	2,569,147	3,852,792
Itinerant services	23,041,729	26,617,289	-	3,575,560
General instruction	3,375,169	3,710,605	-	335,436
Instructional support	19,009,252	20,508,733	567,416	2,066,897
Other services	62,878,277	62,474,711	72,769	(330,797)
School lunch	693,525	37,180	532,101	(124,244)
Interest	428,517	-	-	(428,517)
Total Primary Government	\$ 191,952,375	\$ 201,645,457	\$ 4,020,907	\$ 13,713,989
General Revenues:				
Interest and earnings				\$ 500,606
Miscellaneous				59,977
Total General Revenues				\$ 560,583
Changes in Net Position				\$ 14,274,572
Net Position, Beginning of Year				(165,236,355)
Net Position, End of Year				\$ (150,961,783)

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

**Balance Sheet
Governmental Funds
June 30, 2026**

	Major General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 19,022,054	\$ 3,082,608	\$ 22,104,662
Investments	4,123,436	4,857,832	8,981,268
Due from other funds	581,189	3,500	584,689
Receivables	30,362,085	1,621,300	31,983,385
Due from districts	15,004,275	-	15,004,275
Inventories	-	32,820	32,820
Prepaid items	246,137	-	246,137
TOTAL ASSETS	\$ 69,339,176	\$ 9,598,060	\$ 78,937,236
LIABILITIES DEFERRED INFLOWS AND FUND BALANCE			
<u>Liabilities</u> -			
Accounts payable	\$ 4,340,085	\$ 328,822	\$ 4,668,907
Accrued liabilities	2,608,241	10,404	2,618,645
Due to other funds	3,500	581,189	584,689
Due to other governments	113,834	-	113,834
State aid due to districts	22,497,802	-	22,497,802
Due to districts	7,203,346	-	7,203,346
Due to TRS	4,294,745	-	4,294,745
Due to ERS	1,647,741	-	1,647,741
Unearned revenues	-	483,912	483,912
TOTAL LIABILITIES	\$ 42,709,294	\$ 1,404,327	\$ 44,113,621
<u>Deferred Inflows</u> -			
Deferred inflows of resources	\$ 51,694,392	\$ -	\$ 51,694,392
<u>Fund Balances</u> -			
Nonspendable	\$ 246,137	\$ 32,820	\$ 278,957
Restricted	17,168,767	-	17,168,767
Assigned	-	8,160,913	8,160,913
Unassigned	(42,479,414)	-	(42,479,414)
TOTAL FUND BALANCE	\$ (25,064,510)	\$ 8,193,733	\$ (16,870,777)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 69,339,176	\$ 9,598,060	

**Amounts reported for governmental activities in the
Statement of Net Position are different because:**

Capital assets/right to use assets used in governmental activities are not financial resources and therefore are not reported in the funds.

68,598,466

The following long-term obligations are not due and payable in the current period and therefore are not reported in the governmental funds:

Lease Liability	(3,214,885)
SBITA's	(320,210)
Retainage Payable	(37,681)
OPEB Liability	(148,395,071)
Compensated Absences	(17,845,051)
Installment Purchase Debt	(7,935,528)
Net Pension Asset	11,416,993
Deferred Outflow of Resources - pension	20,478,327
Deferred Outflow of Resources - OPEB	27,746,869
Net Pension Liability	(4,725,352)
Deferred Inflow of Resources - pension	(18,838,887)
Deferred Inflow of Resources - OPEB	(61,018,996)

Net Position of Governmental Activities

\$ (150,961,783)

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For Year Ended June 30, 2026

	<u>Major</u>		
	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
REVENUES			
Charges for services	\$ 72,541	\$ 37,603	\$ 110,144
Charges to components	133,681,576	2,829,881	136,511,457
Charges to non-components and other BOCES	68,175,129	2,231,574	70,406,703
Interest and earnings	301,027	176,972	477,999
Sale of property and compensation for loss	49,434	-	49,434
Miscellaneous	1,562,181	117,705	1,679,886
Interfund revenues	53,316	3,162,142	3,215,458
Sales (school lunch)	-	37,130	37,130
State sources	-	3,220,143	3,220,143
Federal sources	5,908	795,589	801,497
TOTAL REVENUES	<u>\$ 203,901,112</u>	<u>\$ 12,608,739</u>	<u>\$ 216,509,851</u>
EXPENDITURES			
Administration	\$ 6,508,492	\$ 3,760	\$ 6,512,252
Career and tech education	10,525,397	311,168	10,836,565
Instruction for the handicapped	64,816,542	7,260,191	72,076,733
Itinerant services	26,620,825	-	26,620,825
General instruction	3,708,693	-	3,708,693
Instructional support	19,003,535	567,417	19,570,952
Other services	63,968,572	113,744	64,082,316
Cost of sales	-	279,420	279,420
Other expenses	-	454,490	454,490
Capital outlay	-	4,984,868	4,984,868
Debt service principal	5,277,785	102,192	5,379,977
Debt service interest	410,709	17,808	428,517
TOTAL EXPENDITURES	<u>\$ 200,840,550</u>	<u>\$ 14,095,058</u>	<u>\$ 214,935,608</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 3,060,562</u>	<u>\$ (1,486,319)</u>	<u>\$ 1,574,243</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from obligations	\$ -	\$ 2,636,309	\$ 2,636,309
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ 2,636,309</u>	<u>\$ 2,636,309</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 3,060,562</u>	<u>\$ 1,149,990</u>	<u>\$ 4,210,552</u>
OTHER CHANGES IN FUND BALANCE			
Surplus to be distributed	(7,203,346)	-	(7,203,346)
Net change in nonspendable fund balance	(15,926)	-	(15,926)
Net unemployment reserve transactions	(11,560)	-	(11,560)
Net capital reserve transactions	66,982	-	66,982
Net retirement contribution reserve transactions	(331,558)	-	(331,558)
Net teacher's retirement reserve transactions	219,000	-	219,000
Net change in employee accrued benefit liability reserve	(33,953)	-	(33,953)
Net change in other restricted fund balance	(6,187)	-	(6,187)
FUND BALANCE, BEGINNING OF YEAR	(20,808,524)	7,043,743	(13,764,781)
FUND BALANCE, END OF YEAR	<u><u>\$ (25,064,510)</u></u>	<u><u>\$ 8,193,733</u></u>	<u><u>\$ (16,870,777)</u></u>

(See accompanying notes to financial statements)

**BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY**
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to Statement of Activities**
For Year Ended June 30, 2026

**NET CHANGE IN FUND BALANCES -
TOTAL GOVERNMENTAL FUNDS**

\$ (3,105,996)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The following are the amounts by which capital outlays and additions of assets in excess of depreciation in the current period:

Capital Outlay	\$ 4,984,868	
Additions to Assets, Net	4,796,199	
Depreciation and Amortization	<u>(8,515,306)</u>	
		1,265,761

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term obligations in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position. The following details these items as they effect the governmental activities:

Debt Repayments	\$ 5,379,977	
Proceeds from Obligations- Installment Purchase Debt	<u>(2,636,309)</u>	
		2,743,668

The retainage payable does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

1,641

The net OPEB liability does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.

8,906,780

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

Teachers' Retirement System	4,329,694
Employees' Retirement System	291,947

In the Statement of Activities, vacation pay, teachers' retirement incentive and judgments and claims are measured by the amount accrued during the year. In the governmental funds, expenditures for these items are measured by the amount actually paid. The following provides the differences of these items as presented in the governmental activities:

Compensated Absences	<u>(158,923)</u>
----------------------	------------------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 14,274,572

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2026

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 4,482
TOTAL ASSETS	<u><u>\$ 4,482</u></u>
NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	\$ 4,482
TOTAL NET POSITION	<u><u>\$ 4,482</u></u>

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For Year Ended June 30, 2026

	Custodial Funds
ADDITIONS	
Student Activity	\$ 9,167
TOTAL ADDITIONS	\$ 9,167
DEDUCTIONS	
Student Activity	\$ 9,008
TOTAL DEDUCTIONS	\$ 9,008
Change in net position	\$ 159
NET POSITION - BEGINNING	4,323
NET POSITION - ENDING	<u><u>\$ 4,482</u></u>

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

Notes To The Basic Financial Statements

June 30, 2026

I. Summary of Significant Accounting Policies:

The financial statements of the Board of Cooperative Educational Services First Supervisory District of Monroe County, New York (the 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 the BOCES accounting policies are described below.

