

ORANGE ULSTER BOCES

**Financial Statements and Required Reports
Under the Uniform Guidance
As of and for the year ended June 30, 2020**

Bonadio & Co., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

October 13, 2020

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, 2020, 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, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison 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 13, 2020 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, 2020

The following is a discussion and analysis of the Orange Ulster BOCES' (BOCES) financial performance for the fiscal year ended June 30, 2020. 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 2019-2020 fiscal year are as follows:

- For the year ended *June 30, 2020*, total net position was a deficit \$260,739,774, a decrease of \$20,272,009 from the deficit net position of \$240,467,765 for the year ended June 30, 2019. 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, 2020. This required the BOCES to calculate and record a net other post-employment health care obligations of \$292,704,072 at year end, an increase of \$37,027,568 from the prior year.
- The BOCES' governmental fund financial statements report a combined ending fund balance of \$8,721,701. Of this amount, \$2,996,557 is assigned to capital projects, \$1,857,074 is restricted for unemployment insurance and retirement contributions, and \$4,050,632 represents general fund reserve for encumbrances.
- The BOCES issued \$1,318,708 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

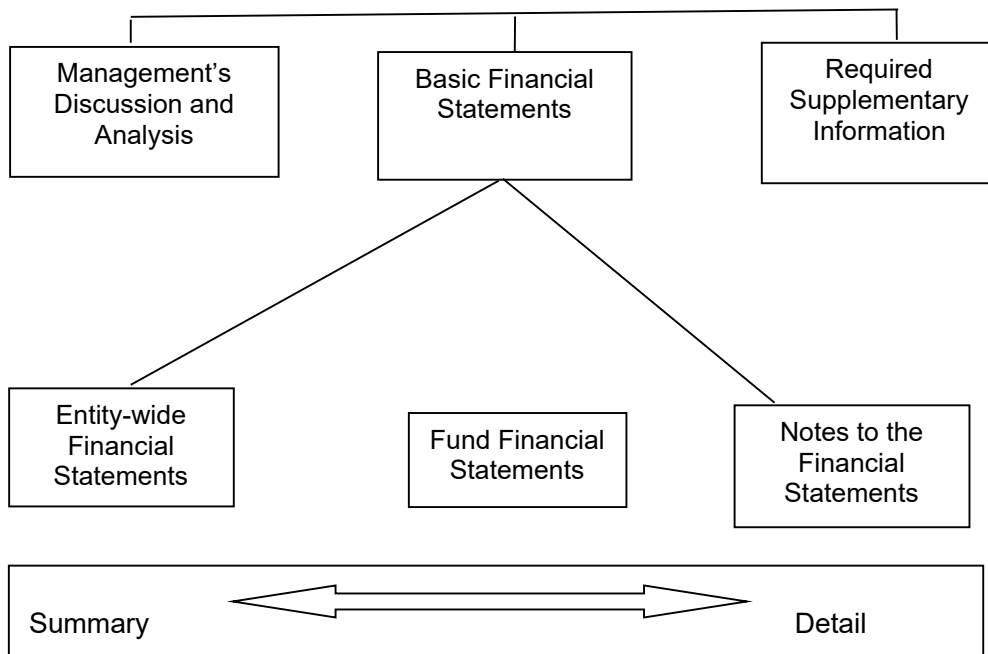


Figure A-2 summarizes the major features of the Orange Ulster BOCES’ financial statements, including a portion of the BOCES’ activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

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"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund equity 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
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>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Current and other assets	\$ 54,253	\$ 58,346	-7.0%
Non current asset	<u>43,574</u>	<u>42,649</u>	2.2%
Total assets	<u>97,827</u>	<u>100,995</u>	-3.1%
Deferred outflows of resources	<u>55,830</u>	<u>32,317</u>	72.8%
Current liabilities	40,212	45,507	-11.6%
Long-term liabilities	<u>320,426</u>	<u>268,970</u>	19.1%
Total liabilities	<u>360,638</u>	<u>314,477</u>	14.7%
Deferred inflows of resources	<u>53,759</u>	<u>59,303</u>	-9.3%
Net position:			
Investment in capital assets	35,254	35,871	-1.7%
Restricted	1,857	994	86.8%
Unrestricted	<u>(297,851)</u>	<u>(277,332)</u>	7.4%
Total net position	<u>\$ (260,740)</u>	<u>\$ (240,467)</u>	8.4%

Changes in Net Position

Net position decreased to \$(260,739,774) for the year ended June 30, 2020, down from the (\$240,467,765) balance for 2019. This resulted primarily from recording an expense for the other post-employment benefits liability of \$13,337,580. In addition, BOCES returned surplus of \$6,996,991 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>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
<u>Revenue</u>			
Program revenue:			
Charges for services	\$ 177,786	\$ 174,475	1.9%
Operating grants and contributions	3,767	4,514	-16.5%
General revenue:			
Use of money and property	301	427	-29.5%
Sale of property and compensation for loss	120	148	-18.9%
Miscellaneous	<u>1,093</u>	<u>1,780</u>	-38.6%
 Total revenue	 <u>183,067</u>	 <u>181,344</u>	 1.0%
<u>Expenses</u>			
Administration	8,646	8,328	3.8%
Occupational instruction	25,231	22,075	14.3%
Instruction for special needs	102,085	93,304	9.4%
Itinerant services	4,151	3,762	10.3%
General instruction	12,617	13,820	-8.7%
Instruction support	21,246	20,288	4.7%
Other services	15,589	17,399	-10.4%
Other expenditures	(263)	(146)	80.1%
School lunch program	3,081	644	378.4%
Depreciation - unallocated	3,957	4,050	-2.3%
Return of surplus	<u>6,997</u>	<u>7,502</u>	-6.7%
 Total expenses	 <u>203,337</u>	 <u>191,026</u>	 6.4%
 Increase (Decrease) in net position	 <u>\$ (20,270)</u>	 <u>\$ (9,682)</u>	 109.4%

The BOCES' 2020 revenue was \$183,066,922 compared to the previous year of \$181,343,277 (see Figure A-4).

