

**ORANGE ULSTER BOCES**

**Financial Statements and Required Reports  
Under the Uniform Guidance  
As of and for the year ended June 30, 2019**

**Bonadio & Co., LLP**  
Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

October 11, 2019

To the Board of Education of  
Orange Ulster BOCES:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Orange Ulster BOCES (BOCES) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Orange Ulster BOCES, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

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

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

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

The other information required by the New York State Education Department has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 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 the BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control over financial reporting and compliance.

## ORANGE ULSTER BOCES

### MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED) June 30, 2019

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*The following is a discussion and analysis of the Orange Ulster BOCES' (BOCES) financial performance for the fiscal year ended June 30, 2019. The section is a summary of the BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.*

The accounting practices promulgated by the State of New York provide that a BOCES may charge its component districts in advance for the estimated costs of providing services. At year-end, a final accounting is performed and any excess of general fund revenues over expenditures, encumbrances, designations and reserves of fund balance is returned to the component districts. If the final accounting indicates that general fund expenditures, encumbrances, designations and assigned fund balance exceed revenues, the deficiency is billed to the component districts. Thus, BOCES is precluded from having an undesignated fund balance or deficit in its general fund.

### FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-2019 fiscal year are as follows:

- For the year ended *June 30, 2019*, total net position was a deficit \$240,467,265, a decrease of \$9,681,665 from the deficit net position of \$230,785,600 for the year ended June 30, 2018. This decrease is primarily the result of the GASB Statement 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, estimated liability in the school year ended June 30, 2019. This required the BOCES to calculate and record a net other post-employment health care obligations of \$255,676,054 at year end, a decrease of \$5,044,177 from the prior year.
- The BOCES' governmental fund financial statements report a combined ending fund balance of \$7,752,045. Of this amount, \$2,482,108 is assigned to capital projects, \$993,864 is restricted for unemployment insurance and retirement contributions, and \$4,269,375 represents general fund reserve for encumbrances.
- The BOCES issued \$2,314,952 of installment purchase debt during the year. The proceeds were used to finance the cost of printers and copiers for the districts.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: Management’s Discussion and Analysis (MD&A) (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Orange Ulster BOCES:

- The first two statements are *government-wide* financial statements that provide both *short-term* and *long-term* information about the BOCES *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the BOCES, reporting the BOCES operations in *more detail* than the government-wide statements. The fund financial statements concentrate on the BOCES most significant funds with all other non-major funds listed in total in one column.
- 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 sections of this annual report are arranged and related to one another.

**Figure A-1 Organization of the BOCES’ Annual Financial Report**

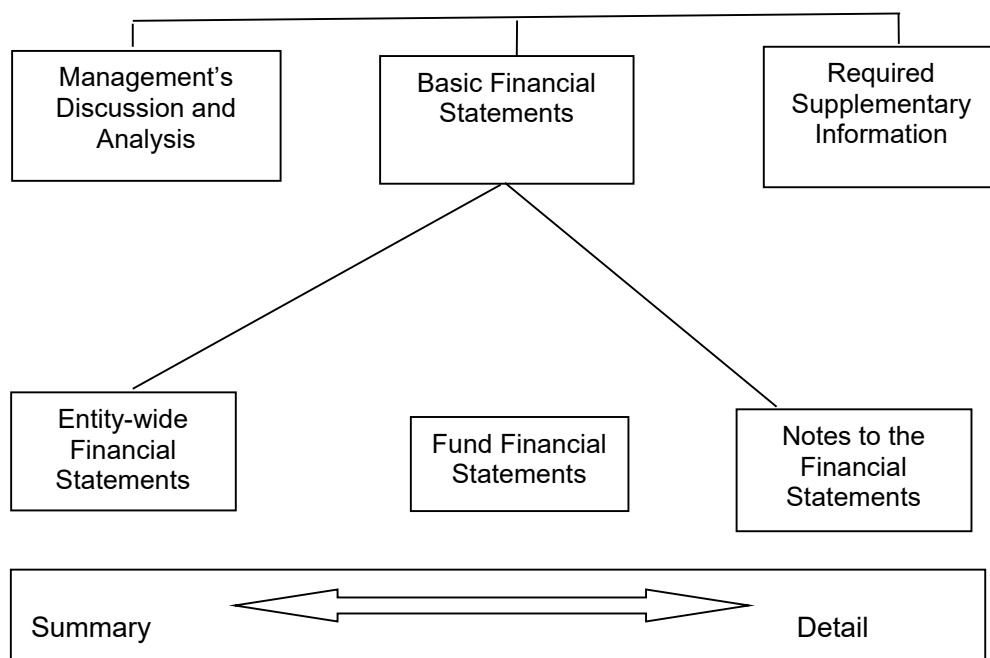


Figure A-2 summarizes the major features of the Orange Ulster BOCES’ financial statements, including a portion of the BOCES’ activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

**Figure A-2** Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not proprietary or fiduciary, such as special education.	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund equity</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset & deferred outflow/liability & deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, 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 revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	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 revenue and expenses 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 they have changed. Net position – the difference between the BOCES assets and liabilities – are one way to measure the BOCES financial health or *position*.

- Over time, increases or decreases in the BOCES net position are an indicator of whether its financial position is improving or deteriorating, respectively.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-Wide Statements (Continued)

- To assess the BOCES overall health, you need to consider additional nonfinancial factors, such as changes in the BOCES component districts property tax base and the condition of school buildings and other facilities.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Investment in capital assets.
  - Restricted net position are those with constraints placed on use by external sources or imposed by law.
  - Unrestricted net position are net position that do not meet any of the above restrictions.

### Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES funds – not the Orange Ulster BOCES as a whole. Funds are accounting devices the BOCES uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The BOCES has two kinds 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. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Fund Financial Statements (Continued)

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

## FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

**Figure A-3 Condensed Statement of Net Position (in thousands of dollars)**

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>	Percent <u>Change</u>
Current and other assets	\$ 58,346	\$ 48,573	20.1%
Non current asset	<u>42,649</u>	<u>40,228</u>	6.0%
Total assets	<u>100,995</u>	<u>88,801</u>	13.7%
Deferred outflows of resources	<u>32,317</u>	<u>35,904</u>	-10.0%
Current liabilities	45,507	36,948	23.2%
Long-term liabilities	<u>268,970</u>	<u>270,159</u>	-0.4%
Total liabilities	<u>314,477</u>	<u>307,107</u>	2.4%
Deferred inflows of resources	<u>59,303</u>	<u>48,384</u>	22.6%
Net position:			
Investment in capital assets	35,871	36,755	-2.4%
Restricted	994	382	160.2%
Unrestricted	<u>(277,332)</u>	<u>(267,923)</u>	3.5%
Total net position	<u>\$ (240,467)</u>	<u>\$ (230,786)</u>	4.2%

### Changes in Net Position

Net position decreased to \$(240,467,265) for the year ended June 30, 2019, down from the (\$230,785,600) balance for 2018. This resulted primarily from recording an expense for the other post-employment benefits liability of \$10,569,819. In addition, BOCES returned surplus of \$7,502,056 to its component school districts.

## FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

**Figure A-4 Changes in Net Position from Operating Results (in thousands of dollars)**

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>	<u>Percent Change</u>
<u>Revenue</u>			
Program revenue:			
Charges for services	\$ 174,475	\$ 168,619	3.5%
Operating grants and contributions	4,514	4,773	-5.4%
General revenue:			
Use of money and property	427	158	170.3%
Sale of property and compensation for loss	148	71	108.5%
Miscellaneous	<u>1,780</u>	<u>1,565</u>	13.7%
Total revenue	<u>181,344</u>	<u>175,186</u>	3.5%
<u>Expenses</u>			
Administration	8,328	7,684	8.4%
Occupational instruction	22,075	21,313	3.6%
Instruction for special needs	93,304	92,190	1.2%
Itinerant services	3,762	3,801	-1.0%
General instruction	13,820	14,668	-5.8%
Instruction support	20,288	19,280	5.2%
Other services	17,254	16,786	2.8%
School lunch program	644	652	-1.2%
Depreciation - unallocated	4,050	4,244	-4.6%
Return of surplus	<u>7,502</u>	<u>10,433</u>	-28.1%
Total expenses	<u>191,027</u>	<u>191,051</u>	0.0%
Increase (Decrease) in net position	<u>\$ (9,683)</u>	<u>\$ (15,865)</u>	-39.0%

The BOCES' 2019 revenue was \$181,343,277 compared to the previous year of \$175,186,853 (see Figure A-4).

The total cost of all programs and services totaled \$191,024,942 for 2019, compared to \$191,051,189 in the previous year. These expenses are predominantly for the education, supervision, and transportation of students (see Figure A-4).

## FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

Figure A-5: Revenue Sources for 2019

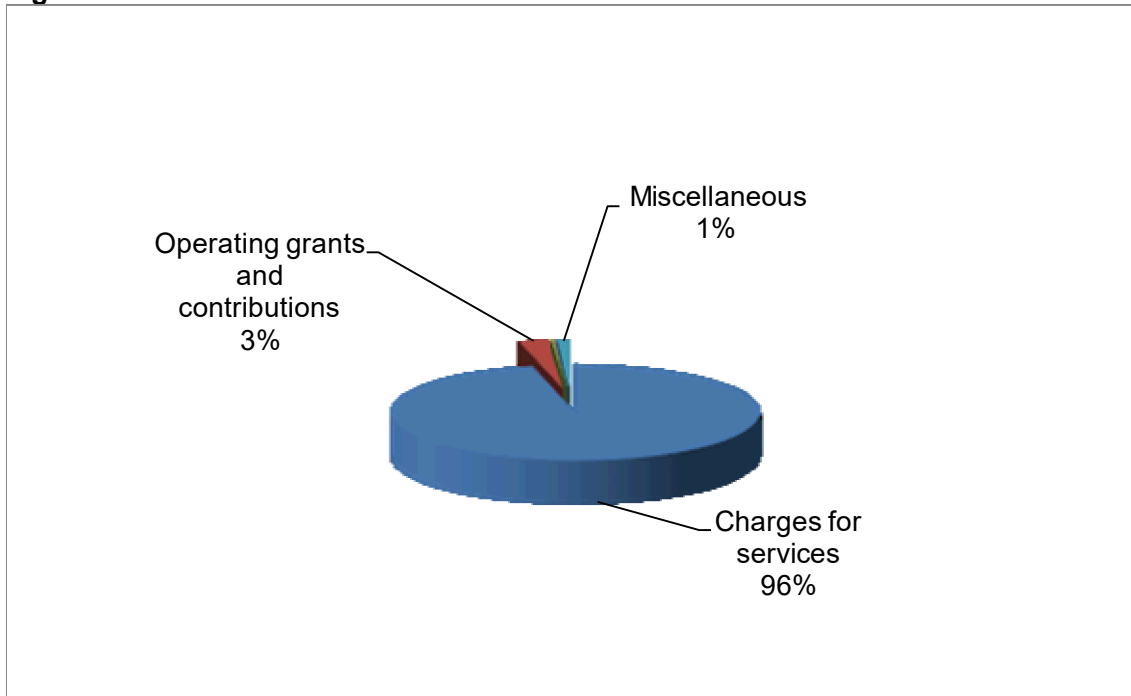
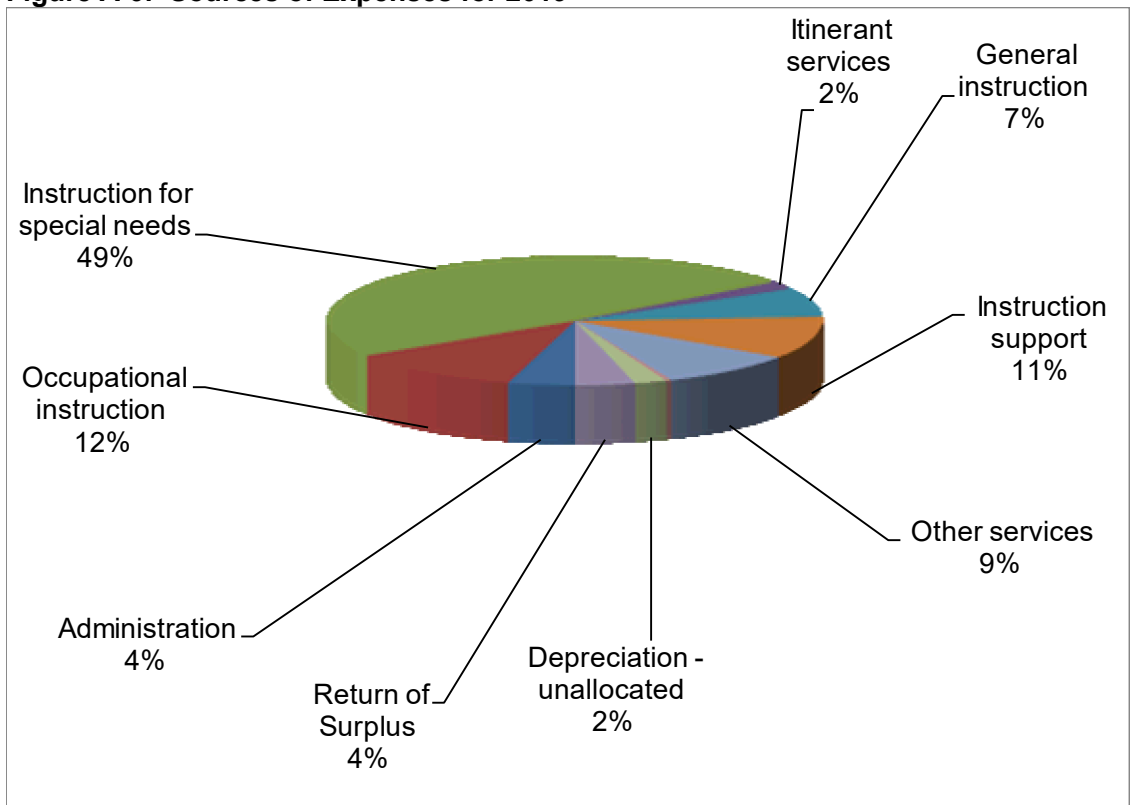


Figure A-6: Sources of Expenses for 2019



## FINANCIAL ANALYSIS OF THE BOCES' FUNDS

Variations between years for the governmental fund financial statements are not the same as variations between years for the government-wide financial statements. The Orange Ulster BOCES governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

The following is a brief description of the activity in the governmental funds for 2019 and 2018:

*General Fund:* Revenues exceeded expenditures, prior to surplus returns in the 2018-2019 year as a result of increased service requests, as well as effective cost management. As service requests are accepted, to the extent that fixed costs have already been covered, a small surplus could be generated. If this is the case, the surplus is refunded to participants the following year.

*Special Aid:* By the type of fund, special aid does not generate a fund balance other than certain rate based programs. Revenue received is generally all expended. Total revenues for the current year were \$9,039,426, a decrease of \$234,527 from the prior year revenues of \$9,273,953. This decrease in revenue was primarily attributable to a decrease in the summer special education program.

*School Lunch:* The school lunch fund ended 2018-2019 with a deficit in operating revenue of \$151,467, which was offset by a budgeted interfund transfer from the general fund of \$145,477. This resulted in a Fund Balance of \$6,698 on hand as of June 30, 2019.

*Capital Projects:* The capital projects spending totaled \$1,591,997 in 2018-2019. This left a Fund Balance of \$2,482,108 on hand as of June 30, 2019.

### General Fund Budgetary Highlights

As additional requests for service are accepted, spending adjustments are required to meet these changing needs. The original approved budget as well as estimated revenues are adjusted to more accurately reflect actual service levels. Once fixed costs are covered, additional services typically drive a small surplus. This surplus is then refunded to the participants the following fiscal year.

### Capital Assets

As of June 30, 2019, the BOCES had \$38,312,553 invested in a broad range of capital assets including land, buildings, machinery, equipment and vehicles.

### Capital Assets (Net of Depreciation, in Thousands of Dollars)

	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>	Percent <u>Change</u>
Land	\$ 318	\$ 318	-0.1%
Construction in progress	3,209	1,700	88.8%
Buildings and improvements	28,371	30,052	-5.6%
Furniture and equipment	5,865	5,908	-0.7%
Equipment and furniture	<u>549</u>	<u>453</u>	21.3%
Total	<u>\$ 38,313</u>	<u>\$ 38,431</u>	-0.3%

## FINANCIAL ANALYSIS OF THE BOCES' FUNDS (Continued)

### Long-Term Liabilities

As of June 30, 2019, the BOCES had \$270.23 million in Long Term Liabilities outstanding. More detailed information about the BOCES' long-term liabilities is included in the notes to the financial statements.

(In Thousands)

<u>Category</u>	Fiscal Year <u>2019</u>	Fiscal Year <u>2018</u>
Short term portion of installment purchase agreements	\$ 1,256	\$ 929
Compensated absences payable	6,343	6,138
Installment purchase agreements	1,185	747
Net pension liability	5,766	2,554
Total other postemployment benefits liability	<u>255,676</u>	<u>260,721</u>
Total	<u>\$ 270,226</u>	<u>\$ 271,089</u>

During the year, BOCES issued \$2,314,952 of installment purchase debt to finance the cost of printers and copiers for the districts.

More detailed information about the BOCES' long-term liabilities is presented in the notes to the financial statements.