A. Reporting Entity

The BOCES is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board consisting of ten members. 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 the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the BOCES is based upon criteria set forth by GASB Statement 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, *Component Units* and GASB Statement No. 61, *The Financial Reporting Entity*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Boards of Cooperative Educational Services were established by New York State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, Legislation was passed allowing BOCES to provide vocational and special education. A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. BOCES provides instructional and support programs and services to the following ten school districts:

Brighton	Penfield
East Irondequoit	Pittsford
East Rochester Union Free	Rush-Henrietta
Fairport	Webster
Honeoye Falls-Lima	West Irondequoit

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

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

(I.) (Continued)

1. **Extraclassroom Activity Funds**

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the BOCES with respect to its financial transactions, and the designation of student management. The cash and investment balances are reported in the Statement of Fiduciary Net Position – Custodial Fund of the BOCES. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES' business office.

B. **Basic Financial Statements**

1. **BOCES-Wide Statements**

The Statement of Net Position and the Statement of Activities present financial information about the BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through state aid, sale of property and equipment, investment revenues and other miscellaneous revenues which consist primarily of refunds from other Districts. Operating grants include operating-specific and discretionary (either operating or capital) grants.

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

2. **Fund Financial Statements**

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

The BOCES reports the following funds:

a. **Major Governmental Funds**

General Fund - This is the BOCES' primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

b. **Nonmajor Governmental Funds** - The other funds which are not considered major are aggregated and reported as nonmajor governmental funds as follows:

Capital Projects Fund - Used to account for the financial resources to be used for acquisition, construction, or renovation of capital facilities.

School Lunch Fund - Used to account for transactions of the BOCES' lunch, breakfast and milk programs.

(I.) (Continued)

Special Aid Fund - This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

c. **Fiduciary Funds** - Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used.

Custodial Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various extraclassroom activity funds.

C. **Measurement Focus, Basis of Accounting**

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

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

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

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

D. **Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

E. **Interfund Transactions**

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

(I.) (Continued)

In the BOCES-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet when it is the BOCES' practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note V for a detailed disclosure by individual fund for interfund receivables and payables.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

G. Cash and Cash Equivalents

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

New York State Law governs the BOCES' investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and

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

H. Investments

The BOCES participates in the New York Cooperative Liquid Assets Securities System (NYCLASS) local government investment pool. NYCLASS measures its investments at fair value in accordance with Paragraph 41 of GASB Statement 79 and Paragraph 11 of GASB Statement 31, and therefore a participant's investment in NYCLASS is not required to be categorized within the fair value hierarchy for purposes of 81a(2) of GASB Statement 72.

I. Receivables

Receivables are shown net of an allowance for uncollectible accounts, which has been provided for certain amounts that may not be collectible.

In addition, the BOCES will report a receivable relating to a lease arrangement. The receivable is recorded at the present value of the future payments and recognized over the life of the lease.

(I.) (Continued)

J. Inventory and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Prepaid items represent payments made by the BOCES for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

K. Capital Assets

In the BOCES-wide financial statements, capital assets are accounted for at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives and capitalization threshold by type of assets is as follows:

<u>Class</u>	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 50,000	SL	15-50 Years
Machinery and Equipment	\$ 1,500	SL	5-25 Years
Vehicles	\$ 1,500	SL	5-25 Years
Technology Equipment	\$ 1,500	SL	5-25 Years

The investment in infrastructure type assets have not been segregated for reporting purposes since all costs associated with capital projects are consolidated and reported as additions to buildings and improvements.

L. Right To Use Assets

The BOCES-wide financial statements, right-to-use-assets are reported within the major class of the underlying asset and valued at the future minimum lease payment. Amortization is between 1 and 10 years based on the contract terms and/or estimated replacement of the assets.

M. Unearned Revenue

The BOCES reports unearned revenues on its Statement of Net Position and its Balance Sheet. On the Statement of Net Position, unearned revenue arises when resources are received by the BOCES before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the BOCES has legal claim to resources, the liability for unearned revenue is removed and revenue is recognized.

(I.) (Continued)

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenses/expenditure) until that time.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

In the governmental funds deferred inflows are recognized for prepayments for the right to use BOCES assets which will be amortized over the estimate use of those assets.

O. Vested Employee Benefits

1. Compensated Absences

The BOCES, based on policy and/or various negotiated labor or employment contracts, recognizes a liability for compensated absences for leave time that:

- (a) has been earned for services previously rendered by employees.
- (b) has accumulated and is allowed to be carried over into subsequent years.
- (c) is more likely than not to be used as time off or settled (for example paid in cash to the employee or as a payment to an employee 403b and medical spending account) during or upon separation from employment.

Based on the criteria listed, only vacation leave, sick leave and sick leave banks meet the qualifications to be recognized as a liability for compensated absences. The total long-term estimated liability for compensated absences is reported as incurred in the BOCES-wide financial statements. The short-term liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Consistent with GASB Statement 101, Compensated Absences, the liability has been calculated using the more likely than not to be used as leave or settled at separation method with the compensated absences liability being calculated based on the pay rates in effect at year end.

P. Other Benefits

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

In addition to providing pension benefits, the BOCES provides post-employment health coverage to retired employees in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES' employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits may be shared between the BOCES and the retired employee. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure.

(I.) (Continued)

Q. Accrued Liabilities and Long-Term Obligations

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

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

R. Equity Classifications

1. BOCES-Wide Statements

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

a. **Net Investment in Capital Assets** - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

On the Statement of Net Position, the following balances represent the restricted for other purposes:

	<u>Total</u>
Unemployment Costs	\$ 421,502
Employee Benefit Accrued Liability Reserve	2,166,047
Career Education Instructional	
Equipment Reserve	1,311,065
Liability Reserve	275,000
Scholarships	<u>68,165</u>
Total Net Position - Restricted for	
Other Purposes	<u>\$ 4,241,779</u>

c. **Unrestricted Net Position** - reports the balance of net position that does not meet the definition of the above two classifications . The reported deficit of \$225,220,712 at year end is the result of full implementation of GASB #75 regarding retiree health obligations and the New York State Pension system unfunded pension obligation.

(I.) (Continued)

2. **Fund Statements**

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

- a. **Nonspendable Fund Balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- b. **Restricted Fund Balances** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. All encumbrances of funds other than the General Fund are classified as restricted fund balance. The BOCES has established the following restricted fund balances:

Retirement Contribution Reserve - as allowed by General Municipal Law §6-r, is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board.

Teachers' Retirement Reserve – General Municipal Law §6-r was amended to include a Teachers' Retirement Reserve (TRS) sub-fund. The reserve has an annual funding limit of 2% of the prior year TRS salaries and a maximum cumulative total balance of 10% of the previous years TRS salary.

Career & Technical Education Equipment Reserve - established to fund the purchase of equipment in accordance with New York State guidelines.

Employee Benefit Accrued Liability Reserve - According to General Municipal Law §6-p, must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

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

Liability Reserve - as allowed by Education Law Sections 1709.8-c and 1950.4-cc, is used to pay for property loss and liability claims incurred. This reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve may be utilized only by school districts, except a city school district with a population greater than 125,000. This reserve is accounted for in the General Fund.

(I.) (Continued)

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

Restricted fund balances include the following:

	<u>Total</u>
<u>General Fund -</u>	
Unemployment Reserve	\$ 421,502
Retirement Contribution - ERS	9,141,260
Retirement Contribution - TRS	3,785,728
Liability Reserve	275,000
Career Education Instructional	
Equipment Reserve	1,311,065
Employee Benefit Accrued Liability Reserve	2,166,047
Scholarships	68,165
Total Restricted Fund Balance	<u>\$ 17,168,767</u>

c. **Committed** - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES highest level of decision making authority, i.e., the Board. The BOCES has no committed fund balances as of June 30, 2026.

d. **Assigned Fund Balance** – Includes amounts that are constrained by the BOCES' intent to be used for specific purposes but are neither restricted nor committed. All encumbrances of the General Fund are classified as assigned fund balance. Encumbrances represent purchase commitments made by the BOCES' purchasing agent through their authorization of a purchase order prior to year end. The BOCES assignment is based on the functional level of expenditures.