The total cost of all programs and services totaled \$203,338,931 for 2020, compared to \$191,025,942 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 2020

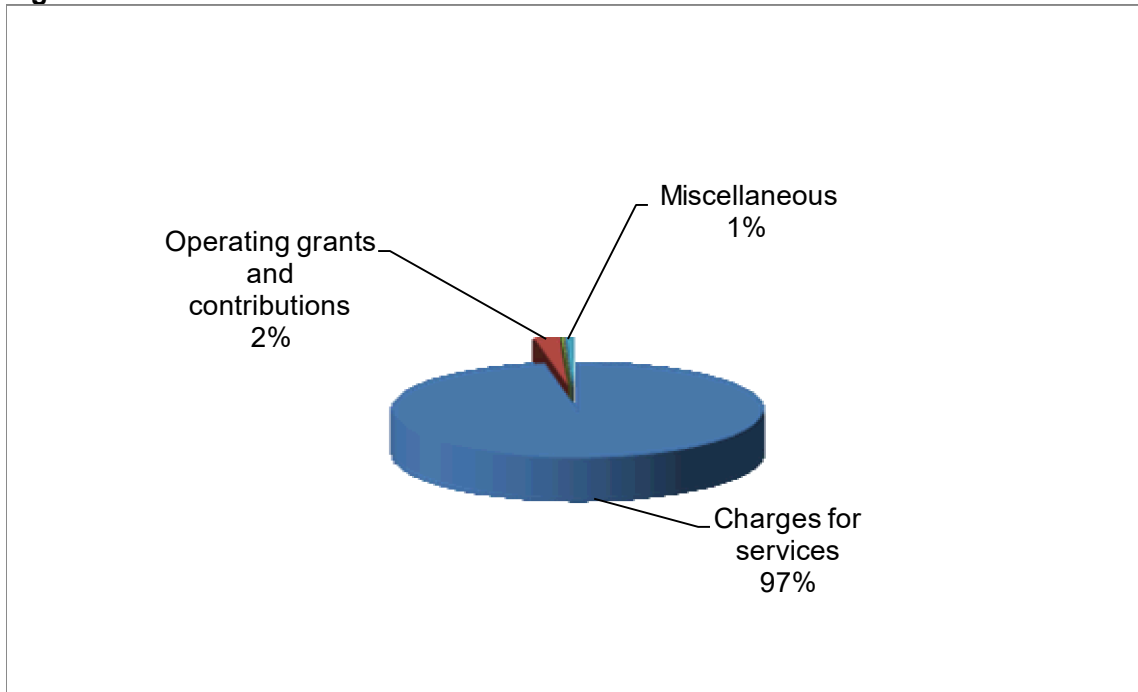
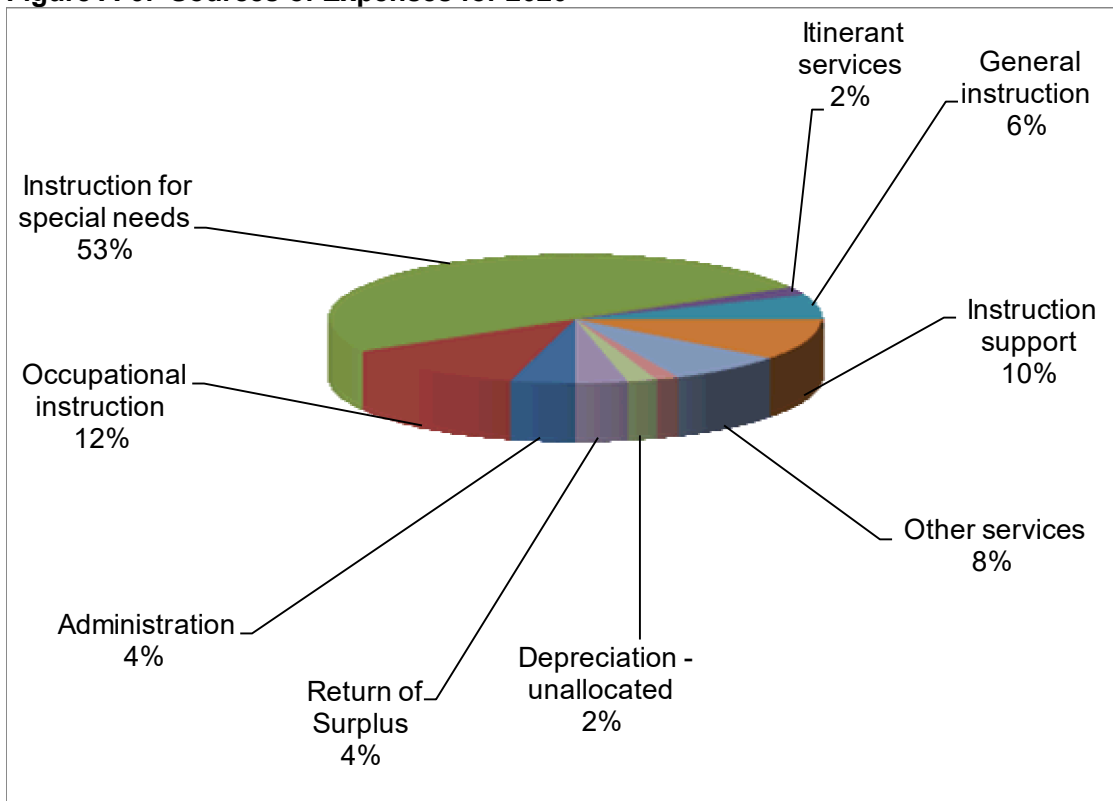


Figure A-6: Sources of Expenses for 2020



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 2020 and 2019:

General Fund: Revenues exceeded expenditures, prior to surplus returns in the 2019-2020 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 \$8,573,340, a decrease of \$466,086 from the prior year revenues of \$9,039,426. This decrease in revenue was primarily attributable to a decrease in the summer special education program and a reduction of EPE revenue due to the New York State 20% holdback.

School Lunch: The school lunch fund ended 2019-2020 with a deficit in operating revenue of \$255,299 which was offset by a budgeted interfund transfer from the general fund of \$263,283. This resulted in a Fund Balance of \$14,682 on hand as of June 30, 2020.

Capital Projects: The capital projects spending totaled \$310,252 in 2019-2020. This left a Fund Balance of \$2,996,557 on hand as of June 30, 2020.