### FACTORS BEARING ON THE BOCES' FUTURE

The BOCES provides quality services to its component districts. Each year, the scope of these services expands to meet the rising expectations for public school districts to achieve higher standards of excellence for all students.

The availability of resources both human and material is critical to our continuing success. We are proud of our accomplishments and the support we received each year from our participating school districts. Our goal is to maintain and improve the quality of our services and safeguard the integrity of our operations.

### CONTACTING THE BOCES' FINANCIAL MANAGEMENT

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

**Orange Ulster BOCES  
Business Office  
53 Gibson Road  
Goshen, New York 10924**

**ORANGE ULSTER BOCES****STATEMENT OF NET POSITION  
JUNE 30, 2019****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

## CURRENT ASSETS:

Cash - unrestricted	\$ 23,629,178
Cash - restricted	993,864
Due from school districts	17,281,234
State and federal aid receivable	15,206,104
Accounts receivable	1,137,739
Due from fiduciary funds	50,000
Prepaid expenditures	41,626
Inventories	<u>6,698</u>

Total current assets 58,346,443

## NONCURRENT ASSETS:

Capital assets, net of accumulated depreciation	38,312,553
Net pension asset - TRS	<u>4,336,894</u>

Total non current assets 42,649,447

## DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - OPEB	5,136,048
Deferred outflows of resources - pensions ERS	3,997,395
Deferred outflows of resources - pensions TRS	<u>23,183,439</u>

Total deferred outflows of resources 32,316,882

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 133,312,772

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

## CURRENT LIABILITIES:

Accounts payable	\$ 3,386,071
Accrued liabilities	1,835,575
Due to school districts	14,618,094
Due to other governments	3,591
Due to Teachers' Retirement System	4,567,318
Due To Employee Retirement System	876,852
Revenue anticipation note payable	18,508,500
Unearned revenue	455,305
Short term portion of installment purchase agreements	<u>1,256,086</u>

Total current liabilities 45,507,392

## LONG-TERM LIABILITIES:

Compensated absences payable	6,343,092
Installment purchase agreements	1,185,250
Net pension liability - ERS	5,765,521
Total other postemployment benefits liability	<u>255,676,054</u>

Total long-term liabilities 268,969,917

## DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - OPEB	51,631,215
Deferred inflows of resources - pensions ERS	1,870,840
Deferred inflows of resources - pensions TRS	<u>5,800,673</u>

Total deferred inflows of resources 59,302,728

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 373,780,037

**NET POSITION**

Net investment in capital assets	35,871,217
Restricted	993,864
Unrestricted net position	<u>(277,332,346)</u>

TOTAL NET POSITION \$ (240,467,265)

The accompanying notes are an integral part of these statements.



**ORANGE ULSTER BOCES**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>FUNCTIONS/PROGRAMS:</b>				
Administration	\$ 8,328,251	\$ 8,122,248	\$ -	\$ (206,003)
Occupational instruction	22,074,559	21,528,535	-	(546,024)
Instruction for special needs	93,303,807	90,995,897	-	(2,307,910)
Itinerant services	3,761,534	3,668,491	-	(93,043)
General instruction	13,820,072	13,478,227	3,996,750	3,654,905
Instruction support	20,287,545	19,785,724	-	(501,821)
Other services	17,253,955	16,827,171	-	(426,784)
School lunch program	643,644	68,239	516,957	(58,448)
Depreciation - unallocated	4,049,519	-	-	(4,049,519)
Return of Surplus	<u>7,502,056</u>	<u>-</u>	<u>-</u>	<u>(7,502,056)</u>
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$ 191,024,942</u>	<u>\$ 174,474,532</u>	<u>\$ 4,513,707</u>	<u>(12,036,703)</u>
<b>GENERAL REVENUE:</b>				
Use of money and property				427,064
Sale of property and compensation for loss				147,534
Miscellaneous				<u>1,780,440</u>
<b>TOTAL GENERAL REVENUE</b>				<u>2,355,038</u>
<b>CHANGE IN NET POSITION</b>				<u>(9,681,665)</u>
<b>TOTAL NET POSITION - beginning of year</b>				<u>(230,785,600)</u>
<b>TOTAL NET POSITION - end of year</b>				<u>\$ (240,467,265)</u>

The accompanying notes are an integral part of these statements.

**ORANGE ULSTER BOCES**

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCE TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2019**

	<b>Governmental Fund Types</b>				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
<b>ASSETS</b>					
Cash - unrestricted	\$ 21,124,925	\$ 20,134	\$ 2,011	\$ 2,482,108	\$ 23,629,178
Cash - restricted	993,864	-	-	-	993,864
Due from school districts	17,281,234	-	-	-	17,281,234
Due from other funds	956,469	-	-	-	956,469
State and federal aid	14,618,094	545,352	42,658	-	15,206,104
Accounts receivable	747,537	390,202	-	-	1,137,739
Prepaid expenditures	41,626	-	-	-	41,626
Inventory	-	-	6,698	-	6,698
<b>TOTAL ASSETS</b>	<b>\$ 55,763,749</b>	<b>\$ 955,688</b>	<b>\$ 51,367</b>	<b>\$ 2,482,108</b>	<b>\$ 59,252,912</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 3,351,456	\$ 16,339	\$ 18,276	\$ -	\$ 3,386,071
Accrued liabilities	8,122,985	47,941	7,741	-	8,178,667
Due to other governments	-	3,554	37	-	3,591
State aid due to school districts	14,618,094	-	-	-	14,618,094
Due to other funds	-	887,854	18,615	-	906,469
Due to Teachers' Retirement System	4,567,318	-	-	-	4,567,318
Due to Employees' Retirement System	876,852	-	-	-	876,852
Revenue anticipation note payable	18,508,500	-	-	-	18,508,500
Unearned revenue	455,305	-	-	-	455,305
	<u>50,500,510</u>	<u>955,688</u>	<u>44,669</u>	<u>-</u>	<u>51,500,867</u>

(Continued)

**ORANGE ULSTER BOCES**

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)  
JUNE 30, 2019**

	<u>Governmental Fund Types</u>				Total Governmental Funds
	<u>General</u>	Special <u>Aid</u>	School <u>Lunch</u>	Capital <u>Projects</u>	
<b>FUND BALANCES</b>					
Nonspendable					
Prepaid expenditures	41,626	-	-	-	41,626
Inventory	-	-	6,698	-	6,698
Restricted	993,864	-	-	-	993,864
Assigned	4,269,375	-	-	2,482,108	6,751,483
Unassigned	<u>(41,626)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,626)</u>
<b>TOTAL FUND BALANCES</b>	<u>5,263,239</u>	<u>-</u>	<u>6,698</u>	<u>2,482,108</u>	<u>7,752,045</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 55,763,749</u>	<u>\$ 955,688</u>	<u>\$ 51,367</u>	<u>\$ 2,482,108</u>	<u>\$ 59,252,912</u>

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances per above	\$ 7,752,045
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	38,312,553
Deferred outflow of resources related to long-term pension and OPEB activity	32,316,882
Long term liabilities that are not due and payable in the current period are not reported in the funds	
Installment purchase agreements	(2,441,336)
Net pension liability - ERS	(5,765,521)
Net pension asset - TRS	4,336,894
Other post-employment benefits liability	(255,676,054)
Deferred Inflow of resources related to long-term pension and OPEB activity	<u>(59,302,728)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ (240,467,265)</u>

The accompanying notes are an integral part of these financial statements.