Management has determined significant encumbrances for the General Fund to be \$731,500 and \$43,000 in Nonmajor Funds. The BOCES reports the following significant encumbrances:

<u>General Fund -</u>	
Other Services	\$ 740,332

Assigned fund balances include the following:

	<u>Total</u>
Special Aid Fund - Year End Equity	\$ 525,996
Capital Projects Fund - Year End Equity	7,427,714
School Lunch Fund - Year End Equity	207,203
Total Assigned Fund Balance	<u>\$ 8,160,913</u>

(I.) (Continued)

e. **Unassigned Fund Balance** –Includes all other General Fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES. The deficit unassigned fund balance in the General Fund is a result of the BOCES recognizing the prepayment of the right to use BOCES assets as a deferred inflow of resources which will be amortized over the estimated use of that assets.

The unassigned fund balances are as follows:

<u>General Fund</u>	
Encumbrances	\$ 1,435,814
Deferred Inflows	(43,915,228)
Total General Unassigned Fund Balance	<u>\$ (42,479,414)</u>

3. **Order of Use of Fund Balance**

Sometimes the BOCES will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the BOCES' policy that the BOCES's Board will assess the current financial condition of the BOCES and then determine the order of application of expenditures to which fund balance classifications will be charged.

S. **New Accounting Standards**

The BOCES has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At June 30, 2026, the BOCES implemented the following new standards issued by GASB:

GASB has issued Statement No. 103, *Financial Reporting Model Improvements*.

GASB has issued Statement No. 104, *Disclosure of Certain Capital Assets*.

T. **Future Changes in Accounting Standards**

GASB has issued Statement No. 105, *Subsequent Events*, which will be effective for fiscal years beginning after June 15, 2026.

The BOCES will evaluate the impact this pronouncement may have on its financial statements and will implement it as applicable and when material.

II. **Stewardship, Compliance and Accountability:**

By its nature as a local government unit, the BOCES is subject to various federal, state and local laws and contractual regulations. An analysis of the BOCES' compliance with significant laws and regulations and demonstration of its stewardship over BOCES resources follows.

A. **Budgetary Information**

Section 1950 §4(b) of the Education Law required adoption of a final budget by no later than May 15, of the ensuing year.

(II.) (Continued)

BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of the BOCES board for the General Fund.

Appropriations for educational services are adopted at the program level and lapse at the end of each fiscal year.

A tentative administrative budget is provided to the component BOCES for adoption by resolution. Approval of the tentative administrative budget requires the approval of a majority of the component school boards actually voting. During the current year, the administrative budget was approved by a majority of its voting component school boards.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. The Special Revenue Funds have not been included in the budget and actual comparison because they do not have legally authorized (appropriated) budgets.

The BOCES Board can approve budget revisions based upon requests for additional services and surplus revenues.

B. Deficit Unassigned Fund Balance – General Fund

The General Fund had a deficit unassigned fund balance of \$42,479,414 as a result of its prepaid lease agreements which have been recognized as deferred inflow of resources and amortized over the life of the agreements.

C. Deficit Net Position

The BOCES-wide net position had a deficit at June 30, 2026 of \$150,961,783. The deficit is the result of the implementation of GASB Statement 75, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions”, which required the recognition of an unfunded liability of \$148,395,071 at June 30, 2026. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit.

III. Cash and Investments

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

The U.S. Treasuries within the NYCLASS investment portfolio are backed by the full faith and credit of the United States Government and therefore do not require collateral. New York State Municipal Bonds within the portfolio are backed by the full faith and credit of the State of New York and therefore do not require collateral. The other permissible investment security types are collateralized in accordance with NYS GML Section 10 and the NYCLASS Investment Policy. Repurchase Agreements (repo) are collateralized 102% by either U.S. Treasuries or U.S. Agencies. Certificates of Deposit (CD) also require full collateral; currently NYCLASS CDs are being collateralized by Federal Home Loan Bank (FHLB) Letters of Credit (LOC).

Credit Risk: In compliance with the State Law, BOCES investments are limited to obligations of the United States of America, obligations guaranteed by agencies of the United States of America whether the payment of principal and interest are guaranteed by the United States of America, obligations of the State, time deposit accounts and certificates of deposit issued by a bank or trust company located in, and authorized to do business in, the States, obligations issued by other municipalities and authorities with the State, and certain pooled investments NYCLASS is rated by S&P Global ratings. The current rating is AAAm.

(III.) (Continued)

Concentration of Credit Risk: To promote competition in rates and service costs, and to limit the risk of institutional failure, BOCES deposits and investments are placed with multiple institutions. The BOCES's investment policy limits the amounts that may be deposited with any one financial institution.

Interest Rate Risk: The BOCES has an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

NYCLASS: The dollar weighted average days to maturity (WAM) of NYCLASS at June 30, 2026, was 40.84 days. The weighted average life (WAL) of NYCLASS at December 31, 2025 was 79.99 days. The WAM of NYCLASS Prime at June 30, 2026 was 39.11 days and the WAL was 60.46 days.

A. Cash

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

Uncollateralized	\$ -
Collateralized within Trust Department or Agent	24,464,417
Total	<u><u>\$ 24,464,417</u></u>

B. Investment Pool

The BOCES participates in a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 5-G, §119-O, whereby it holds a portion of the investments in cooperation with other participants.

Total investments of the cooperative as of year end are \$8,981,268, which consisted of \$1,921,093 in repurchase agreements, \$6,513,216 in U.S. Treasury Securities, \$165,255 in FDIC insured deposits and \$381,704 in collateralized bank deposits, with various interest rates and due dates.

<u>Fund</u>	<u>Fair Value</u>	<u>Type of Investment</u>
General	\$ 4,123,436	NYCLASS
Capital Projects	\$ 4,857,832	NYCLASS

Restricted Cash and Investments: represents cash and investments where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and investments as of year end included \$17,168,767 within the governmental funds and \$4,482 in the fiduciary funds.

IV. Receivables

Receivables at June 30, 2026 for individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

<u>Description</u>	<u>Governmental Activities</u>		
	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Accounts Receivable	\$ 7,864,283	\$ 4,472	\$ 7,868,755
Leases receivable	-	-	-
Due From State and Federal	22,497,802	1,616,828	24,114,630
Total Receivables	\$ 30,362,085	\$ 1,621,300	\$ 31,983,385

V. Interfund Receivables and Payables

Interfund Receivables and Payables at June 30, 2026, were as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 581,189	\$ 3,500
Nonmajor Funds	3,500	581,189
Total	\$ 584,689	\$ 584,689

Interfund receivables and payables between governmental activities are eliminated on the Statement of Net Position. The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are not necessarily expected to be repaid within one year.

VI. Changes In Capital Assets and Lease Assets

A. Capital Assets

A summary of changes in capital assets follows:

<u>Type</u>	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>
<u>Governmental Activities:</u>				
<u>Capital Assets that are not Depreciated -</u>				
Land	\$ 659,079	\$ -	\$ -	\$ 659,079
Work in progress	1,214,657	4,983,227	2,636,309	3,561,575
<i>Total Nondepreciable</i>	\$ 1,873,736	\$ 4,983,227	\$ 2,636,309	\$ 4,220,654
<u>Capital Assets that are Depreciated -</u>				
Buildings and Improvements	\$ 55,578,449	\$ 15,562	\$ -	\$ 55,594,011
Machinery and equipment	124,760,868	7,447,961	578,437	131,630,392
<i>Total Depreciated Assets</i>	\$ 180,339,317	\$ 7,463,523	\$ 578,437	\$ 187,224,403
<u>Less Accumulated Depreciation -</u>				
Buildings and Improvements	\$ 16,075,897	\$ 911,396		\$ 16,987,293
Machinery and equipment	103,566,426	6,041,702	523,309	109,084,819
<i>Total Accumulated Depreciation</i>	\$ 119,642,323	\$ 6,953,098	\$ 523,309	\$ 126,072,112
<i>Total Capital Assets Depreciated, Net of Accumulated Depreciation</i>	\$ 60,696,994	\$ 510,425	\$ 55,128	\$ 61,152,291
Total Capital Assets	\$ 62,570,730	\$ 5,493,652	\$ 2,691,437	\$ 65,372,945