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, 2020, the BOCES had \$37,356,379 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>2020</u>	Fiscal Year <u>2019</u>	Percent <u>Change</u>
Land	\$ 318	\$ 318	-0.1%
Construction in progress	319	3,209	-90.0%
Buildings and improvements	29,919	28,371	5.5%
Furniture and equipment	6,239	5,685	9.7%
Equipment and furniture	<u>561</u>	<u>549</u>	2.2%
Total	<u>\$ 37,356</u>	<u>\$ 38,132</u>	-2.0%

FINANCIAL ANALYSIS OF THE BOCES' FUNDS (Continued)

Long-Term Liabilities

As of June 30, 2020, the BOCES had \$321.6 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>2020</u>	Fiscal Year <u>2019</u>
Short term portion of installment purchase agreements	\$ 1,126	\$ 1,256
Compensated absences payable	6,446	6,343
Installment purchase agreements	976	1,185
Net pension liability	20,299	5,766
Total other postemployment benefits liability	<u>292,704</u>	<u>255,676</u>
Total	<u>\$ 321,551</u>	<u>\$ 270,226</u>

During the year, BOCES issued \$1,318,708 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, 2020**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash - unrestricted	\$ 30,460,762
Cash - restricted	1,857,074
Due from school districts	8,739,708
State and federal aid receivable	11,588,725
Accounts receivable	1,500,298
Due from fiduciary funds	50,000
Prepaid expenditures	41,626
Inventories	<u>14,682</u>

Total current assets 54,252,875

NONCURRENT ASSETS:

Capital assets, net of accumulated depreciation	37,356,379
Net pension asset - TRS	<u>6,217,448</u>

Total non current assets 43,573,827

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - OPEB	21,735,545
Deferred outflows of resources - pensions ERS	13,833,736
Deferred outflows of resources - pensions TRS	<u>20,260,434</u>

Total deferred outflows of resources 55,829,715

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 153,656,417

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Accounts payable	\$ 2,835,532
Accrued liabilities	2,355,229
Due to school districts	11,096,790
Due to other governments	17,608
Due to Teachers' Retirement System	4,095,126
Due To Employee Retirement System	888,116
Revenue anticipation note payable	17,358,063
Unearned revenue	438,691
Short term portion of installment purchase agreements	<u>1,126,367</u>

Total current liabilities 40,211,522

LONG-TERM LIABILITIES:

Compensated absences payable	6,446,019
Installment purchase agreements	976,229
Net pension liability - ERS	20,299,220
Total other postemployment benefits liability	<u>292,704,072</u>

Total long-term liabilities 320,425,540

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - OPEB	44,540,724
Deferred inflows of resources - pensions ERS	586,963
Deferred inflows of resources - pensions TRS	<u>8,631,442</u>

Total deferred inflows of resources 53,759,129

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 414,396,191

NET POSITION

Net investment in capital assets	35,253,783
Restricted	1,857,074
Unrestricted net position	<u>(297,850,631)</u>

TOTAL NET POSITION \$ (260,739,774)

ORANGE ULSTER BOCES

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

	<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>	
FUNCTIONS/PROGRAMS:				
Administration	\$ 8,646,050	\$ 8,107,161	\$ -	\$ (538,889)
Occupational instruction	25,230,916	23,658,330	-	(1,572,586)
Instruction for special needs	102,084,728	95,722,016	-	(6,362,712)
Itinerant services	4,150,919	3,892,202	-	(258,717)
General instruction	12,617,306	11,830,898	3,349,884	2,563,476
Instruction support	21,245,956	19,921,743	-	(1,324,213)
Other services	15,591,316	14,619,544	-	(971,772)
Other expenses	(263,279)	-	-	263,279
School lunch program	3,080,810	33,707	417,024	(2,630,079)
Depreciation - unallocated	3,957,218	-	-	(3,957,218)
Return of Surplus	6,996,991	-	-	(6,996,991)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 203,338,931</u>	<u>\$ 177,785,601</u>	<u>\$ 3,766,908</u>	<u>(21,786,422)</u>
GENERAL REVENUE:				
Use of money and property				301,299
Sale of property and compensation for loss				119,915
Miscellaneous				<u>1,093,199</u>
TOTAL GENERAL REVENUE				<u>1,514,413</u>
CHANGE IN NET POSITION				<u>(20,272,009)</u>
TOTAL NET POSITION - beginning of year				<u>(240,467,765)</u>
TOTAL NET POSITION - end of year				<u>\$ (260,739,774)</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, 2020**

	Governmental Fund Types				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
ASSETS					
Cash - unrestricted	\$ 27,452,162	\$ 9,856	\$ 2,187	\$ 2,996,557	\$ 30,460,762
Cash - restricted	1,857,074	-	-	-	1,857,074
Due from school districts	8,739,708	-	-	-	8,739,708
Due from other funds	1,540,918	-	8,283	-	1,549,201
State and federal aid	11,096,790	491,935	-	-	11,588,725
Accounts receivable	689,721	810,577	-	-	1,500,298
Prepaid expenditures	41,626	-	-	-	41,626
Inventory	-	-	14,682	-	14,682
TOTAL ASSETS	\$ 51,417,999	\$ 1,312,368	\$ 25,152	\$ 2,996,557	\$ 55,752,076
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$ 2,832,687	\$ 2,845	\$ -	\$ -	\$ 2,835,532
Accrued liabilities	8,792,537	4,357	4,354	-	8,801,248
Due to other governments	-	11,492	6,116	-	17,608
State aid due to school districts	11,096,790	-	-	-	11,096,790
Due to other funds	8,283	1,490,918	-	-	1,499,201
Due to Teachers' Retirement System	4,095,126	-	-	-	4,095,126
Due to Employees' Retirement System	888,116	-	-	-	888,116
Revenue anticipation note payable	17,358,063	-	-	-	17,358,063
Unearned revenue	438,691	-	-	-	438,691
	<u>45,510,293</u>	<u>1,509,612</u>	<u>10,470</u>	<u>-</u>	<u>47,030,375</u>

(Continued)