**ORANGE ULSTER BOCES**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>Governmental Fund Types</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
REVENUE:					
Charges for services	\$ 1,906,192	\$ 552,619	\$ -	\$ -	\$ 2,458,811
Charges to components	143,734,915	3,399,442	-	-	147,134,357
Charges to other BOCES	16,470,114	1,085,615	-	-	17,555,729
Charges to non components	9,572,348	-	-	-	9,572,348
Interest and earnings	376,542	-	61	50,461	427,064
Sale of property and compensation for loss	147,534	-	-	-	147,534
Miscellaneous	1,778,374	5,000	(2,934)	-	1,780,440
State sources	-	251,955	13,082	-	265,037
Federal sources	-	3,744,795	478,085	-	4,222,880
Donated food	-	-	25,790	-	25,790
Sales - School lunch	-	-	68,239	-	68,239
Total revenue	<u>173,986,019</u>	<u>9,039,426</u>	<u>582,323</u>	<u>50,461</u>	<u>183,658,229</u>
EXPENDITURES:					
Administration	8,078,628	-	-	-	8,078,628
Occupational instruction	20,311,529	-	-	-	20,311,529
Instruction for special education	89,797,535	-	-	-	89,797,535
Itinerant services	3,460,879	-	-	-	3,460,879
General instruction	3,557,384	9,039,426	-	-	12,596,810
Instruction support	21,389,291	-	-	-	21,389,291
Other services	17,005,049	-	-	-	17,005,049
Other expenditures	(145,478)	-	-	-	(145,478)
Cost of sales	-	-	733,790	-	733,790
Capital outlay	-	-	-	1,591,997	1,591,997
Total expenditures	<u>163,454,817</u>	<u>9,039,426</u>	<u>733,790</u>	<u>1,591,997</u>	<u>174,820,030</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>10,531,202</u>	<u>-</u>	<u>(151,467)</u>	<u>(1,541,536)</u>	<u>8,838,199</u>
OTHER SOURCES AND (USES):					
Operating transfers in	-	-	145,477	575,000	720,477
Return of surplus	(7,502,056)	-	-	-	(7,502,056)
Operating transfers out	(720,477)	-	-	-	(720,477)
Total other sources (uses)	<u>(8,222,533)</u>	<u>-</u>	<u>145,477</u>	<u>575,000</u>	<u>(7,502,056)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>2,308,669</u>	<u>-</u>	<u>(5,990)</u>	<u>(966,536)</u>	<u>1,336,143</u>
FUND BALANCES - beginning of year	<u>2,954,570</u>	<u>-</u>	<u>12,688</u>	<u>3,448,644</u>	<u>6,415,902</u>
FUND BALANCES - end of year	<u>\$ 5,263,239</u>	<u>\$ -</u>	<u>\$ 6,698</u>	<u>\$ 2,482,108</u>	<u>\$ 7,752,045</u>

The accompanying notes are an integral part of these statements.

## ORANGE ULSTER BOCES

### RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

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Net changes in fund balance - Total governmental funds	\$ 1,336,143
Capital outlays, net, are expenditures in governmental funds, but are capitalized in the statement of net position.	3,931,567
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(4,049,519)
Pension income (expense) resulting from the long-term pension related actuary calculations are not recorded as an expenditure in the government funds but is recorded in the statement of activities.	435,675
Proceeds from the issuance of long-term debt are recorded as other sources in the governmental funds, but are recorded as additions to liabilities in the statement of net position.	(2,314,952)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	1,549,240
Accrued post-employment benefits do not require the expenditure of current resources and, therefore are not reported as expenditures in the governmental funds.	<u>(10,569,819)</u>
Change in net position - governmental activities	<u>\$ (9,681,665)</u>

The accompanying notes are an integral part of these statements.

**ORANGE ULSTER BOCES**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2019**

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	<u>Agency</u>	<u>Private Trusts</u>
<b>ASSETS:</b>		
Cash - unrestricted	\$ 50,000	\$ -
Cash - restricted	<u>14,861</u>	<u>51,259</u>
Total assets	<u>\$ 64,861</u>	<u>\$ 51,259</u>
<b>LIABILITIES:</b>		
Extraclassroom activity balances	\$ 14,861	\$ -
Due to other funds	50,000	-
Other liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 64,861</u>	<u>-</u>
<b>NET POSITION:</b>		
Restricted for private purposes		<u>\$ 51,259</u>

**ORANGE ULSTER BOCES**

**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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	<u>Private Purpose Trusts</u>
<b>ADDITIONS:</b>	
Donations	\$ 21,156
<b>DEDUCTIONS:</b>	
Scholarships and other private purposes	<u>20,550</u>
NET DECREASE	606
NET POSITION - beginning of year	<u>50,653</u>
NET POSITION - end of year	<u>\$ 51,259</u>

The accompanying notes are an integral part of these statements.

# ORANGE ULSTER BOCES

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2019

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### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Nature of Operations**

The BOCES provides shared educational programs and services to its component units.

#### **Significant Accounting Policies**

The financial statements of Orange Ulster BOCES have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### **Reporting Entity**

The BOCES is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The board is responsible for, and controls all activities related to public school education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES board as a corporation (§1950(6)). In addition, BOCES boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital costs is calculated using a resident weighted average daily attendance (RWADA) as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

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

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

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES business office. The BOCES accounts for assets held as an agent for various student organizations in an agency fund.

### Basis of Presentation

#### Government -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, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column (if any) reflects capital-specific grants.

The statement of activities presents a comparison between direct expenses and program revenue 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 revenue includes 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. Revenue that is not classified as program revenue, is presented as general revenue.

#### Fund Financial Statements

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

The BOCES reports the following major governmental funds:

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

*Special 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 and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

*School Lunch Fund:* This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.



## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Basis of Presentation (Continued)

#### Fund Financial Statements (Continued)

*Capital Projects Funds:* These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

*Fiduciary Funds:* These funds are used to account for fiduciary activities. 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 government-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There are two classes of fiduciary funds:

- Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.
- Agency 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 student groups or extraclassroom activity funds and for payroll or employee withholding.

### Use of Estimates

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

### Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which 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 governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The BOCES considers all revenue reported in the governmental funds to be available if the revenue is collected within ninety days after the end of the fiscal year.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Measurement Focus and Basis of Accounting (Continued)**

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.

**Cash (and Cash Equivalents)/Investments**

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

BOCES' deposits and investment policies are governed by State statutes. BOCES has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. BOCES is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions, and accordingly, the BOCES does not have a specific policy for custodial credit risk.

Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. BOCES has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

Custodial credit risk is the risk that in the event of a bank failure, BOCES' deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in BOCES' name. BOCES' aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2019.

**Restricted Cash**

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes \$993,864 within the governmental funds.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Accounts Receivable**

Receivables include amounts due from other governments and individuals for services provided by BOCES. Receivables are recorded and revenues recognized as earned or as specific program expenditures/expenses are incurred. Allowances are recorded when appropriate.

**Inventories and Prepaid Items**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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 prepaid items in both the government-wide and fund financial statements. These items are reported 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.

**Interfund Transactions**

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

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund Transactions (Continued)**

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.

**Capital Assets**

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

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and improvements	\$ 5,000	SL	20-40
Furniture and equipment	5,000	SL	5-15
Vehicles	5,000	SL	8

**Deferred Outflows and Inflows of Resources**

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

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 and so will not be recognized as an inflow of resources (revenue) until then.

The BOCES deferred outflows of resources and deferred inflows of resources in relation to its pension and OPEB obligations. These amounts are detailed in the discussion of the BOCES pension and OPEB plans in Note 9 and 10.

**Vested Employee Benefits**

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

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

Consistent with generally accepted accounting principles, an accrual for accumulated vacation leave is included in the compensated absences liability at year-end. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Net Pension Liability/Asset**

The net pension liability/asset represents the BOCES proportionate share of the net pension liability/asset of the New York State and Local Employees' Retirement System and the New York State Teachers' Retirement System. The financial reporting of these amounts are presented in accordance with the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

**Total Other Post-Employment Benefits Liability**

In addition to providing the pension benefits through the New York State Employees' Retirement System and the New York State Teachers' Retirement System, the BOCES provides post-employment health insurance coverage (OPEB) to its retired employees and their survivors and a retirement incentive for eligible employees. The BOCES has retained an actuary to determine the District's total OPEB liability in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The disclosures relating to the BOCES total OPEB liability are reflected in Note 10.

**Unearned Revenue**

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In government-wide financial statements, unearned revenues consist of amounts received in advance and/or amounts from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. BOCES has reported unearned revenues of \$455,305 for amounts received in advance in the General Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

**Short-Term Debt**

The BOCES may issue Revenue Anticipation Notes (RANs), in anticipation of the receipt of revenue. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The BOCES may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources.

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Installment Purchase Agreements 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.

**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.

**Equity Classifications**

Government-Wide Statements

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

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets plus any unspent proceeds of those debt obligations.

Restricted net position - reports net position when constraints placed on the assets are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

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

Funds Statements

**Fund Balance – Reservations and Designations**

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

Non-spendable 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. Non-spendable fund balance includes the inventory recorded in the school lunch fund and prepaid expenditures in the general fund.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Fund Balance – Reservations and Designations (Continued)**

Restricted fund balance – 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. The BOCES has available the following restricted fund balances:

Capital

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

Repair

Repair reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. 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. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

Unemployment insurance reserve (GML §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 BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Fund Balance – Reservations and Designations (Continued)**

Insurance

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

Liability Claims and Property Loss

Property loss reserve and liability reserve (Education Law §1709(8)(c)) are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit 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. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §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 operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES' highest level of decision making authority, i.e., the Board of Education.

Assigned fund balance – Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. 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 assigned 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. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to \$4,269,375.



1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Fund Balance – Reservations and Designations (Continued)**

As of June 30, 2019, the BOCES' encumbrances were classified as follows:

Administration	\$	10,973
Occupational instruction		1,165,610
Instruction for special education		2,407,665
Itinerant services		2,371
General instruction		13,274
Instruction support		523,219
Other services		146,260
Other expenses		<u>3</u>
Total encumbrances	\$	<u>4,269,375</u>

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.