B. Lease Assets

A summary of the lease asset activity during the year ended June 30, 2026 is as follows:

<u>Type</u>	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>
<u>Lease Assets:</u>				
Buildings	\$ 9,336,272	\$ -	\$ 4,422,915	\$ 4,913,357
Less Accumulated Amortization	5,359,746	1,116,793	4,422,915	2,053,624
<i>Total Lease Assets, Net</i>	\$ 3,976,526	\$ (1,116,793)	\$ -	\$ 2,859,733
<u>Subscription IT assets:</u>				
Subscription IT assets	\$ 1,678,381	\$ 25,754	\$ -	\$ 1,704,135
Less Accumulated Amortization	892,932	445,415	-	1,338,347
<i>Total Subscription IT Assets, Net</i>	\$ 785,449	\$ (419,661)	\$ -	\$ 365,788
<i>Total Lease and Subscription IT Assets, Net</i>	\$ 4,761,975	\$ (1,536,454)	\$ -	\$ 3,225,521

C. Other capital assets, net of depreciation/amortization:

Depreciated Capital Assets, Net	\$ 61,152,291
Amortized Lease and Subscription IT Assets, Net	3,225,521
Total Other Capital Assets, Net	\$ 64,377,812

(VI.) (Continued)

D. Depreciation/Amortization expense for the period was charged to functions/programs as follows:

<u>Governmental Activities:</u>	<u>Depreciation</u>	<u>Amortization</u>	<u>Total</u>
Administration	\$ 201,640	\$ 1,116,793	\$ 1,318,433
Career and Tech Education	1,758,438	-	1,758,438
Instruction for the Handicapped	4,067,562	-	4,067,562
Itinerant Services	291,335	-	291,335
General Instruction	36,851	-	36,851
Instructional Support	263,522	-	263,522
Other Services	333,750	445,415	779,165
Total Depreciation and Amortization Expense	\$ 6,953,098	\$ 1,562,208	\$ 8,515,306

VII. **Long-Term Obligations**

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

<u>Governmental Activities:</u>	<u>Balance 7/1/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2026</u>	<u>Due Within One Year</u>
<u>Bonds and Notes Payable -</u>					
Installment Purchase Debt	\$ 9,222,576	\$ 2,636,309	\$ 3,923,357	\$ 7,935,528	\$ 3,646,100
Lease Liability	4,451,769	-	1,236,884	3,214,885	576,117
SBITA's	539,946	-	219,736	320,210	156,406
Total Bonds and Notes Payable	\$ 14,214,291	\$ 2,636,309	\$ 5,379,977	\$ 11,470,623	\$ 4,378,623
<u>Other Liabilities -</u>					
Net Pension Liability	\$ 15,281,784	\$ -	\$ 10,556,432	\$ 4,725,352	\$ -
OPEB Liability	122,449,261	25,945,810	-	148,395,071	-
Retainage Payable	39,322	-	1,641	37,681	37,681
Compensated Absences *	17,686,128	158,923	-	17,845,051	6,055,077
Total Other Liabilities	\$ 155,456,495	\$ 26,104,733	\$ 10,558,073	\$ 171,003,155	\$ 6,092,758
Total Long-Term Obligations	\$ 169,670,786	\$ 28,741,042	\$ 15,938,050	\$ 182,473,778	\$ 10,471,381

* The change in compensated absences above is a net change for the year.

<u>Year</u>	<u>Installment Purchase Debt</u>		<u>Leases</u>		<u>SBITAs</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 3,646,100	\$ 299,951	\$ 576,117	\$ 127,581	\$ 156,406	\$ 7,397
2028	2,914,043	199,233	485,939	104,477	163,804	-
2029	1,155,842	59,012	519,217	81,342	-	-
2030	217,085	9,364	278,052	64,763	-	-
2031	2,458	9	301,009	52,090	-	-
2032-35	-	-	1,054,551	69,585	-	-
Total	\$ 7,935,528	\$ 567,569	\$ 3,214,885	\$ 499,838	\$ 320,210	\$ 7,397

VIII. Deferred Inflows/Outflows of Resources

The following is a summary of the deferred inflows/outflows of resources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Pension	\$ 20,478,327	\$ 18,838,887
Leases	-	51,694,392
OPEB	27,746,869	61,018,996
Total	<u>\$ 48,225,196</u>	<u>\$ 131,552,275</u>

IX. Pension Plans

A. General Information

The BOCES participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

B. Provisions and Administration

A 10-member Board of Trustees of the New York State Teachers' Retirement Board administers TRS. TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the system, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. TRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the TRS Comprehensive Annual Financial report, which can be found on the System's website at www.nystrs.org.

ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. NYSRSSL govern obligations of employers and employees to contribute, and benefits to employees. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to NYSERS, Office of the State Comptroller, 110 State Street, Albany, New York 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire/publications/index.php.

(IX.) (Continued)

C. Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS Tier 6 vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education Law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31. The BOCES paid 100% of the required contributions as billed by the TRS and ERS for the current year.

The BOCES' share of the required contributions, based on covered payroll paid for the BOCES' year ended June 30, 2026:

<u>Contributions</u>	<u>ERS</u>	<u>TRS</u>
2026	\$ 5,168,146	\$ 4,294,745

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to Pensions

At June 30, 2026, the BOCES reported the following asset/(liability) for its proportionate share of the net pension asset /(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2026 for ERS and June 30, 2025 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The BOCES' proportion of the net pension asset/(liability) was based on a projection of the BOCES' long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the BOCES.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Net pension asset/(liability)	\$ (4,725,352)	\$ 11,416,993
District's portion of the Plan's total net pension asset/(liability)	0.083756%	0.192820%

For the year ended June 30, 2026, the BOCES recognized pension expenses of \$4,996,059 for ERS and (\$653,982) for TRS. At June 30, 2026, the BOCES' reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(IX.) (Continued)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 2,704,124	\$ 5,985,050	\$ -	\$ -
Changes of assumptions	811,134	4,519,632	-	123,094
Net difference between projected and actual earnings on pension plan investments	-	-	8,472,817	8,916,643
Changes in proportion and differences between the District's contributions and proportionate share of contributions	917,330	241,281	1,029,970	296,363
Subtotal	<u>\$ 4,432,588</u>	<u>\$ 10,745,963</u>	<u>\$ 9,502,787</u>	<u>\$ 9,336,100</u>
BOCES' contributions subsequent to the measurement date	1,647,741	3,652,035	-	-
Grand Total	<u>\$ 6,080,329</u>	<u>\$ 14,397,998</u>	<u>\$ 9,502,787</u>	<u>\$ 9,336,100</u>

BOCES contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2026	\$ -	\$ 5,782,810
2027	1,840,956	(2,381,898)
2028	(3,141,259)	(2,586,901)
2029	(1,859,214)	(559,294)
2030	(1,910,682)	954,705
Thereafter	-	200,441
Total	<u>\$ (5,070,199)</u>	<u>\$ 1,409,863</u>

E. Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Actuarial valuation date	April 1, 2025	June 30, 2024
Interest rate	5.90%	6.95%
Salary scale	5.20%	2.04%-5.80%
Decrement tables	April 1, 2020- March 31, 2025	July 1, 2019- June 30, 2024
	System's Experience	System's Experience
Inflation rate	2.90%	2.50%
COLA's	1.50%	1.40%

(IX.) (Continued)

For ERS, annuitant mortality rates are based on April 1, 2020 – March 31, 2025 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience adjustments for mortality improvements based on Society of Actuaries Scale MP-2021.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2026 for ERS and June 30, 2025 for TRS are summarized as follows:

Long Term Expected Rate of Return		
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
<u>Asset Type -</u>		
Domestic equity	3.29%	6.70%
International equity	5.85%	7.40%
Global equity	n/a	7.00%
Private equity	7.00%	9.80%
Real estate	5.20%	6.50%
Opportunistic portfolios	5.13%	n/a
Real assets	5.54%	n/a
Global bonds	n/a	2.40%
Cash	0.25%	0.60%
Private debt	n/a	6.10%
Real estate debt	n/a	3.80%
High-yield bonds	n/a	4.70%
Domestic fixed income	n/a	2.60%
Fixed income	1.75%	n/a
Credit	5.10%	n/a

The real rate of return is net of the long-term inflation assumption of 2.90% for ERS and 2.50% for TRS.