ORANGE ULSTER BOCES

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)
JUNE 30, 2020**

	<u>Governmental Fund Types</u>				Total Governmental Funds
	<u>General</u>	Special <u>Aid</u>	School <u>Lunch</u>	Capital <u>Projects</u>	
FUND BALANCES					
Nonspendable					
Prepaid expenditures	41,626	-	-	-	41,626
Inventory	-	-	14,682	-	14,682
Restricted	1,857,074	-	-	-	1,857,074
Assigned	4,050,632	-	-	2,996,557	7,047,189
Unassigned	<u>(41,626)</u>	<u>(197,244)</u>	<u>-</u>	<u>-</u>	<u>(238,870)</u>
TOTAL FUND BALANCES	<u>5,907,706</u>	<u>(197,244)</u>	<u>14,682</u>	<u>2,996,557</u>	<u>8,721,701</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 51,417,999</u>	<u>\$ 1,312,368</u>	<u>\$ 25,152</u>	<u>\$ 2,996,557</u>	<u>\$ 55,752,076</u>

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

Total governmental fund balances per above	\$ 8,721,701
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	37,356,379
Deferred outflow of resources related to long-term pension and OPEB activity	55,829,715
Long term liabilities that are not due and payable in the current period are not reported in the funds	
Installment purchase agreements	(2,102,596)
Net pension liability - ERS	(20,299,220)
Net pension asset - TRS	6,217,448
Total other post-employment benefits liability	(292,704,072)
Deferred Inflow of resources related to long-term pension and OPEB activity	<u>(53,759,129)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (260,739,774)</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, 2020**

	<u>Governmental Fund Types</u>				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
REVENUE:					
Charges for services	\$ 1,796,763	\$ 524,381	\$ -	\$ -	\$ 2,321,144
Charges to components	146,941,202	4,244,344	-	-	151,185,546
Charges to other BOCES	15,095,218	454,731	-	-	15,549,949
Charges to non components	10,013,963	-	-	-	10,013,963
Interest and earnings	263,373	-	51	37,875	301,299
Sale of property and compensation for loss	119,915	-	-	-	119,915
Miscellaneous	1,092,612	-	587	-	1,093,199
State sources	-	1,057,872	9,956	-	1,067,828
Federal sources	-	2,292,012	376,350	-	2,668,362
Donated food	-	-	30,718	-	30,718
Sales - School lunch	-	-	33,707	-	33,707
	<u>175,323,046</u>	<u>8,573,340</u>	<u>451,369</u>	<u>37,875</u>	<u>184,385,630</u>
Total revenue					
EXPENDITURES:					
Administration	8,186,654	-	-	-	8,186,654
Occupational instruction	21,042,030	-	-	-	21,042,030
Instruction for special education	93,976,138	-	-	-	93,976,138
Itinerant services	3,410,323	-	-	-	3,410,323
General instruction	3,608,940	8,770,584	-	-	12,379,524
Instruction support	21,728,057	-	-	-	21,728,057
Other services	14,942,616	-	-	-	14,942,616
Other expenditures	(263,279)	-	-	-	(263,279)
Cost of sales	-	-	706,668	-	706,668
Capital outlay	-	-	-	310,252	310,252
	<u>166,631,479</u>	<u>8,770,584</u>	<u>706,668</u>	<u>310,252</u>	<u>176,418,983</u>
Total expenditures					
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>8,691,567</u>	<u>(197,244)</u>	<u>(255,299)</u>	<u>(272,377)</u>	<u>7,966,647</u>
OTHER SOURCES AND (USES):					
Operating transfers in	-	-	263,283	786,826	1,050,109
Return of surplus	(6,996,991)	-	-	-	(6,996,991)
Operating transfers out	(1,050,109)	-	-	-	(1,050,109)
	<u>(8,047,100)</u>	<u>-</u>	<u>263,283</u>	<u>786,826</u>	<u>(6,996,991)</u>
Total other sources (uses)					
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	644,467	(197,244)	7,984	514,449	969,656
FUND BALANCES - beginning of year	<u>5,263,239</u>	<u>-</u>	<u>6,698</u>	<u>2,482,108</u>	<u>7,752,045</u>
FUND BALANCES - end of year	<u>\$ 5,907,706</u>	<u>\$ (197,244)</u>	<u>\$ 14,682</u>	<u>\$ 2,996,557</u>	<u>\$ 8,721,701</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, 2020

Net changes in fund balance - Total governmental funds	\$ 969,656
Capital outlays, net, are expenditures in governmental funds, but are capitalized in the statement of net position.	3,019,094
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(3,975,218)
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.	(7,286,701)
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.	(1,318,708)
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.	1,657,448
Accrued post-employment benefits do not require the expenditure of current resources and, therefore are not reported as expenditures in the governmental funds.	<u>(13,337,580)</u>
Change in net position - governmental activities	<u>\$ (20,272,009)</u>

The accompanying notes are an integral part of these statements.

ORANGE ULSTER BOCES**STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020**

	<u>Agency</u>	<u>Private Trusts</u>
ASSETS:		
Cash - unrestricted	\$ 50,000	\$ -
Cash - restricted	<u>18,770</u>	<u>55,504</u>
Total assets	<u>\$ 68,770</u>	<u>\$ 55,504</u>
LIABILITIES:		
Extraclassroom activity balances	\$ 18,770	\$ -
Due to other funds	<u>50,000</u>	<u>-</u>
Total liabilities	<u>\$ 68,770</u>	<u>-</u>
NET POSITION:		
Restricted for private purposes		<u>\$ 55,504</u>

ORANGE ULSTER BOCES**STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Private Purpose Trusts</u>
ADDITIONS:	
Donations	\$ 14,570
DEDUCTIONS:	
Scholarships and other private purposes	<u>10,325</u>
NET INCREASE / (DECREASE)	4,245
NET POSITION - beginning of year	<u>51,259</u>
NET POSITION - end of year	<u>\$ 55,504</u>

The accompanying notes are an integral part of these statements.

ORANGE ULSTER BOCES

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2020

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, 2020.

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 \$1,857,074 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 \$438,691 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 \$4,050,632.