Order of Fund Balance Spending Policy

The BOCES' policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

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

### *Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities*

Total fund balances of the BOCES governmental funds differs from “net position” of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

*Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities* Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of three broad categories.

### **Long-Term Revenue and Expense Differences**

Long-term revenue differences arise because governmental funds report revenue only when it is considered “available”, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

### **Capital Related Differences**

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

### **Long-Term Debt Transaction Differences**

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

## **3. STEWARDSHIP AND COMPLIANCE**

### **Budgets**

Section 1950 of the Education Law requires adoption of a final budget by no later than May 15 of the ensuing year.

The 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.

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

### 3. STEWARDSHIP AND COMPLIANCE (Continued)

#### Budgets (Continued)

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the BOCES as a result of selected new revenue sources not included in the original budget, (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the BOCES approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year.

Adopted budget	\$140,032,723
Add: Prior year's encumbrances	<u>2,572,484</u>
Original budget	142,605,207
Budget revision: Board resolutions to accept changes in service contracts	<u>33,902,105</u>
Final budget	<u>\$176,507,312</u>

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the previous year.

### 4. CASH AND CASH EQUIVALENTS

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

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

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	<u>\$ 26,411,387</u>	<u>\$ 24,740,512</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the BOCES' name	\$ 25,911,362	
Covered by FDIC insurance	<u>500,025</u>	
Total	<u>\$ 26,411,387</u>	

#### 4. CASH AND CASH EQUIVALENTS (Continued)

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

General fund:

Cash on deposit for reserves:

Unemployment	\$ 393,864
Retirement	<u>600,000</u>
	<u>\$ 993,864</u>

Trust and agency fund:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 66,120</u>
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#### 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	July 1, 2018			June 30, 2019
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 317,559	\$ -	\$ -	\$ 317,559
Construction in progress	1,699,626	1,509,314	-	3,208,940
Total non-depreciable capital assets	<u>2,017,185</u>	<u>1,509,314</u>	<u>-</u>	<u>3,526,499</u>
Capital assets that are depreciated:				
Buildings and improvements	55,649,889	197,786	-	55,847,675
Furniture and equipment	16,889,392	2,037,036	2,089,035	16,837,393
Vehicles	1,125,231	187,561	47,063	1,265,729
Total depreciable capital assets	<u>73,664,512</u>	<u>2,422,383</u>	<u>2,136,098</u>	<u>73,950,797</u>
Less accumulated depreciation:				
Buildings and improvements	25,597,779	1,878,575	-	27,476,354
Furniture and equipment	10,981,127	2,079,701	2,088,905	10,971,923
Vehicles	672,286	91,243	47,063	716,466
Total accumulated depreciation	<u>37,251,192</u>	<u>4,049,519</u>	<u>2,135,968</u>	<u>39,164,743</u>
Total depreciable capital assets net	<u>36,413,320</u>	<u>(1,627,136)</u>	<u>130</u>	<u>34,786,054</u>
Total capital assets, net	<u>\$ 38,430,505</u>	<u>\$ (117,822)</u>	<u>\$ 130</u>	<u>\$ 38,312,553</u>

## 6. SHORT-TERM DEBT

BOCES may issue revenue anticipation notes (RAN) or tax anticipation notes (TAN), in anticipation of the receipt of revenue. These notes are recorded as a liability in the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

BOCES may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

BOCES may issue bond anticipation notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities in the fund that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

	<u>Maturity</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
RAN	7/25/2018	1.33%	\$ 13,152,728	\$ -	\$ 13,152,728	\$ -
RAN	7/24/2019	3.00%	-	18,508,500	-	18,508,500
			<u>\$ 13,152,728</u>	<u>\$ 18,508,500</u>	<u>\$ 13,152,728</u>	<u>\$ 18,508,500</u>

## 7. LONG-TERM LIABILITIES

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

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Installment purchase debt	\$ 1,675,624	\$ 2,314,952	\$ 1,549,240	\$ 2,441,336	\$ 1,256,086
Other liabilities:					
Compensated absences	\$ 6,137,604	\$ 205,488	\$ -	\$ 6,343,092	\$ -
Net pension liability - ERS	2,553,607	3,211,914	-	5,765,521	-
Other postemployment benefits	<u>260,720,681</u>	<u>-</u>	<u>5,044,177</u>	<u>255,676,504</u>	<u>-</u>
Total other liabilities	<u>269,411,892</u>	<u>3,417,402</u>	<u>5,044,177</u>	<u>267,785,117</u>	<u>-</u>
Total long-term liabilities	<u>\$271,087,516</u>	<u>\$ 5,732,354</u>	<u>\$ 6,593,417</u>	<u>\$270,226,453</u>	<u>\$ 1,256,086</u>

### *Compensated Absences*

BOCES recognizes a liability for vesting sick leave and other compensated absences with similar characteristics to the extent it is probable that BOCES will compensate the employees for the benefits through cash payments at retirement rather than be taken as absences due to illness or other contingencies.

Through its negotiated contracts with certain employee groups, BOCES offers retirement incentives to eligible employees that make notifications of intent to retire. Employees electing to retire under incentives receive a contractual payout. The liability for these incentives is included in accrued expenses.

## 7. LONG-TERM LIABILITIES (Continued)

### *Installment Purchase Debt Payable*

BOCES has entered into various installment purchase agreements to finance the cost of computers and other equipment. The unpaid balance at June 30, 2019 was \$2,441,336. The terms of the agreements provide for the repayment between 36 to 60 months including interest at rates between 1.69% and 3.02%.

The following is a summary of the maturity of installment purchase agreements:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,256,086	\$ 63,031	\$ 1,319,117
2021	725,339	32,656	757,995
2022	316,434	13,405	329,839
2023	143,477	4,274	147,751
Totals	<u>\$ 2,441,336</u>	<u>\$ 113,366</u>	<u>\$ 2,554,702</u>

## 8. INTERFUND BALANCES AND ACTIVITY

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 956,469	\$ -	\$ -	\$ 720,477
Special aid fund	-	887,854	-	-
School lunch fund	-	18,615	145,477	-
Capital fund	-	-	575,000	-
Fiduciary funds	-	50,000	-	-
Total governmental activities	<u>\$ 956,469</u>	<u>\$ 956,469</u>	<u>\$ 720,477</u>	<u>\$ 720,477</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

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

## 9. PENSION PLANS

### New York State and Local Employees Retirement System

The BOCES participates in the New York State and Local Employee's Retirement System (ERS). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to ERS. ERS benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in ERS, 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. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

#### *Contributions*

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27<sup>th</sup>, 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 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during ERS's fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2019	\$	3,459,984
2018		3,306,665
2017		3,162,851

## 9. PENSION PLANS (Continued)

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

At June 30, 2019, the BOCES reported a liability of \$5,765,521 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The BOCES' proportion of the net pension liability was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019, and 2018, the BOCES' proportion was 0.0813729 percent and 0.0791216 percent, respectively as measured at March 31, 2019 and 2018, respectively.

For the year ended June 30, 2019, the BOCES recognized pension expense of \$3,980,257. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,135,352	\$ 387,029
Changes of assumptions	1,449,216	-
Net difference between projected and actual earnings on pension plan investments	-	1,479,751
Changes in proportion and differences between the BOCES'		
contributions and proportionate share of contributions	535,975	4,060
Contributions subsequent to the measurement date	<u>876,852</u>	<u>-</u>
	<u>\$ 3,997,395</u>	<u>\$ 1,870,840</u>

The amount of \$876,852 reported as deferred outflows of resources related to pensions resulting from the BOCES' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ERS's Year Ended March 31:

2020	\$ 1,356,303
2021	(982,965)
2022	20,210
2023	856,155
2024	-
Thereafter	<u>-</u>
	<u>\$ 1,249,703</u>



## 9. PENSION PLANS (Continued)

### Actuarial Assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Salary Scale	4.2 % ERS, indexed by service
Investment rate of return, including inflation	7% compounded annually, net of investment expenses,
Cost of Living Adjustments	1.3% annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2019 are summarized below:

<u>Asset Type</u>	<u>Target Allocations</u>	<u>Long-Term expected real rate of return</u>
Domestic Equity	36%	4.55
International Equity	14%	6.35
Private Equity	10%	7.50
Real Estate	10%	5.55
Absolute Return Strategies	2%	3.75
Opportunistic Portfolio	3%	5.68
Real Assets	3%	5.29
Bonds & Mortgages	17%	1.31
Cash	1%	(0.25)
Inflation-Indexed Bonds	4%	1.25
	<u>100%</u>	

## 9. PENSION PLANS (Continued)

### Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. 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 Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the BOCES' proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the BOCES' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percent lower or 1 percent higher than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 25,207,778	\$ 5,765,521	\$ (10,567,354)

### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the plan as of March 31, 2019, were as follows (in thousands):

	Pension plan's fiduciary net position
Total pension liability	\$ 189,803,429
Net position	182,718,124
Net pension liability (asset)	<u>\$ 372,521,553</u>
Fiduciary net position as a percentage of total pension liability	96.27%

### New York State Teacher Retirement System

The BOCES participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers 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.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

## 9. PENSION PLANS (Continued)

### Contributions

NYSTRS is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined NYSTRS after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in NYSTRS more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

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

2019	\$ 3,828,550
2018	4,393,227
2017	4,883,405

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

At June 30, 2019, the BOCES reported an asset of \$4,336,894 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2017 with update procedures applied to roll forward the total pension asset to June 30, 2018. The BOCES' proportion of the net pension asset was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 and 2018 the BOCES' proportion was 0.239837 percent and 0.236547 percent, respectively as measured at June 30, 2018 and 2017, respectively.