F. Discount Rate

The discount rate used to calculate the total pension liability was 5.90% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(IX.) (Continued)

G. Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the BOCES's proportionate share of the net pension liability calculated using the discount rate of 5.90% for ERS and 6.95% for TRS, as well as what the BOCES's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.90% for ERS and 5.95% for TRS) or 1-percentage-point higher (6.90% for ERS and 7.95% for TRS) than the current assumption.

	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (32,272,857)	\$ (4,725,352)	\$ 18,305,583
	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
<u>TRS</u>			
Employer's proportionate share of the net pension asset (liability)	\$ (21,937,897)	\$ 11,416,993	\$ 39,483,398

H. Pension Plan Fiduciary Net Position

The components of the current year net pension asset/(liability) of the employers as of the respective valuation dates, were as follows:

	(In Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2026	June 30, 2025
Employers' total pension liability	\$ 253,773,040	\$ 148,272,069
Plan net position	248,131,290	154,193,125
Employers' net pension asset/(liability)	<u>\$ (5,641,750)</u>	<u>\$ 5,921,056</u>
Ratio of plan net position to the employers' total pension asset/(liability)	97.78%	104.00%

I. Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2026 represent the projected employer contribution for the period of April 1, 2026 through June 30, 2026 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2026 amounted to \$1,647,741.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2026 are paid to the System in September, October and November 2026 through a state aid intercept. Accrued retirement contributions as of June 30, 2026 represent employee and employer contributions for the fiscal year ended June 30, 2026 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2026 amounted to \$4,294,745.

X. Postemployment Benefits

A. General Information About the OPEB Plan

Plan Description – The BOCES’ defined benefit OPEB plan, provides OPEB for all permanent full-time general and public safety employees of the BOCES. The plan is a single-employer defined benefit OPEB plan administered by the BOCES. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

Employees Covered by Benefit Terms – At June 30, 2026, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,253
Active Employees	1,268
Total	<u>2,521</u>

B. Total OPEB Liability

The BOCES’ total OPEB liability of \$148,395,071 was measured as of March 31, 2026, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the June 30, 2026 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.30%
Salary Increases	3.30% average including inflation
Discount Rate	4.41%
Healthcare Cost Trend Rates	6.10% for 2026, decreasing to an ultimate rate of 3.70% after 2075
Retirees' Share of Benefit-Related Costs	100% of future retirees eligible for an employer subsidy. 20% of future retirees required to pay 100% of premiums

The discount rate was based on Fidelity Municipal Go AA 20 year bond rate as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the Mortality Improvement Scale MP-2020, as appropriate, with adjustments for mortality improvements based on Scale AA.

(X.) (Continued)

C. Changes in the Total OPEB Liability

Balance at June 30, 2025	\$ 122,449,261
<u>Changes for the Year -</u>	
Service cost	\$ 3,716,309
Interest	5,286,569
Differences between expected and actual experience	23,726,225
Changes in assumptions or other inputs	(1,040,706)
Benefit payments	(5,742,587)
Net Changes	\$ 25,945,810
Balance at June 30, 2026	\$ 148,395,071

Changes of assumptions and other inputs reflect a change in the discount rate from 4.39% in 2025 to 4.41% in 2026 as well as updated premiums information and healthcare cost trend rate changes.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.41%) or 1-percentage-point higher (5.41%) than the current discount rate:

	1% Decrease (3.41%)	Discount Rate (4.41%)	1% Increase (5.41%)
Total OPEB Liability	\$ 168,533,441	\$ 148,395,071	\$ 131,841,684

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – Healthcare costs can be subject to considerable volatility over time. The following exhibit demonstrates the effect on liabilities of a 1% change in healthcare cost trend rates.

	1% Decrease (5.10% Decreasing to 2.70%)	Healthcare Cost Trend Rates (6.10% Decreasing to 3.70%)	1% Increase (7.10% Increasing to 4.70%)
Total OPEB Liability	\$ 129,665,763	\$ 148,395,071	\$ 171,657,588

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

For the year ended June 30, 2026, the BOCES recognized OPEB expense of (\$3,046,514). At June 30, 2026, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,311,222	\$ 42,656,480
Changes of assumptions	-	18,362,516
Contributions after measurement date	1,435,647	-
Total	\$ 27,746,869	\$ 61,018,996

(X.) (Continued)

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

<u>Year</u>	
2027	\$ (12,190,883)
2028	(12,756,845)
2029	(10,465,988)
2030	(58,438)
2031	764,380
Total	<u>\$ (34,707,774)</u>

XI. Risk Management

A. General Information

The BOCES is exposed to various risks of loss related to injuries to employees, theft, damages, natural disasters, etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B. Health Plan

The BOCES is a Participant of and incurs costs related to the Rochester Area School Health Plan (Plan I) and Rochester Area School Health Plan II Municipal Cooperative Health Benefit Plan (Plan II). Plan I and Plan II are sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties (Monroe 2-Orleans BOCES) and its component districts. Plan I and Plan II objectives are to formulate, develop and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control program.

1. Plan I

Plan I was established as a Municipal Cooperative under the authorization of Article 5-G of the General Municipal Law in 1986. Membership in Plan I may be offered to any component district of the Board of Cooperative Educational Services, First Supervisory District of Monroe County (Monroe 1 BOCES) or Monroe 2-Orleans BOCES with the unanimous approval of the Board of Directors. Membership of new Participants becomes effective on the first day of the calendar month following the adoption by the Board of Directors of the resolution to accept a new Participant. Current membership of Plan I includes nineteen (19) Participants with the BOCES bearing an equal and proportionate share of Plan I's assets and claim liabilities.

Voluntary withdrawal from Plan I is subject to the following constraints:

- a. Effective only once annually on the last day of the Plan year.
- b. Notice of intention to withdrawal must be given in writing to the Chairman of the Board of Directors and Treasurer not less than thirty (30) days prior to the end of the Plan year. Failure to provide at least thirty (30) days' notice, will result in continued membership in the plan for another year unless all other Participants consent to such withdrawal.

(XI.) (Continued)

Pursuant to the Municipal Cooperative Agreement, Plan I is a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. No refunds shall be made to a Participant, and no assessments are charged to a Participant other than the annual premium equivalent. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

Plan I purchases, on an annual basis, stop-loss insurance to limit exposure for claims paid. Plan I establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2026, the BOCES incurred premiums or contribution expenditures totaling \$358,934.

Plan I is audited on an annual basis and is available at the Monroe 2-Orleans BOCES administrative offices. The most recent audit available for the year ended December 31, 2025, revealed that Plan I is fully funded.

2. Plan II

Plan II was established as a Municipal Cooperative under the authorization of Article 5-G of the General Municipal Law in 2004. Plan II received a Certificate of Authority to operate as a self-funded plan under Article 47 of the New York State Insurance Law, effective January 1, 2024.

Membership in Plan II may be offered to any component school district of the Monroe 1 BOCES and Monroe 2-Orleans BOCES within the geographical boundaries of Monroe County, New York provided that the applicant provides proof of its financial responsibility that is satisfactory to the Board of Directors in its sole discretion, and the applicant is the same type of municipal corporation as the initial Participants. Membership of new Participants becomes effective on the first day of the calendar month following a majority vote of the entire Board of Directors and the adoption by the Board of Directors of a resolution to accept the municipal corporation as a Participant. Current membership of Plan II includes nineteen (19) Participants with the BOCES bearing an equal and proportionate share of Plan II's assets and claim liabilities.

Voluntary withdrawal from Plan II is subject to the following constraints:

- a. Effective only on January 1 of the next Plan Year following the Plan Year in which the Participant provides notice.
- b. Notice of intention of a Participant withdraw must be given in writing to the Chairperson and the Treasurer by April 1st of the Plan Year immediately preceding the January 1st withdrawal date. Failure to provide the required written notices in a timely manner will result in continued membership in Plan II for another year unless the Board of Directors consent to such withdrawal.
- c. Participant is responsible for pro-rata share of any Plan II deficit and shall satisfy any other obligation relating to the Participant's membership in the Plan.
- d. Participant is not entitled to any share of Plan II surplus.