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

Fund Balance – Reservations and Designations (Continued)

As of June 30, 2020, the BOCES' encumbrances were classified as follows:

Administration	\$	888
Occupational instruction		837,805
Instruction for special education		124,870
Itinerant services		15,516
General instruction		23,325
Instruction support		931,865
Other services		47,103
Other expenses		<u>2,069,260</u>
Total encumbrances	\$	<u>4,050,632</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	\$150,308,153
Add: Prior year's encumbrances	<u>4,269,370</u>
Original budget	154,577,523
Budget revision: Board resolutions to accept changes in service contracts	<u>32,575,496</u>
Final budget	<u>\$187,153,019</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>\$ 33,625,196</u>	<u>\$ 32,317,863</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the BOCES' name	\$ 33,002,271	
Covered by FDIC insurance	<u>622,925</u>	
Total	<u>\$ 33,625,196</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	\$ 649,099
Retirement	<u>1,207,975</u>
	<u>\$ 1,857,074</u>

Trust and agency fund:

Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	<u>\$ 74,274</u>
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5. CAPITAL ASSETS

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

	July 1, 2019 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2020 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 317,559	\$ -	\$ -	\$ 317,559
Construction in progress	3,208,941	157,136	3,046,635	319,442
Total non-depreciable capital assets	<u>3,526,500</u>	<u>157,136</u>	<u>3,046,635</u>	<u>637,001</u>
Capital assets that are depreciated:				
Buildings and improvements	55,847,675	3,493,095	-	59,340,770
Furniture and equipment	16,837,393	2,301,380	799,060	18,339,713
Vehicles	1,265,729	114,177	86,972	1,292,934
Total depreciable capital assets	<u>73,950,797</u>	<u>5,908,652</u>	<u>886,032</u>	<u>78,973,417</u>
Less accumulated depreciation:				
Buildings and improvements	27,476,466	1,944,946	-	29,421,412
Furniture and equipment	10,971,921	1,928,090	799,060	12,100,951
Vehicles	716,466	102,182	86,972	731,676
Total accumulated depreciation	<u>39,164,853</u>	<u>3,975,218</u>	<u>886,032</u>	<u>42,254,039</u>
Total depreciable capital assets net	<u>34,785,944</u>	<u>1,933,434</u>	<u>-</u>	<u>36,719,378</u>
Total capital assets, net	<u>\$ 38,312,444</u>	<u>\$ 2,090,570</u>	<u>\$ 3,046,635</u>	<u>\$ 37,356,379</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	7/24/2019	3.00%	\$ 18,508,500	\$ -	\$ 18,508,500	\$ -
RAN	7/22/2020	2.25%	-	17,358,063	-	17,358,063
			<u>\$ 18,508,500</u>	<u>\$ 17,358,063</u>	<u>\$ 18,508,500</u>	<u>\$ 17,358,063</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	\$ 2,441,336	\$ 1,318,708	\$ 1,657,448	\$ 2,102,596	\$ 1,126,367
Other liabilities:					
Compensated absences	\$ 6,343,092	\$ 102,927	\$ -	\$ 6,446,019	\$ -
Net pension liability - ERS	5,765,521	14,533,699	-	20,299,220	-
Other postemployment benefits	255,676,504	55,031,824	18,004,256	292,704,072	-
Total other liabilities	<u>267,785,117</u>	<u>69,668,450</u>	<u>18,004,256</u>	<u>319,449,311</u>	<u>-</u>
Total long-term liabilities	<u>\$270,226,453</u>	<u>\$ 70,987,158</u>	<u>\$ 19,661,704</u>	<u>\$321,551,907</u>	<u>\$ 1,126,367</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, 2020 was \$2,102,596. 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>
2021	\$ 1,126,367	\$ 51,439	\$ 1,177,806
2022	725,696	23,953	749,649
2023	<u>250,534</u>	<u>6,418</u>	<u>256,952</u>
Totals	<u>\$ 2,102,596</u>	<u>\$ 81,811</u>	<u>\$ 2,184,407</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	\$ 1,540,918	\$ 8,283	\$ -	\$ 1,050,109
Special aid fund	-	1,490,918	-	-
School lunch fund	8,283	-	263,283	-
Capital fund	-	-	786,826	-
Fiduciary funds	-	<u>50,000</u>	-	-
Total governmental activities	<u>\$ 1,549,201</u>	<u>\$ 1,549,201</u>	<u>\$ 1,050,109</u>	<u>\$ 1,050,109</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 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 27th, 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:

	<u>ERS</u>	
2020	\$	3,385,604
2019		3,459,984
2018		3,306,665

9. PENSION PLANS (Continued)

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

At June 30, 2020, the BOCES reported a liability of \$20,299,220 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, 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, 2020. 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, 2020, and 2019, the BOCES' proportion was 0.0766570 percent and 0.0813729 percent, respectively as measured at March 31, 2020 and 2019, respectively.

For the year ended June 30, 2020, the BOCES recognized pension expense of \$7,071,689. At June 30, 2020, 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	\$ 1,194,691	\$ -
Changes of assumptions	408,730	352,932
Net difference between projected and actual earnings on pension plan investments	10,406,367	-
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	674,492	234,031
Contributions subsequent to the measurement date	888,116	-
	<u>\$ 13,572,396</u>	<u>\$ 586,963</u>

The amount of \$888,116 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ERS's Year Ended March 31:

2021	\$ 2,127,049
2022	3,070,726
2023	3,855,457
2024	3,044,085
2025	-
Thereafter	-
	<u>\$ 12,097,317</u>

9. PENSION PLANS (Continued)

Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. 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	6.8% 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-2018

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, 2020 are summarized below:

<u>Asset Type</u>	<u>Target Allocations</u>	<u>Long-Term expected real rate of return</u>
Domestic Equity	36%	4.05
International Equity	14%	6.15
Private Equity	10%	6.75
Real Estate	10%	4.95
Absolute Return Strategies	2%	3.25
Opportunistic Portfolio	3%	4.65
Real Assets	3%	5.95
Bonds & Mortgages	17%	0.75
Cash	1%	-
Inflation-Indexed Bonds	4%	0.50
	<u>100%</u>	

9. PENSION PLANS (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 6.8%. 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 6.8%, 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 (5.8%)	Current Discount (6.8%)	1% Increase (7.8%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 37,254,801	\$ 20,299,220	\$ 4,683,059

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the plan as of March 31, 2020, were as follows (in thousands):

	Pension plan's fiduciary net position
Total pension liability	\$ 194,596,261
Net position	168,115,682
Net pension liability (asset)	\$ 26,480,579
Fiduciary net position as a percentage of total pension liability	86.39%

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:

	<u>TRS</u>
2020	\$ 4,242,238
2019	3,828,550
2018	4,393,227

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

At June 30, 2020, the BOCES reported an asset of \$6,217,448 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, 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, 2020 and 2019 the BOCES' proportion was 0.239316 percent and 0.239837 percent, respectively as measured at June 30, 2019 and 2018, respectively.