For the year ended June 30, 2019, the BOCES recognized pension expense of \$3,322,350. At June 30, 2019 the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,240,925	\$ 587,057
Changes of assumptions	15,160,291	-
Net difference between projected and actual earnings on pension plan investments	-	4,814,283
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	214,905	399,333
Contributions subsequent to the measurement date	4,567,318	-
	<u>\$ 23,183,439</u>	<u>\$ 5,800,673</u>

**9. PENSION PLANS (Continued)**

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

The amount of \$4,567,318 reported as deferred outflows of resources related to pensions resulting from the BOCES' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TRS's Year Ended June 30:

2019	\$	4,303,517
2020		2,907,872
2021		267,755
2022		2,897,655
2023		1,995,115
Thereafter		<u>443,534</u>
	\$	<u>12,815,448</u>

**Actuarial Assumptions**

Inflation 2.25%

Projected Salary Increases Rates of increase differ based on service  
They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs 1.5% compounded annually

Investment Rate of Return 7.25% compounded annually, net of pension plan investment expense, including inflation.

The total pension liability at the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018.

These actuarial valuations used the following actuarial assumptions:

## 9. PENSION PLANS (Continued)

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

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on society of Actuaries Scale MP2014, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2018 actuarial valuation are based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in NYSTRS target asset allocation as of the valuation date of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocations</u>	<u>Long-term expected real rate of return</u>
Domestic Equity	33%	5.8%
International Equity	16%	7.3%
Global equities	4%	6.7%
Real Estate	11%	4.6%
Private Equity	8%	8.9%
Domestic Fixed Income Securities	16%	1.3%
Global Fixed Income Securities	2%	0.9%
Private debt	1%	6.8%
Real Estate debt	7%	2.8%
High-yield Fixed Income Securities	1%	3.5%
Short-term	1%	0.3%
	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**9. PENSION PLANS (Continued)**

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

The following presents the net pension liability (asset) of the BOCES calculated using the discount rate of 7.25 percent, as well as what the BOCES net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 29,795,172	\$ (4,336,894)	\$ (32,930,081)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability (asset) of the plan as June 30, 2018, were as follows (in thousands):

	Pension plan's fiduciary net position
Total pension liability	\$ 118,107,253
Net position	<u>119,915,518</u>
Net pension liability (asset)	<u>\$ (1,808,265)</u>
Fiduciary net position as a percentage of total pension liability	101.53%

**10. TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

**Plans Description**

Post-Retirement Health Care

The BOCES's Post-Retirement Health Care single-employer defined benefit OPEB plan, which is administered by the BOCES, provides medical and Medicare Part B benefits to retired employees and their eligible dependents. The benefits and eligible requirements determined by the employment contracts negotiated between the BOCES and its employee groups. All employees are eligible if they retire at or after the age of 55 and have between 5 and 15 years of service depending on the employee group. Medical benefits, including pharmaceutical costs, are provided through plans whose premiums are based on the benefits paid during the year. The BOCES pays a variable percentage of the cost of premiums which vary between 40 percent and 100 percent depending on the employee group and years of service with surviving spouses contributing 100% of their premiums.

Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. The plan does not accumulate assets to meet its future obligation and the plan is not administered through a trust or an equivalent arrangement. The OPEB plan does not issue a stand-alone financial report.

## 10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

### Plans Description (Continued)

#### Post-Retirement Health Care (Continued)

In the governmental funds, the BOCES recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid. Total contributions to the plan to cover the BOCES share of insurance premiums for the year ended June 30, 2019 was \$4,531,298.

#### Retirement Incentive

The BOCES's Retirement Incentive single-employer defined benefit OPEB plan, which is administered by the BOCES, provides a lump sum payment at retirement for eligible retirees. The amount of the lump sum payment and eligible requirements are determined by the employment contracts negotiated between the BOCES and its employee groups. All employees are eligible if they retire at age 55 and have at least 10 years of service. The lump sum payment is formulary and is determined by the employment contracts negotiated between the BOCES and its employee groups.

Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. The plan does not accumulate assets to meet its future obligation and the plan is not administered through a trust or an equivalent arrangement. The Retirement Incentive OPEB plan does not issue a stand-alone financial report.

In the governmental funds, the BOCES recognizes the cost of providing retirement incentives by recording these payments as an expenditure or operating transfer to other funds in the general fund in the year paid. Total payment to the plan to cover the BOCES retirement incentive payments for the year ended June 30, 2019 was \$604,750.

At July 1, 2018, the number of employees covered by BOCES's Post-Retirement Health Care Plan and the Retirement Incentive OPEB plans:

Inactive employees or beneficiaries	
currently receiving benefits	567
Active employees	<u>1,087</u>
Total participants	<u><u>1,654</u></u>

#### **Total OPEB Liability**

The BOCES total OPEB liability for both its Post-Retirement Health Care and Retirement Incentive Plan was \$255,676,504 and were measured as of June 30, 2018, and were determined by an actuarial valuation as of July 1, 2018. The July 1, 2018 total OPEB liability for both Plans was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date.

## 10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

The changes in the OPEB liability are as follows:

	Post-Retirement Health Care	Retirement Incentive	Total
Balance at June 30, 2018, as restated	<u>\$ 253,526,189</u>	<u>\$ 7,194,492</u>	<u>\$ 260,720,681</u>
Changes for the Year			
Service cost	12,726,267	380,903	13,107,170
Interest	9,462,837	265,019	9,727,856
Changes of benefit terms	-	-	-
Changes in assumptions or other inputs	(18,486,771)	(994,345)	(19,481,116)
Differences between expected and actual experience	(3,848,618)	(312,133)	(4,160,751)
Benefit payments	<u>(3,888,986)</u>	<u>(348,350)</u>	<u>(4,237,336)</u>
Net changes	<u>(4,035,271)</u>	<u>(1,008,906)</u>	<u>(5,044,177)</u>
Balance at June 30, 2019	<u>\$ 249,490,918</u>	<u>\$ 6,185,586</u>	<u>\$ 255,676,504</u>

### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2018 actuarial valuation for both the Post-Retirement Health Care and the Retirement Incentive Plans was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

The discount rate of 3.87% was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates use PUB-2010 Headcount Weighted Mortality Table, Teachers and General Classification projected generationally with MP-2018.

Health care costs are assumed to increase at the following rates (Post-Retirement Health Care Plan only):

Year	Pre-65	Post-65	EGWP
2018	7.50%	8.35%	20.62%
2019	7.51%	8.37%	13.35%
2020	7.14%	7.91%	5.03%
2021	6.77%	7.44%	5.39%
2022	6.40%	6.96%	5.37%
2023	6.02%	6.47%	5.16%
2024	5.64%	5.99%	4.96%
2025	5.26%	5.49%	4.99%
2026	4.88%	5.00%	4.21%
2027+	4.50%	4.50%	4.50%

Changes of assumptions and other inputs reflect a change in the discount rate from 3.58% to 3.87%. Mortality assumption was updated from the RP-2014 Combined Healthy Generational Mortality Table with projection scale MP-2016 from the Central Year to the PUB-2010 Headcount Weighted Mortality Table with projection scale MP-2018 varying based on Bargaining Unit Classification.