(XI.) (Continued)

Pursuant to the Municipal Cooperative Agreement as signed by the Participants, Plan II is a risk sharing pool and all monies paid to the Treasurer shall be pooled and administered as a common fund. The annual premium equivalent for each coverage option under Plan II is established and approved by a majority of the entire Board of Directors. Each Participant is required to contribute to Plan II an amount equal to the Premium Equivalent applicable to the coverage options, under which the Participants Enrollees are covered. In addition to paying on demand their applicable Premium Equivalent payments, each Participant shall pay on demand such Participant's share of any Assessment Contribution ordered by the Board of Directors. If surplus funds exist at the end of any fiscal year, the distribution of such funds shall be determined by the Board of Directors.

Plan II purchases, on an annual basis, stop-loss insurance to limit exposure for claims paid. Plan II establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the periods in which they are made. During the year ended June 30, 2026, the BOCES incurred premiums or contribution expenditures totaling \$26,267,097.

Plan II is audited on an annual basis and is available at the Monroe 2-Orleans BOCES administrative offices. The most recent audit available for the year ended December 31, 2025, revealed that the Plan is fully funded.

C. Workers' Compensation

The BOCES is a Participant in the Rochester Area School Workers' Compensation Plan (Plan). The Plan is sponsored by the Board of Cooperative Educational Services, Second Supervisory District of Monroe and Orleans Counties (Monroe 2-Orleans BOCES) and its component districts. The Plan's objectives are to furnish workers' compensation benefits to participating districts at a significant cost savings and to provide for risk management to reduce future liability for workers compensation. Membership in the Plan may be offered to any component district of the Board of Cooperative Educational Services, First Supervisory District of Monroe County (Monroe 1 BOCES) and Monroe 2-Orleans BOCES with the approval of the Board of Directors. Current membership of the Plan includes Participants from nineteen (19) municipal corporations.

Voluntary withdrawal from the Plan is subject to the following constraints:

1. Notice on intention to withdraw must be given in writing to the Chairman of the Board of Directors and Treasurer not less than one-hundred twenty (120) days prior to the end of the Plan year.
2. Participant is not entitled to any share of Plan surplus.

If a surplus of Participants' assessments exists after the close of a Plan year, the Board may retain from such surplus an amount sufficient to establish and maintain a claim contingency fund. Surplus funds in excess of the amount transferred to or included in such contingency fund shall be applied in reduction of the next annual assessment or to the billing of Plan Participants. All monies paid to the Treasurer by participants shall be commingled and administered as a common fund. No refunds shall be made to a participant and no assessments are charged to a participant other than the annual premium equivalent. However, if the Board of Directors determines that the liabilities of the Plan will exceed its cash assets, after taking into account any "excess insurance", the Board of Directors shall determine the amount needed to meet such deficiency and shall assess such amount against all Participants their pro-rata share, such additional assessment is due within sixty (60) days after written notification from the Board of Directors.

(XI.) (Continued)

The Plan purchases, on an annual basis, stop-loss insurance to limit exposure for claims paid. The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expenses in the period in which they are made. During the year ended June 30, 2026, the BOCES incurred premiums or contribution expenditures totaling \$1,166,053.

The Plan is audited on an annual basis and is available at the Monroe 2-Orleans BOCES administrative offices. The most recent audit available for the year ended June 30, 2025, revealed that the Plan was fully funded.

D. Dental Coverage

The BOCES self-insures for dental coverage for its employees. The BOCES uses a third party administrator who is responsible for processing claims and estimating liabilities. The BOCES does not carry excess insurance coverage relative to this Plan. The BOCES records expenditures as claims are presented for payment in accordance with the BC/BS schedule of allowances. Liabilities are reported when it is probable that a loss has occurred and the amount of loss can be reasonably estimated.

A reconciliation of the claims recorded for 2026 and 2025 is as follows:

	<u>2026</u>	<u>2025</u>
Beginning liabilities	\$ 145,922	\$ 136,740
Premiums collected	(1,224,112)	1,237,485
Claims payments	1,231,748	(1,228,303)
Ending liabilities	<u>\$ 153,558</u>	<u>\$ 145,922</u>

E. Unemployment

BOCES employees are entitled to coverage under the New York State Unemployment Insurance Law. The BOCES has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the fund for benefits paid from the fund to former employees. The BOCES has established a self-insurance fund to pay these claims. The claim and judgement expenditures of this program for the 2025-26 fiscal year totaled \$56,650. The balance of the fund at June 30, 2026 was \$421,502 and is recorded in the General Fund as an Unemployment Insurance Reserve. In addition, as of June 30, 2026, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

XII. Commitments and Contingencies

A. Litigation

There is no litigation pending as of the balance sheet date.

B. Grants

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

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of Changes in BOCES' Total OPEB Liability and Related Ratio
For Year Ended June 30, 2026

	TOTAL OPEB LIABILITY									
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Service cost	\$ 3,716,309	\$ 2,440,166	\$ 3,529,051	\$ 5,485,637	\$ 6,059,049	\$ 6,250,452	\$ 5,757,606	\$ 5,734,983	\$ 5,724,372	\$ 5,363,425
Interest	5,286,569	4,312,753	5,590,677	6,277,396	5,006,887	4,999,974	6,185,549	7,442,824	7,309,804	5,960,533
Changes in benefit terms	-	6,654,591	-	-	-	-	-	-	(731,295)	-
Differences between expected and actual experiences	23,726,225	8,123,925	(36,276,667)	(54,361,685)	16,814,078	10,083,044	(16,374,266)	(32,737,553)	1,997,692	20,065,679
Changes of assumptions or other inputs	(1,040,706)	(5,002,643)	(6,023,167)	(23,527,509)	(19,383,946)	4,066,483	30,898,729	(2,007,269)	4,865,004	(12,425,188)
Benefit payments	<u>(5,742,587)</u>	<u>(5,271,869)</u>	<u>(5,831,874)</u>	<u>(6,674,266)</u>	<u>(6,252,694)</u>	<u>(5,161,067)</u>	<u>(4,815,548)</u>	<u>(5,367,025)</u>	<u>(4,888,495)</u>	<u>(4,410,972)</u>
Net Change in Total OPEB Liability	\$ 25,945,810	\$ 11,256,923	\$ (39,011,980)	\$ (72,800,427)	\$ 2,243,374	\$ 20,238,886	\$ 21,652,070	\$ (26,934,040)	\$ 14,277,082	\$ 14,553,477
Total OPEB Liability - Beginning	<u>122,449,261</u>	<u>111,192,338</u>	<u>150,204,318</u>	<u>223,004,745</u>	<u>220,761,371</u>	<u>200,522,485</u>	<u>178,870,415</u>	<u>205,804,455</u>	<u>191,527,373</u>	<u>176,973,896</u>
Total OPEB Liability - Ending	<u>\$ 148,395,071</u>	<u>\$ 122,449,261</u>	<u>\$ 111,192,338</u>	<u>\$ 150,204,318</u>	<u>\$ 223,004,745</u>	<u>\$ 220,761,371</u>	<u>\$ 200,522,485</u>	<u>\$ 178,870,415</u>	<u>\$ 205,804,455</u>	<u>\$ 191,527,373</u>
 Covered Employee Payroll	 \$ 66,291,455	 \$ 64,173,722	 \$ 62,027,355	 \$ 59,912,446	 \$ 63,228,423	 \$ 61,125,688	 \$ 53,551,682	 \$ 51,881,110	 \$ 50,218,866	 \$ 50,218,866
 Total OPEB Liability as a Percentage of Covered Employee Payroll	 223.85%	 190.81%	 179.26%	 250.71%	 352.70%	 361.16%	 374.45%	 344.77%	 409.82%	 381.39%

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of the BOCES' Proportionate Share of the Net Pension Liability
For Year Ended June 30, 2026