For the year ended June 30, 2020, the BOCES recognized pension expense of \$7,648,042. At June 30, 2020 the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,213,406	\$ 462,342
Changes of assumptions	11,745,591	2,863,907
Net difference between projected and actual earnings on pension plan investments	-	4,986,073
Changes in proportion and differences between the BOCES'		
contributions and proportionate share of contributions	206,311	319,120
Contributions subsequent to the measurement date	<u>4,095,126</u>	<u>-</u>
	<u>\$ 20,260,434</u>	<u>\$ 8,631,442</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 \$4,095,126 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TRS's Year Ended June 30:		
2020	\$	2,771,959
2021		137,581
2022		2,761,764
2023		1,861,268
2024		203,167
Thereafter		<u>(201,873)</u>
	\$	<u>7,533,866</u>

Actuarial Assumptions

Inflation	2.20%
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	1.3% compounded annually
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.

The total pension liability at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension liability to June 30, 2019.

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 MP2018, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2019 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, 2018 (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%	6.3%
International Equity	16%	7.8%
Global equities	4%	7.2%
Real Estate	11%	4.6%
Private Equity	8%	9.9%
Domestic Fixed Income Securities	16%	1.3%
Global Fixed Income Securities	2%	0.9%
Private debt	1%	6.5%
Real Estate debt	7%	2.9%
High-yield Fixed Income Securities	1%	3.6%
Short-term	1%	0.3%
	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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 7.10 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>(6.10%)</u>	Current Discount <u>(7.10%)</u>	1% Increase <u>(8.10%)</u>
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 28,064,910	\$ (6,217,448)	\$ (34,976,478)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (asset) of the plan as June 30, 2019, were as follows (in thousands):

	<u>Pension plan's fiduciary net position</u>
Total pension liability	\$ 119,879,474
Net position	<u>122,477,481</u>
Net pension liability (asset)	<u><u>\$ (2,598,007)</u></u>
Fiduciary net position as a percentage of total pension liability	102.17%

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 that meets the criteria of GASB 75, paragraph 4. 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, 2020 was \$4,960,029.

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 that meets the criteria of GASB 75, paragraph 4. 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, 2020 was \$672,500.

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 \$ 292,704,072 and were measured as of June 30, 2019, and were determined by an actuarial valuation as of July 1, 2019. The July 1, 2019 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:

	<u>Post-Retirement Health Care</u>	<u>Retirement Incentive</u>	<u>Total</u>
Balance at June 30, 2019	\$ 249,490,916	\$ 6,185,586	\$ 255,676,502
Changes for the Year			
Service cost	\$ 13,100,169	379,371	13,479,540
Interest	10,078,877	242,473	10,321,350
Changes of benefit terms	-	-	-
Changes in assumptions or other inputs	(43,284)	221,756	178,472
Differences between expected and actual experience	(4,351,298)	(604,750)	(4,956,048)
Benefit payments	<u>17,879,094</u>	<u>125,162</u>	<u>18,004,256</u>
Net changes	<u>36,663,558</u>	<u>364,012</u>	<u>37,027,570</u>
	-		
Balance at June 30, 2020	<u>\$ 286,154,474</u>	<u>\$ 6,549,598</u>	<u>\$ 292,704,072</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 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 3.51% 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 Classifications projected generationally with MP-2018.

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

<u>Year</u>	<u>Pre-65</u>	<u>Post-65</u>	<u>EGWP</u>
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 3.87% to 3.51%. 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	\$ 345,060,753	\$ 286,154,474	\$ 240,078,195
Total Retirement Incentive Plan	<u>6,904,909</u>	<u>6,549,598</u>	<u>6,207,124</u>
Total OPEB Liability	<u>\$ 351,965,662</u>	<u>\$ 292,704,072</u>	<u>\$ 246,285,319</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>\$ 231,829,102</u>	<u>\$ 286,154,474</u>	<u>\$ 358,775,899</u>

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

For the year ended June 30, 2020, the BOCES recognized OPEB expense of \$18,281,137 for the Post-Retirement Health Care Plan and \$508,972 for the Retirement Incentive Plan. At June 30, 2020, 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	\$ -	\$ 3,013,140	\$ 202,947	\$ 259,673	202,947	3,272,813
Changes of assumptions	15,785,523	40,151,355	114,546	1,116,554	15,900,069	41,267,909
Benefit payments subsequent to measurement date	<u>4,960,029</u>	<u>-</u>	<u>672,500</u>	<u>-</u>	<u>5,632,529</u>	<u>-</u>
Total	<u>\$ 20,745,552</u>	<u>\$ 43,164,495</u>	<u>\$ 989,993</u>	<u>\$ 1,376,227</u>	<u>\$ 21,735,545</u>	<u>\$ 44,540,722</u>

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

The BOCES recognized \$5,632,529 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of June 30, 2019, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021.

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
2021	\$ (4,897,909)	\$ (112,872)	\$ (5,010,781)
2022	(4,897,909)	(112,872)	(5,010,781)
2023	(4,897,909)	(112,872)	(5,010,781)
2024	(4,897,909)	(112,872)	(5,010,781)
2025	(4,897,909)	(112,872)	(5,010,781)
Thereafter	<u>(2,889,427)</u>	<u>(494,374)</u>	<u>(3,383,801)</u>
	<u>\$ (27,378,972)</u>	<u>\$ (1,058,734)</u>	<u>\$ (28,437,706)</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.

14. COVID-19 PANDEMIC

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The BOCES was closed mid-March 2020 and did not re-open during the 2020 academic year. The BOCES has developed a re-opening plan for the 2020-2021 school year and will resume educating students in September. Instruction will be a mix of in-person and virtual education.