## 10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

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

The following presents the total OPEB liability of the BOCES' Post-Retirement and Retirement Incentive Plans, as well as what the BOCES' total OPEB liability for the two Plans would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Discount	1% Increase
Total Post-Retirement Health Care Plan	\$ 299,999,411	\$ 249,490,918	\$ 209,868,072
Total Retirement Incentive Plan	6,532,184	6,185,586	5,852,688
Total OPEB Liability	<u>\$ 306,531,595</u>	<u>\$ 255,676,504</u>	<u>\$ 215,720,760</u>

### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the BOCES' Post-Retirement Health Care Plan, as well as what the BOCES' total OPEB liability of the Post-Retirement Health Care Plan would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Health Care Trend	1% Increase
Total Post-Retirement Health Care Plan	<u>\$ 204,668,055</u>	<u>\$ 249,490,918</u>	<u>\$ 308,814,438</u>

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

For the year ended June 30, 2019, the BOCES recognized OPEB expense of \$15,202,692 for the Post-Retirement Health Care Plan and \$503,625 for the Retirement Incentive Plan. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflows of resources related to the Post-Retirement Health Care Plan and the Retirement Incentive Plan from the following sources:

	Post-Retirement Health Care		Retirement Incentive		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between actual and expected experience	\$ -	\$ 3,411,771	\$ -	\$ 285,903	-	3,697,674
Changes of assumptions	-	46,700,920	-	1,232,621	-	47,933,541
Benefit payments subsequent to measurement date	<u>4,531,298</u>	<u>-</u>	<u>604,750</u>	<u>-</u>	<u>5,136,048</u>	<u>-</u>
Total	<u>\$ 4,531,298</u>	<u>\$ 50,112,691</u>	<u>\$ 604,750</u>	<u>\$ 1,518,524</u>	<u>\$ 5,136,048</u>	<u>\$ 51,631,215</u>

## 10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

The BOCES recognized \$5,136,048 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of June 30, 2018, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

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

Fiscal Year Ending June	Post-Retirement Health Care Plan	Retirement Incentive Plan	Total
2020	\$ (6,986,412)	\$ (142,297)	\$ (7,128,709)
2021	(6,986,412)	(142,297)	(7,128,709)
2022	(6,986,412)	(142,297)	(7,128,709)
2023	(6,986,412)	(142,297)	(7,128,709)
2024	(6,986,412)	(142,297)	(7,128,709)
Thereafter	<u>(15,180,631)</u>	<u>(807,039)</u>	<u>(15,987,670)</u>
	<u>\$ (50,112,691)</u>	<u>\$ (1,518,524)</u>	<u>\$ (51,631,215)</u>

## 11. RISK MANAGEMENT

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

### Health Insurance

For its employee health and accident insurance coverage, the BOCES is a participant in the Orange - Ulster School District's Health Plan (Plan), a public entity risk pool operated for the benefit of twenty individual governmental units located within the region. The BOCES pays an annual premium to the Plan for this coverage. The Plan is considered a self-sustaining risk pool that will provide coverage for its members. The BOCES has essentially transferred all related risk to the Plan.

### Workers' Compensation Insurance

The BOCES participates in a risk-sharing pool, Orange-Ulster School District's Workers' Compensation Plan, to insure workers' compensation claims. This is a public entity risk pool created under Article 5, Workers' Compensation Law, to finance liability and risks related to workers' compensation claims.

The BOCES is self-insured for claims arising from unemployment benefit cases.

## 12. FUND BALANCES

Portions of fund balances are restricted and not available for current expenses or expenditures as reported in the governmental funds balance sheet.

### **13. CONTINGENCIES AND COMMITMENTS**

#### **Other contingencies**

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

#### **Commitments**

The BOCES has various commitments with contractors for the completion of capital projects.

#### **Litigation**

The BOCES has been named as defendant in certain actions. A review by management and the BOCES' attorneys indicate these actions are either fully covered by insurance or not substantial enough to materially affect the financial position of the BOCES.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**ORANGE ULSTER BOCES**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Adopted Budget	Final Budget	Actual	Final Budget Variance with Budgetary Actual
<b>REVENUE</b>				
Administration (001-002)	\$ 9,025,021	\$ 9,025,021	\$ 9,053,399	\$ 28,378
Occupational instruction (100-199)	19,553,606	19,553,606	21,187,826	1,634,220
Instruction for special education (200-299)	76,403,282	76,403,282	96,529,502	20,126,220
Itinerant services (300-399)	3,046,254	3,046,254	3,667,494	621,240
General instruction (400-499)	3,472,513	3,472,513	3,830,604	358,091
Instruction support (500-599)	19,582,794	19,582,794	21,813,239	2,230,445
Other services (600-699)	8,949,253	8,949,253	17,903,955	8,954,702
Other expenditures (700-799)	-	-	-	-
<b>Total revenues</b>	<b>140,032,723</b>	<b>140,032,723</b>	<b>173,986,019</b>	<b>33,953,296</b>
<b>EXPENDITURES</b>				
			<u>Encumbrances</u>	<u>Variance with Budgetary Actual and Encumbrances</u>
Administration (001-002)	8,450,022	8,485,125	8,078,628	10,973
Occupational instruction (100-199)	19,553,606	21,665,311	20,311,529	1,165,610
Instruction for special education (200-299)	76,403,280	94,586,646	89,797,535	2,407,665
Itinerant services (300-399)	3,046,254	4,173,067	3,460,879	2,371
General instruction (400-499)	3,472,515	4,014,265	3,557,384	13,274
Instruction support (500-599)	19,582,792	24,175,166	21,389,291	523,219
Other services (600-699)	8,949,251	17,682,823	17,005,049	146,260
Other expenditures (700-799)	(399,997)	749,909	(145,478)	3
Transfers to other funds	975,000	975,000	720,477	-
<b>Total expenditures</b>	<b>140,032,723</b>	<b>176,507,312</b>	<b>164,175,294</b>	<b>4,269,375</b>
Excess revenue over expenditures (expenditures over revenue)	<b>\$ -</b>	<b>\$ (36,474,589)</b>	<b>\$ 9,810,725</b>	<b>\$ 4,269,375</b>
			<b>\$ 4,269,375</b>	<b>\$ 25,890,653</b>

See the accompanying independent auditor's report

**ORANGE ULSTER BOCES**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proportion of the net pension liability (asset)	0.0813729%	0.0791216%	0.0780812%	0.0771370%	0.0778935%
Proportionate share of the net pension liability (asset)	\$ 5,765.52	\$ 2,553.61	\$ 7,336.69	\$ 12,380.70	\$ 2,631.40
Covered-employee payroll	\$ 24,782.13	\$ 22,892.20	\$ 21,663.40	\$ 20,355.43	\$ 21,795.10
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	23.26%	11.15%	33.87%	60.82%	12.07%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.68%	97.95%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proportion of the net pension liability (asset)	0.2398370%	0.2365470%	0.2386630%	0.2337670%	0.2391020%
Proportionate share of the net pension liability (asset)	\$ (4,336.89)	\$ (1,797.99)	\$ 2,556.18	\$ (24,280.90)	\$ (26,634.50)
Covered-employee payroll	\$ 39,066.84	\$ 37,484.90	\$ 36,828.13	\$ 35,114.95	\$ 35,319.08
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.10%	-4.80%	6.94%	-69.15%	-75.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	-101.53%	100.66%	99.01%	110.46%	111.48%

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**ORANGE ULSTER BOCES**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,459.98	\$ 3,306.66	\$ 3,162.85	\$ 3,414.12	\$ 3,981.84
Contributions in relation to the contractually required contribution	<u>3,459.98</u>	<u>3,306.66</u>	<u>3,162.85</u>	<u>3,414.12</u>	<u>3,981.84</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 23,796.29	\$ 22,029.68	\$ 21,663.40	\$ 19,700.65	\$ 19,712.07
Contributions as a percentage of covered-employee payroll	14.54%	15.01%	15.02%	17.33%	20.20%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,828.55	\$ 4,393.23	\$ 4,883.41	\$ 6,155.65	\$ 5,739.35
Contributions in relation to the contractually required contribution	<u>3,828.55</u>	<u>4,393.23</u>	<u>4,883.41</u>	<u>6,155.65</u>	<u>5,739.35</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 39,066.84	\$ 37,484.90	\$ 36,828.13	\$ 35,114.95	\$ 35,319.08
Contributions as a percentage of covered-employee payroll	9.80%	11.72%	13.26%	17.53%	16.25%

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**ORANGE ULSTER BOCES**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (POST-RETIREMENT HEALTH CARE PLAN) (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Last Ten Fiscal Years*	
	2019	2018
Total OPEB Liability - Post-Retirement Health Care Plan		
Service cost	\$ 12,726,267	\$ 15,391,826
Interest	9,462,837	8,169,455
Changes of benefit terms	-	-
Differences between expected and actual experience	(3,848,618)	-
Changes in assumptions	(18,486,771)	(39,214,894)
Benefit payments	(3,888,986)	(4,122,868)
Total change in total OPEB liability	(4,035,271)	(19,776,481)
OPEB Plan Fiduciary Net Position	-	-
Total OPEB liability - beginning	253,526,189	273,302,670
Total OPEB liability - ending	<u>\$ 249,490,918</u>	<u>\$ 253,526,189</u>
Covered-employee payroll	\$ 58,774,445	\$ 56,345,972
Total OPEB liability as a percentage of covered-employee payroll	424.5%	449.9%
Notes to schedule:		
Change in significant assumptions:		
	2019	2018
Discount rate	3.87%	3.58%
Healthcare trend rate:		
Initial rate	7.51%	7.51%
Decreasing per year	0.37%	0.43%
Ultimate rate	4.50%	4.50%
Ultimate rate year	2027	2024
Mortality rate	Pub-2010	RP-2014

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.