<u>NYSERS Pension Plan</u>										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability (assets)	0.083757%	0.089129%	0.096847%	0.096135%	0.092042%	0.102747%	0.106483%	0.110820%	0.107909%	0.106898%
Proportionate share of the net pension liability (assets)	\$ 4,725,352	\$ 15,281,784	\$ 14,259,774	\$ 20,615,170	\$ (7,524,042)	\$ 102,309	\$ 28,197,203	\$ 7,851,901	\$ 3,482,713	\$ 10,044,416
Covered-employee payroll	\$ 32,709,748	\$ 32,323,568	\$ 31,895,153	\$ 30,917,488	\$ 29,520,323	\$ 32,586,802	\$ 32,807,317	\$ 33,513,627	\$ 32,216,821	\$ 31,504,718
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	14.446%	47.278%	44.708%	66.678%	(25.488%)	0.314%	85.948%	23.429%	10.810%	31.882%
Plan fiduciary net position as a percentage of the total pension liability	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%
<u>NYSTRS Pension Plan</u>										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Proportion of the net pension liability (assets)	0.192820%	0.186965%	0.186350%	0.188588%	0.190231%	0.204360%	0.197860%	0.192800%	0.191966%	0.188130%
Proportionate share of the net pension liability (assets)	\$ (11,416,993)	\$ (5,578,315)	\$ 2,131,074	\$ 3,618,801	\$ (32,965,289)	\$ 5,647,009	\$ (5,140,413)	\$ (3,486,337)	\$ (1,459,133)	\$ 2,014,952
Covered-employee payroll	\$ 38,081,700	\$ 37,860,732	\$ 35,704,355	\$ 34,417,279	\$ 33,399,906	\$ 33,222,431	\$ 31,683,106	\$ 29,933,726	\$ 30,412,082	\$ 29,017,154
Proportionate share of the net pension liability (assets) as a percentage of its covered-employee payroll	(29.980%)	(14.734%)	5.969%	10.514%	(98.699%)	16.998%	(16.224%)	(11.647%)	(4.798%)	6.944%
Plan fiduciary net position as a percentage of the total pension liability	104.00%	102.10%	99.20%	98.60%	113.20%	97.80%	102.20%	101.53%	100.66%	99.01%

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of BOCES Contributions
For Year Ended June 30, 2026

NYSERS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 5,168,146	\$ 4,731,423	\$ 3,995,669	\$ 3,440,716	\$ 4,590,507	\$ 4,907,005	\$ 4,858,374	\$ 4,481,452	\$ 4,519,802	\$ 4,283,885
Contributions in relation to the contractually required contribution	<u>(5,168,146)</u>	<u>(4,731,423)</u>	<u>(3,995,669)</u>	<u>(3,440,716)</u>	<u>(4,590,507)</u>	<u>(4,907,005)</u>	<u>(4,858,374)</u>	<u>(4,481,452)</u>	<u>(4,519,802)</u>	<u>(4,283,885)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 32,709,748	\$ 32,323,568	\$ 31,895,153	\$ 30,917,488	\$ 29,520,323	\$ 32,586,802	\$ 32,807,317	\$ 33,513,627	\$ 32,216,821	\$ 31,504,718
Contributions as a percentage of covered-employee payroll	15.80%	14.64%	12.53%	11.13%	15.55%	15.06%	14.81%	13.37%	14.03%	13.60%
NYSTRS Pension Plan										
	<u>2026</u>	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contributions	\$ 4,294,745	\$ 4,425,677	\$ 4,000,092	\$ 4,022,415	\$ 3,728,905	\$ 3,553,542	\$ 3,729,135	\$ 3,423,404	\$ 3,078,086	\$ 3,565,259
Contributions in relation to the contractually required contribution	<u>(4,294,745)</u>	<u>(4,425,677)</u>	<u>(4,000,092)</u>	<u>(4,022,415)</u>	<u>(3,728,905)</u>	<u>(3,553,542)</u>	<u>(3,729,135)</u>	<u>(3,423,404)</u>	<u>(3,078,086)</u>	<u>(3,565,259)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 38,081,700	\$ 37,860,732	\$ 35,704,355	\$ 34,417,279	\$ 33,399,906	\$ 33,222,431	\$ 31,683,106	\$ 29,933,726	\$ 30,412,082	\$ 29,017,154
Contributions as a percentage of covered-employee payroll	11.28%	11.69%	11.20%	11.69%	11.16%	10.70%	11.77%	11.44%	10.12%	12.29%

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For Year Ended June 30, 2026

<u>REVENUES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Over (Under) Original Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Revised Budget</u>
Administration 001-002	\$ 10,111,823	\$ 7,557,610	\$ (2,554,213)	\$ 8,711,609	\$ 1,153,999
Career and Tech Education 100-199	11,198,438	10,880,661	(317,777)	10,854,014	(26,647)
Instruction for Handicapped 200-299	67,851,251	66,429,386	(1,421,865)	66,506,976	77,590
Itinerant 300-399	29,256,840	27,252,459	(2,004,381)	27,245,477	(6,982)
General Instruction 400-499	2,863,698	4,238,170	1,374,472	4,276,831	38,661
Instructional Support 500-599	14,195,858	22,505,898	8,310,040	20,795,317	(1,710,581)
Other Services 600-699	41,306,265	68,742,010	27,435,745	65,510,888	(3,231,122)
TOTAL REVENUES	<u>\$ 176,784,173</u>	<u>\$ 207,606,194</u>	<u>\$ 30,822,021</u>	<u>\$ 203,901,112</u>	<u>\$ (3,705,082)</u>

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Schedule of Revenues, Expenditures and
Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual - General Fund
For Year Ended June 30, 2026

<u>EXPENDITURES</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Over (Under) Original Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
Administration 001-002	\$ 10,111,823	\$ 7,557,610	\$ (2,554,213)	\$ 7,791,106	\$ 272,936	\$ (506,432)
Career and Tech Education 100-199	11,198,438	10,880,661	(317,777)	10,525,397	121,531	233,733
Instruction for Handicapped 200-299	67,851,251	66,429,386	(1,421,865)	64,816,542	236,670	1,376,174
Itinerant 300-399	29,256,840	27,252,459	(2,004,381)	26,620,825	31,647	599,987
General Instruction 400-499	2,863,698	4,238,170	1,374,472	3,708,693	3,125	526,352
Instructional Support 500-599	14,195,858	22,505,898	8,310,040	22,346,594	29,573	129,731
Other Services 600-699	41,306,265	68,742,010	27,435,745	65,031,393	740,332	2,970,285
TOTAL EXPENDITURES	<u>\$ 176,784,173</u>	<u>\$ 207,606,194</u>	<u>\$ 30,822,021</u>	<u>\$ 200,840,550</u>	<u>\$ 1,435,814</u>	<u>\$ 5,329,830</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				<u>\$ 3,060,562</u>		

Note to Required Supplementary Information:

A reconciliation is not necessary since encumbrances are presented in a separate column on this schedule.

Required Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Note to Budgetary Comparison Schedule
For Year Ended June 30, 2026

The BOCES amends their budget for both revenue and expense changes to the appropriate COSER, which results in a budget increase of an equal amount to each COSER. As a result both the changes to revenue and expense by functional category are equal and the key factors for budget variances in the General Fund are listed below along with explanations for each:

Revenue/ Expenditure Items	Budget Variance Original Vs. Amended	Explanation for Budget Variance
Administration	\$ (2,554,213)	Admin fees related to cross contracts and increase to program and department contribution towards retiree health
Instruction for Handicapped	\$ (1,421,865)	Reduction of cross contracts from component districts with other BOCES
Itinerant	\$ (2,004,381)	Reduction of staffing and related benefits
General Instruction	\$ 1,374,472	Increased demand for services resulting in higher direct district chargebacks, along with increased salary costs associated with greater participation in RPS General Education
Instructional Support	\$ 8,310,040	Increase in technology purchases
Other Services	\$ 27,435,745	Increase in technology purchases
Revenue Items	Budget Variance Amended Vs. Actual	Explanation for Budget Variance
Administration	\$ 1,153,999	Miscellaneous revenue and interest earnings
Instructional Support	\$ (1,710,581)	The variance reflects the reallocation of prepaid leases and the corresponding adjustment to deferred revenue
Other Services	\$ (3,231,122)	The variance reflects the reallocation of prepaid leases and the corresponding adjustment to deferred revenue
Expenditure Items		
Instruction for Handicapped	\$ 1,376,174	Staffing vacancies and associated benefit savings
Other Services	\$ 2,970,285	Staffing vacancies and associated benefit savings along with favorable pricing for contractual purchases

Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2026

	Capital Projects <u>Fund</u>	<u>Special Revenue Funds</u>		Total Nonmajor Governmental <u>Funds</u>
		Special Aid <u>Fund</u>	School Lunch <u>Fund</u>	
ASSETS				
Cash and cash equivalents	\$ 2,825,372	\$ 8,009	\$ 249,227	\$ 3,082,608
Investments	4,857,832	-	-	4,857,832
Due from other funds	3,500	-	-	3,500
Receivables	-	1,581,609	39,691	1,621,300
Inventories	-	-	32,820	32,820
TOTAL ASSETS	\$ 7,686,704	\$ 1,589,618	\$ 321,738	\$ 9,598,060
LIABILITIES AND FUND BALANCE				
<u>Liabilities</u> -				
Accounts payable	\$ 258,990	\$ 33,755	\$ 36,077	\$ 328,822
Accrued liabilities	-	6,811	3,593	10,404
Due to other funds	-	540,519	40,670	581,189
Unearned revenues	-	482,537	1,375	483,912
TOTAL LIABILITIES	\$ 258,990	\$ 1,063,622	\$ 81,715	\$ 1,404,327
<u>Fund Balances</u> -				
Nonspendable	\$ -	\$ -	\$ 32,820	\$ 32,820
Assigned	7,427,714	525,996	207,203	8,160,913
Unassigned	-	-	-	-
TOTAL FUND BALANCE	\$ 7,427,714	\$ 525,996	\$ 240,023	\$ 8,193,733
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,686,704	\$ 1,589,618	\$ 321,738	\$ 9,598,060

Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For Year Ended June 30, 2026

	Capital Projects Fund	Special Revenue Funds Special Aid Fund	School Lunch Fund	Total Nonmajor Governmental Funds
REVENUES				
Charges for services	\$ -	\$ 37,603	\$ -	\$ 37,603
Charges to components	-	2,829,881	-	2,829,881
Charges to non-components and other BOCES	-	2,231,574	-	2,231,574
Interest and earnings	176,972	-	-	176,972
Miscellaneous	-	117,655	50	117,705
Interfund revenues	2,938,956	-	223,186	3,162,142
Sales (school lunch)	-	-	37,130	37,130
State sources	-	3,210,065	10,078	3,220,143
Federal sources	-	273,566	522,023	795,589
TOTAL REVENUES	\$ 3,115,928	\$ 8,700,344	\$ 792,467	\$ 12,608,739
EXPENDITURES				
Administration	\$ -	\$ 3,760	\$ -	\$ 3,760
Career and tech education	-	311,168	-	311,168
Instruction for the handicapped	-	7,260,191	-	7,260,191
Instructional support	-	567,417	-	567,417
Other services	-	113,744	-	113,744
Cost of sales	-	-	279,420	279,420
Other expenses	-	-	454,490	454,490
Capital outlay	4,984,868	-	-	4,984,868
Debt service principal	-	102,192	-	102,192
Debt service interest	-	17,808	-	17,808
TOTAL EXPENDITURES	\$ 4,984,868	\$ 8,376,280	\$ 733,910	\$ 14,095,058
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (1,868,940)	\$ 324,064	\$ 58,557	\$ (1,486,319)
OTHER FINANCING SOURCES (USES)				
Proceeds from obligation	\$ 2,636,309	\$ -	\$ -	\$ 2,636,309
TOTAL OTHER FINANCING SOURCES (USES)	\$ 2,636,309	\$ -	\$ -	\$ 2,636,309
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 767,369	\$ 324,064	\$ 58,557	\$ 1,149,990
FUND BALANCE, BEGINNING OF YEAR	6,660,345	201,932	181,466	7,043,743
FUND BALANCE, END OF YEAR	\$ 7,427,714	\$ 525,996	\$ 240,023	\$ 8,193,733

Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
Analysis of Account A431 - School Districts
For Year Ended June 30, 2026

	<u>2026</u>
July 1, 2025 - DEBIT (CREDIT) BALANCE	<u>\$ 11,879,700</u>
DEBITS:	
Billings to school districts	\$ 206,557,318
Refund of balances made to school districts	7,000,238
Adjustments - credits to school districts	
Other Adjustments - miscellaneous	167
Encumbrances - June 30, 2026	<u>1,435,814</u>
Total Debits	<u>\$ 214,993,537</u>
TOTAL	<u>\$ 226,873,237</u>
CREDITS:	
Collections from school districts	\$ 210,417,222
Adjustment - credits to school districts -	
revenues in excess of expenditures	3,060,562
Nonspendable - deferred expenditures	15,926
Change in deferred inflows	4,692,965
Encumbrances - June 30, 2025	<u>885,633</u>
Total Credits	<u>\$ 219,072,308</u>
June 30, 2026 - DEBIT (CREDIT) BALANCE	<u>\$ 7,800,929</u>

Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
CAPITAL PROJECTS FUND SCHEDULE OF
PROJECT EXPENDITURES
For Year Ended June 30, 2026

Project Title	Expenditures						Methods of Financing					Fund Balance
	Original Appropriation	Revised Appropriation	Prior Years	Current Year	Total	Unexpended Balance	Obligations	Local Sources	District Billings	Transfers	Total	
Harris Building	\$ -	\$ 767,857	\$ 184,073	\$ 533,412	\$ 717,485	\$ 50,372	\$ -	\$ -	\$ -	\$ 767,857	\$ 767,857	\$ 50,372
Foreman Center - Electric	-	2,502,199	170,179	767,250	937,429	1,564,770	-	-	-	2,502,199	2,502,199	1,564,770
Foreman Center - Renovation 24-26	-	1,865,351	821,083	950,550	1,771,633	93,718	-	-	-	1,865,351	1,865,351	93,718
Foreman Center - Renovation 26-28	-	-	-	97,347	97,347	(97,347)	-	-	-	-	-	(97,347)
Unassigned capital project	-	-	-	-	-	-	-	857,832	8,309,481	(3,351,112)	5,816,201	5,816,201
Installment purchase debt	-	2,636,309		2,636,309	2,636,309	-	2,636,309	-	-	-	2,636,309	-
TOTAL	\$ -	\$ 7,771,716	\$ 1,175,335	\$ 4,984,868	\$ 6,160,203	\$ 1,611,513	\$ 2,636,309	\$ 857,832	\$ 8,309,481	\$ 1,784,295	\$ 13,587,917	\$ 7,427,714

Supplementary Information
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
FIRST SUPERVISORY DISTRICT OF MONROE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Year Ended June 30, 2026

<u>Grantor / Pass - Through Agency</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Agency Number</u>	<u>Total Expenditures</u>
<u>Federal Award Cluster / Program</u>			
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through NYS Education Department -</u>			
Perkins IV/CTEIA - Basic Grant	84.048	8000-26-0047	\$ 273,566
Total U.S. Department of Education			\$ 273,566
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Passed Through NYS Department of Homeland Security and Emergency Services -</u>			
Federal Emergency Disaster Assistance	97.036	4480 DR-NY	\$ 5,908
Total U.S. Department of Homeland Security			\$ 5,908
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through NYS Education Department (Child Nutrition Services) -</u>			
<u>Child Nutrition Cluster -</u>			
National School Lunch Program	10.555	005503	\$ 321,279
National School Lunch Program-Non-Cash Assistance (Commodities)	10.555	005503	26,871
National School Breakfast Program	10.553	005503	173,873
Total Child Nutrition Cluster			\$ 522,023
Total U.S. Department of Agriculture			\$ 522,023
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 801,497

**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

To the Board Members
Board of Cooperative Educational Services
First Supervisory District of Monroe County, New York

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Board of Cooperative Educational Services First Supervisory District of Monroe County, New York (the BOCES) as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated October 9, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Mengel, Metzger, Barw & Co. LLP

Fairport, New York
October 9, 2026

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

Schedule of Findings and Responses

For The Year Ended June 30, 2026

I. Summary of the Auditors' Results

Financial Statements

a) Type of auditor's report issued	Unmodified
b) Internal control over financial reporting	
1. Material weaknesses identified	No
2. Significant deficiency(ies) identified	No
c) Noncompliance material to financial statements noted	No

II. Financial Statement Findings

There were no current year findings and there were no prior year findings.