Businesses throughout NYS remain closed or are operating significantly below their capacity. New York State has publicly stated that COVID-19 will have a significant negative impact on its revenues and its 2020-21 budget. In August 2020 the New York State Department of Education notified all school districts and BOCES that effective immediately all future payments of state aid will be reduced by a 20% withholding and that this withholding may become a permanent reduction in aid. As a result, at June 30, 2020, the BOCES has reduced its BOCES aid receivable from New York State and the corresponding Due to School Districts by 20% or \$2,800,282. Similarly, the BOCES has reduced its receivable for its EPE program by 20% or \$197,244. The reduction of EPE receivable and revenue in its Special Aid fund resulted in a deficit revenues over expenditures and ending fund balance.

It is difficult at this time to predict with certainty the full effect this impact may have on future State revenues to the BOCES. However, at this time it appears that NYS will be withholding 20% of substantially all aid payments for the foreseeable future. The BOCES is current analyzing the effects such a reduction will have on its fiscal 2021 operations.

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, 2020**

	Adopted Budget	Final Budget	Actual	Final Budget Variance with Budgetary Actual
REVENUE				
Administration (001-002)	\$ 9,406,920	\$ 9,406,920	\$ 9,212,971	\$ (193,949)
Occupational instruction (100-199)	21,435,308	21,435,308	22,305,158	869,850
Instruction for special education (200-299)	79,967,531	79,967,531	97,832,757	17,865,226
Itinerant services (300-399)	3,336,712	3,336,712	3,682,710	345,998
General instruction (400-499)	3,401,687	3,401,687	4,221,450	819,763
Instruction support (500-599)	22,237,543	22,237,543	22,622,977	385,434
Other services (600-699)	<u>10,196,577</u>	<u>10,196,577</u>	<u>15,445,023</u>	<u>5,248,446</u>
Total revenues	149,982,278	149,982,278	175,323,046	25,340,768
EXPENDITURES				
				Variance with Budgetary Actual and Encumbrances
			<u>Encumbrances</u>	
Administration (001-002)	8,620,093	8,621,469	8,186,654	433,927
Occupational instruction (100-199)	21,435,312	22,563,488	21,042,030	837,805
Instruction for special education (200-299)	79,967,536	100,781,763	93,976,138	6,680,755
Itinerant services (300-399)	3,336,714	4,273,514	3,410,323	847,675
General instruction (400-499)	3,655,401	4,660,720	3,608,940	1,028,455
Instruction support (500-599)	22,309,695	25,956,734	21,728,057	3,296,812
Other services (600-699)	10,196,578	18,256,775	14,942,616	3,267,056
Other expenditures (700-799)	(450,002)	801,730	(263,279)	(1,004,251)
Transfers to other funds	<u>1,236,826</u>	<u>1,236,826</u>	<u>1,050,109</u>	<u>186,717</u>
Total expenditures	<u>150,308,153</u>	<u>187,153,019</u>	<u>167,681,588</u>	<u>15,420,799</u>
Excess revenue over expenditures (expenditures over revenue)	<u>\$ (325,875)</u>	<u>\$ (37,170,741)</u>	<u>\$ 7,641,458</u>	<u>\$ 9,919,969</u>

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, 2020**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*					
	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.0766570%	0.0813729%	0.0791216%	0.0780812%	0.0771370%	0.0778935%
Proportionate share of the net pension liability (asset)	\$ 20,299.22	\$ 5,765.52	\$ 2,553.61	\$ 7,336.69	\$ 12,380.70	\$ 2,631.40
Covered-employee payroll	\$ 25,796.27	\$ 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	78.69%	23.26%	11.15%	33.87%	60.82%	12.07%
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*					
	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.2393160%	0.2398370%	0.2365470%	0.2386630%	0.2337670%	0.2391020%
Proportionate share of the net pension liability (asset)	\$ (6,217.45)	\$ (4,336.89)	\$ (1,797.99)	\$ 2,556.18	\$ (24,280.90)	\$ (26,634.50)
Covered-employee payroll	\$ 46,167.58	\$ 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	-13.47%	-11.10%	-4.80%	6.94%	-69.15%	-75.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.17%	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, 2020**

	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*					
	2020	2019	2018	2017	2016	2015
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN						
Contractually required contribution	\$ 3,385.60	\$ 3,459.98	\$ 3,306.66	\$ 3,162.85	\$ 3,414.12	\$ 3,981.84
Contributions in relation to the contractually required contribution	3,385.60	3,459.98	3,306.66	3,162.85	3,414.12	3,981.84
Contribution deficiency (excess)	-	-	-	-	-	-
Covered-employee payroll	\$ 25,796.27	\$ 23,796.29	\$ 22,029.68	\$ 21,663.40	\$ 19,700.65	\$ 19,712.07
Contributions as a percentage of covered-employee payroll	13.12%	14.54%	15.01%	15.02%	17.33%	20.20%

	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*					
	2020	2019	2018	2017	2016	2015
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN						
Contractually required contribution	\$ 4,242.24	\$ 3,828.55	\$ 4,393.23	\$ 4,883.41	\$ 6,155.65	\$ 5,739.35
Contributions in relation to the contractually required contribution	4,242.24	3,828.55	4,393.23	4,883.41	6,155.65	5,739.35
Contribution deficiency (excess)	-	-	-	-	-	-
Covered-employee payroll	\$ 46,167.58	\$ 39,066.84	\$ 37,484.90	\$ 36,828.13	\$ 35,114.95	\$ 35,319.08
Contributions as a percentage of covered-employee payroll	9.19%	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, 2020**

	Last Ten Fiscal Years*		2018
	2020	2019	
Total OPEB Liability - Post-Retirement Health Care Plan			
Service cost	\$ 13,100,169	\$ 12,726,267	\$ 15,391,826
Interest	10,078,877	9,462,837	8,169,455
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(43,284)	(3,848,618)	-
Changes in assumptions	(4,351,298)	(18,486,771)	(39,214,894)
Benefit payments	17,879,094	(3,888,986)	(4,122,868)
Total change in total OPEB liability	36,663,558	(4,035,271)	(19,776,481)
OPEB Plan Fiduciary Net Position	-	-	-
Total OPEB liability - beginning	249,490,916	253,526,189	273,302,670
Total OPEB liability - ending	\$ 286,154,474	\$ 249,490,918	\$ 253,526,189
Covered-employee payroll	\$ 68,066,955	\$ 58,774,445	\$ 56,345,972
Total OPEB liability as a percentage of covered-employee payroll	420.4%	424.5%	449.9%

Notes to schedule:

Change in significant assumptions:

	2020	2019	2018
Discount rate	3.51%	3.87%	3.58%
Healthcare trend rate:			
Initial rate	7.14%	7.51%	7.51%
Decreasing per year	0.37%	0.37%	0.43%
Ultimate rate	4.50%	4.50%	4.50%
Ultimate rate year	2027	2027	2,024.00
Mortality rate	Pub-2010	Pub-2010	RP-2014

- Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:
- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
 - Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
 - Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

* 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, 2020**

	Last Ten Fiscal Years*	
	2020	2019
Total OPEB Liability - Retirement Incentive Plan		
Service cost	\$ 379,371	\$ 380,903
Interest	242,473	265,019
Changes of benefit terms	-	-
Differences between expected and actual experience	221,756	(312,133)
Changes in assumptions	(604,750)	(994,345)
Benefit payments	125,162	(348,350)
Total change in total Retirement incentive liability	364,012	(1,008,906)
OPEB Plan Fiduciary Net Position	-	-
Total liability - beginning	6,185,586	7,194,492
Total liability - ending	\$ 6,549,598	\$ 6,185,586
Covered-employee payroll	\$ 68,066,955	\$ 58,774,445
Total OPEB liability as a percentage of covered-employee payroll	9.62%	10.52%
Notes to schedule:		
Change in significant assumptions:		
	2020	2019
Discount rate	3.51%	3.87%
Mortality rate	Pub-2010	Pub-2010

* 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, 2020

July 1, 2019 - Debit (Credit) balance of account A431	\$ 17,281,231
Debits:	
Billings to school districts	172,089,652
Refund of balances due school districts	8,113,837
Encumbrances - June 30, 2020	4,050,632
Other Adjustments	<u>13,958</u>
Total debits	<u>184,268,079</u>
Credits:	
Collections from school districts	180,859,504
Encumbrances - June 30, 2019	4,269,370
Adjustment - credits to school districts - revenue in excess of expenditures	<u>7,680,728</u>
Total credits	<u>192,809,602</u>
June 30, 2020 - Debit (Credit) balance of account A431	<u>\$ 8,739,708</u>

ORANGE ULSTER BOCES

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Project Title</u>	<u>Original Budget</u>	<u>#</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	\$ 1,201,936		\$ 1,401,936	\$ 198,064	\$ 1,378	\$ 199,442	\$ 1,400,558
Arden Hill - Pase IIA	573,940		798,641	2,950,877	35,758	2,986,635	762,883
CLC Projects	306,232		306,232	82,682	153,116	235,798	153,116
Chiller/Cooling Tower - Arden	400,000		800,000	-	120,000	120,000	680,000
Total	\$ 2,482,108		\$ 3,306,809	\$ 3,231,623	\$ 310,252	\$ 3,541,875	\$ 2,996,557

ORANGE ULSTER BOCES

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2020**

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	\$ 150,308,153
Add: Prior year's encumbrances	<u>4,269,370</u>
Original budget	154,577,523
Budget revision: Board resolutions to accept changes in service contracts	<u>32,575,496</u>
Final budget	<u>\$ 187,153,019</u>

ORANGE ULSTER BOCES

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2020

Capital assets, net	\$ 37,356,379
Deduct:	
Bond anticipation notes	-
Short-term portion of installment purchase debt	1,126,367
Long-term portion of installment purchase debt	976,229
Short-term portion of bonds payable	-
Long-term portion of bonds payable	-
Plus: Unspent bond proceeds	-
	<hr/>
Net investment in capital assets	<u>\$ 35,253,783</u>

REQUIRED REPORTS UNDER THE UNIFORM GUIDANCE

ORANGE ULSTER BOCES

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<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>
U.S. Department of Agriculture			
Pass-Through New York State Department of Education			
<i>Child Nutrition Cluster:</i>			
National School Lunch Program (Donated Commodities)	10.555	* NA	\$ 30,718
School Breakfast program	10.553	NA	122,194
National School Lunch Program	10.555	* NA	253,057
<i>Total Child Nutrition Cluster</i>			<u>405,969</u>
Fresh Fruit and Vegetable Program	10.582	NA	1,099
Total U.S Department of Agriculture			<u>407,068</u>
U.S. Department of Labor			
Pass-Through Orange County Employment and Training Administration			
<i>WIOA Cluster:</i>			
WIOA Youth Activities	17.259	NA	<u>134,121</u>
Total U.S Department of Labor			<u>134,121</u>
U.S. Department of Education			
Direct:			
<i>Student Financial Assistance Cluster:</i>			
Federal Direct Loan Program	84.268	NA	479,181
Federal Pell Grant Program	84.063	NA	189,614
<i>Total Student Financial Assistance Cluster</i>			<u>668,795</u>
Pass-Through New York State Department of Education:			
Adult Education - Basic Grants to States	84.002	N/A	56,395
Adult Education - Basic Grants to States	84.002	2338-20-3246	116,835
Adult Education - Basic Grants to States	84.002	0040-20-2093	104,926
Adult Education - Basic Grants to States	84.002	2338-20-3245	115,838
Adult Education - Basic Grants to States	84.002	C013988	141,432
Adult Education - Basic Grants to States	84.002	2338-20-3100	256,241
<i>Total Adult Education - Basic Grants to States</i>			<u>791,667</u>
Education for Homeless Children and Youth	84.196	0212-20-0032	59,942
Vocational Education - Basic Grants to States (Perkins III)	84.048	8000-20-0032	406,627
English Language Acquisition State Grants	84.365	0293-19-2532	15,757
English Language Acquisition State Grants	84.365	0293-20-2532	62,150
<i>Total English Language Acquisition State Grants</i>			<u>77,907</u>
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	NA	21,601
Total New York State Department of Education			<u>1,357,744</u>
Total U.S. Department of Education			<u>2,026,539</u>
Total Expenditures of Federal Awards			<u>\$ 2,567,728</u>
* Subtotal Federal CFDA No. 10.555			<u>\$ 283,775</u>

ORANGE ULSTER BOCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2020

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, 2020. 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, 2020, the BOCES received food commodities totaling \$30,718 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 13, 2020

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, 2020, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated October 13, 2020.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 13, 2020

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, 2020. 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 its major federal program for the year ended June 30, 2020.

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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, 2020

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, 2020

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.