**ORANGE ULSTER BOCES**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (RETIREMENT INCENTIVE) (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

	Last Ten Fiscal Years*	
	2019	2018
Total OPEB Liability - Retirement Incentive Plan		
Service cost	\$ 380,903	\$ 413,868
Interest	265,019	215,374
Changes of benefit terms	-	-
Differences between expected and actual experience	(312,133)	-
Changes in assumptions	(994,345)	(386,852)
Benefit payments	(348,350)	(379,327)
Total change in total Retirement incentive liability	(1,008,906)	(136,937)
OPEB Plan Fiduciary Net Position	-	-
Total liability - beginning	7,194,492	7,331,429
Total liability - ending	\$ 6,185,586	\$ 7,194,492
Covered-employee payroll	\$ 58,774,445	\$ 56,345,972
Total OPEB liability as a percentage of covered-employee payroll	10.52%	12.77%
Notes to schedule:		
Change in significant assumptions:		
	2019	2018
Discount rate	3.87%	3.58%
Mortality rate	Pub-2010	RP-2014

\* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**OTHER INFORMATION (UNAUDITED)**

## ORANGE ULSTER BOCES

### SCHEDULE OF ACCOUNT A431 - SCHOOL DISTRICTS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2019

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July 1, 2018 - Debit (Credit) balance of account A431	\$ 11,819,095
Debits:	
Billings to school districts	169,777,363
Refund of balances due school districts	10,433,164
Encumbrances - June 30, 2019	<u>4,269,370</u>
Total debits	<u>184,479,897</u>
Credits:	
Collections from school districts	166,634,554
Encumbrances - June 30, 2018	2,572,484
Adjustment - credits to school districts - revenue in excess of expenditures	<u>9,810,720</u>
Total credits	<u>179,017,758</u>
June 30, 2019 - Debit (Credit) balance of account A431	<u>\$ 17,281,234</u>

**ORANGE ULSTER BOCES**

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

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<u>Project Title</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Waste Water Infrastructure	\$ 1,136,821	\$ 1,400,000	\$ 88,179	\$ 109,885	\$ 198,064	\$ 1,201,936
Arden Hill - Pase IIA	1,922,908	3,524,817	1,551,448	1,399,429	2,950,877	573,940
CLC Projects	388,914	388,914	-	82,683	82,683	306,231
Chiller/Cooling Tower - Arden	-	400,000	-	-	-	400,000
<b>Total</b>	<b><u>\$ 3,448,643</u></b>	<b><u>\$ 5,713,731</u></b>	<b><u>\$ 1,639,627</u></b>	<b><u>\$ 1,591,997</u></b>	<b><u>\$ 3,231,624</u></b>	<b><u>\$ 2,482,107</u></b>

**ORANGE ULSTER BOCES**

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2019**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 140,032,723
Add: Prior year's encumbrances	<u>2,572,484</u>
Original budget	142,605,207
Budget revision: Board resolutions to accept changes in service contracts	<u>33,902,105</u>
Final budget	<u>\$ 176,507,312</u>

## ORANGE ULSTER BOCES

### SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2019

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Capital assets, net	\$ 38,312,553
Deduct:	
Bond anticipation notes	-
Short-term portion of installment purchase debt	1,256,086
Long-term portion of installment purchase debt	1,185,250
Short-term portion of bonds payable	-
Long-term portion of bonds payable	-
Plus: Unspent bond proceeds	-
	<hr/>
Net investment in capital assets	<u>\$ 35,871,217</u>

**REQUIRED REPORTS UNDER THE UNIFORM GUIDANCE**

**ORANGE ULSTER BOCES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<u>Federal Grantor/Pass-Through/Grantor/Cluster and Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Pass-Through New York State Department of Education			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program (Donated Commodities)	10.555	NA	\$ 25,790
School Breakfast program	10.553	NA	149,290
National School Lunch Program	10.555	NA	<u>328,795</u>
<i>Total Child Nutrition Cluster</i>			<u>503,875</u>
Total U.S Department of Agriculture			<u>503,875</u>
<b>U.S. Department of Labor</b>			
Pass-Through Orange County Employment and Training Administration			
WIOA Youth Activities	17.259	NA	<u>151,334</u>
Total U.S Department of Labor			<u>151,334</u>
<b>U.S. Department of Education</b>			
Direct:			
<i>Student Financial Assistance Cluster:</i>			
Federal Direct Loan Program	84.268	NA	502,317
Federal Pell Grant Program	84.063	NA	<u>233,692</u>
<i>Total Student Financial Assistance Cluster</i>			<u>736,009</u>
Pass-Through New York State Department of Education:			
<i>Special Education Cluster:</i>			
Special Education - Grants to States	84.027	C010278	5,550
Special Education - Grants to States	84.027	C010278	<u>226,750</u>
<i>Total Special Education Cluster</i>			<u>232,300</u>
Adult Education - Basic Grants to States	84.002	2338-18-3004	310
Adult Education - Basic Grants to States	84.002	N/A	59,170
Adult Education - Basic Grants to States	84.002	2338-19-3246	114,505
Adult Education - Basic Grants to States	84.002	0040-19-2093	113,622
Adult Education - Basic Grants to States	84.002	2338-19-3245	115,913
Adult Education - Basic Grants to States	84.002	N/A	161,210
Adult Education - Basic Grants to States	84.002	2338-19-3100	<u>259,758</u>
<i>Total Adult Education - Basic Grants to States</i>			<u>824,488</u>
Education for Homeless Children and Youth	84.196	0212-19-0032	36,778
Vocational Education - Basic Grants to States (Perkins III)	84.048	8000-19-0032	423,724
English Language Acquisition State Grants	84.365	0293-18-2532	4,060
English Language Acquisition State Grants	84.365	0293-19-2532	<u>86,852</u>
<i>Total English Language Acquisition State Grants</i>			<u>90,912</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	NA	17,520
Total New York State Department of Education			<u>1,625,722</u>
Total U.S. Department of Education			<u>2,361,731</u>
Total Expenditures of Federal Awards			<u>\$ 3,016,940</u>



## ORANGE ULSTER BOCES

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2019

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#### 1. GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Orange Ulster BOCES (BOCES), under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the BOCES, it is not intended to and does not present the financial position, changes in net position, or cash flows for the BOCES.

#### 2. BASIS OF ACCOUNTING

The Schedule is presented using the modified accrual basis of accounting, as described in the BOCES' basic financial statements.

#### 3. INDIRECT COSTS

Indirect costs are included in the reported expenditures to the extent that such costs are included in the federal financial reports used as the source document for the data presented.

The BOCES did not elect to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

#### 4. MATCHING COSTS

Matching costs, i.e. the BOCES share of certain program costs, are not included in the reported expenditures.

#### 5. FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. During the year ended June 30, 2019, the BOCES received food commodities totaling \$25,790 under CFDA number 10.555.

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

October 11, 2019

To the Board of Education of the  
Orange Ulster BOCES:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Orange Ulster BOCES (BOCES) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated October 11, 2019.

**Internal Control over Financial Reporting**

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

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(Continued)

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

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

October 11, 2019

To the Board of Education of the  
Orange Ulster BOCES:

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

We have audited Orange Ulster BOCES' (BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of BOCES' major federal programs for the year ended June 30, 2019. The BOCES' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

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(Continued)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (Continued)**

**Report on Internal Control Over Compliance**

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

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

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

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

# ORANGE ULSTER BOCES

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2019

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### Section I—Summary of Auditor’s Results

#### Financial Statements

Type of auditor’s report issued on whether the financial statements were presented in accordance with GAAP Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified not considered to be material weaknesses?  Yes  None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA Number(s)

84.002

Name of Federal Program or Cluster

Adult Education – Basic Grants to States

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

Auditee qualified as low-risk auditee?  Yes  No

## **ORANGE ULSTER BOCES**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued) JUNE 30, 2019**

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#### **Section II—Financial Statement Findings**

There were no instances of significant deficiencies, material weaknesses, or noncompliance that are required to be reported under *Government Auditing Standards*.

#### **Section III—Federal Award Findings and Questioned Costs**

There were no instances of significant deficiencies, material weaknesses, or noncompliance, including questioned costs that are required to be reported under the Uniform Guidance.