

**ORANGE ULSTER BOCES**

**Financial Statements and Required Reports  
Under Government Auditing Standards  
As of and for the year ended June 30, 2022**

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

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**INDEPENDENT AUDITOR'S REPORT**

October 10, 2022

To the Board of Education of  
Orange Ulster BOCES:

**Report on the Audit of the Financial Statements**

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Orange Ulster BOCES (BOCES) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of BOCES, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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

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## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

### ***Change in Accounting Principle***

As discussed in Note 16, during 2022 the BOCES adopted Governmental Accounting Standards Board Statement 87, Leases. Our opinions are not modified with respect to this matter.

### ***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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

(Continued)

### ***Required Supplementary Information (Continued)***

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.

### ***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Account A431 school district, Schedule of Project Expenditures – Capital Projects Fund, Schedule of change from original budget to revised budget – General fund and Schedule of Net Investment in Capital Assets, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2022 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, 2022

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*The following is a discussion and analysis of the Orange Ulster BOCES' (BOCES) financial performance for the fiscal year ended June 30, 2022. 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 2021-2022 fiscal year are as follows:

- For the year ended June 30, 2022, total net position was a deficit of \$288,226,120, a decrease in net position of \$6,364,664 from the deficit net position of \$281,861,456 for the year ended June 30, 2021. 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, 2022. This required the BOCES to calculate and record a net other post-employment health care obligations of \$360,031,878 at year end, an increase of \$32,917,849 from the prior year.
- The BOCES' governmental fund financial statements report a combined ending fund balance of \$10,447,706. Of this amount, \$2,838,872 is assigned to capital projects, \$3,039,569 is restricted for unemployment insurance and retirement contributions, and \$4,463,516 represents general fund reserve for encumbrances.
- The BOCES issued no installment purchase debt during the year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-1 shows how the various sections of this annual report are arranged and related to one another.

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

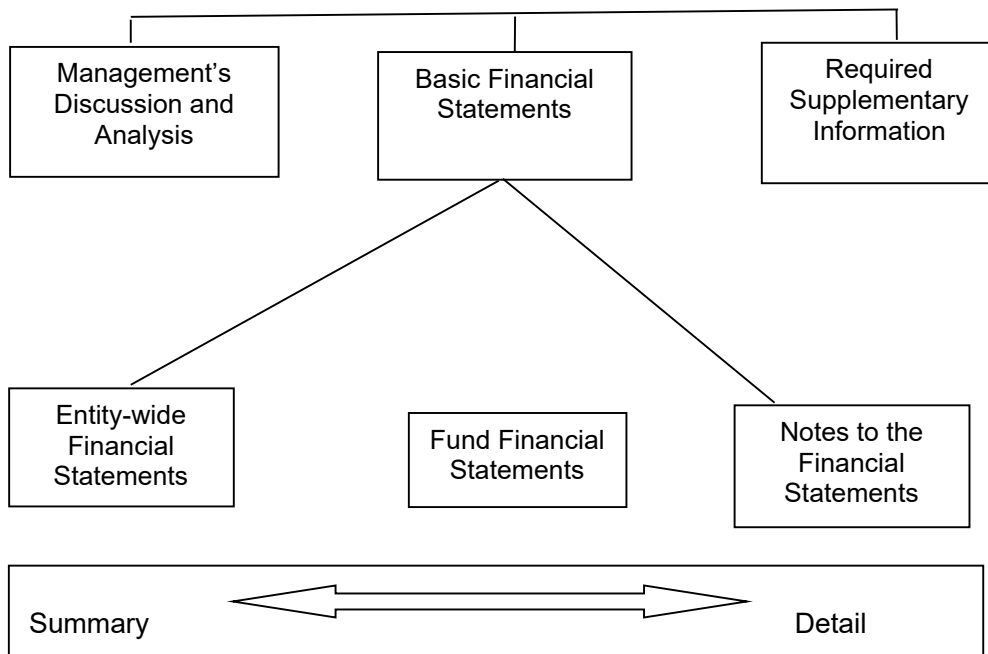


Figure A-2 summarizes the major features of the Orange Ulster BOCES’ financial statements, including a portion of the BOCES’ activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

	Government-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not proprietary or fiduciary, such as special education.	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and changes in fund equity</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of changes in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset & deferred outflow/liability & deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

### Government-Wide Statements

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

The two government-wide statements report the BOCES *net position* and how they have changed. Net position – the difference between the BOCES assets and liabilities – are one way to measure the BOCES financial health or *position*.

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

## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

### Government-Wide Statements (Continued)

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

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

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

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

### Fund Financial Statements

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

The BOCES has one kind of fund:

- *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, special revenue 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)

### FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

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

	Fiscal Year <u>2022</u>	Fiscal Year <u>2021</u>	Percent <u>Change</u>
Current and other assets	\$ 62,207	\$ 58,601	6.2%
Non current asset	<u>84,878</u>	<u>36,395</u>	133.2%
Total assets	<u>147,085</u>	<u>94,996</u>	54.8%
Deferred outflows of resources	<u>94,394</u>	<u>94,125</u>	0.3%
Current liabilities	46,207	45,655	1.2%
Long-term liabilities	<u>367,594</u>	<u>340,829</u>	7.9%
Total liabilities	<u>413,801</u>	<u>386,484</u>	7.1%
Deferred inflows of resources	<u>115,905</u>	<u>84,498</u>	37.2%
Net position:			
Investment in capital assets	(48,377)	34,143	-241.7%
Restricted	3,102	2,402	29.2%
Unrestricted	<u>(242,951)</u>	<u>(318,406)</u>	-23.7%
Total net position	<u>\$ (288,226)</u>	<u>\$ (281,861)</u>	2.3%

#### Changes in Net Position

Net position decreased to \$288,226,120 for the year ended June 30, 2022, down from the \$281,861,456 balance for 2021. This resulted primarily from recording an expense for the other post-employment benefits liability of \$32,917,849. In addition, BOCES returned surplus of \$12,347,978 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)**

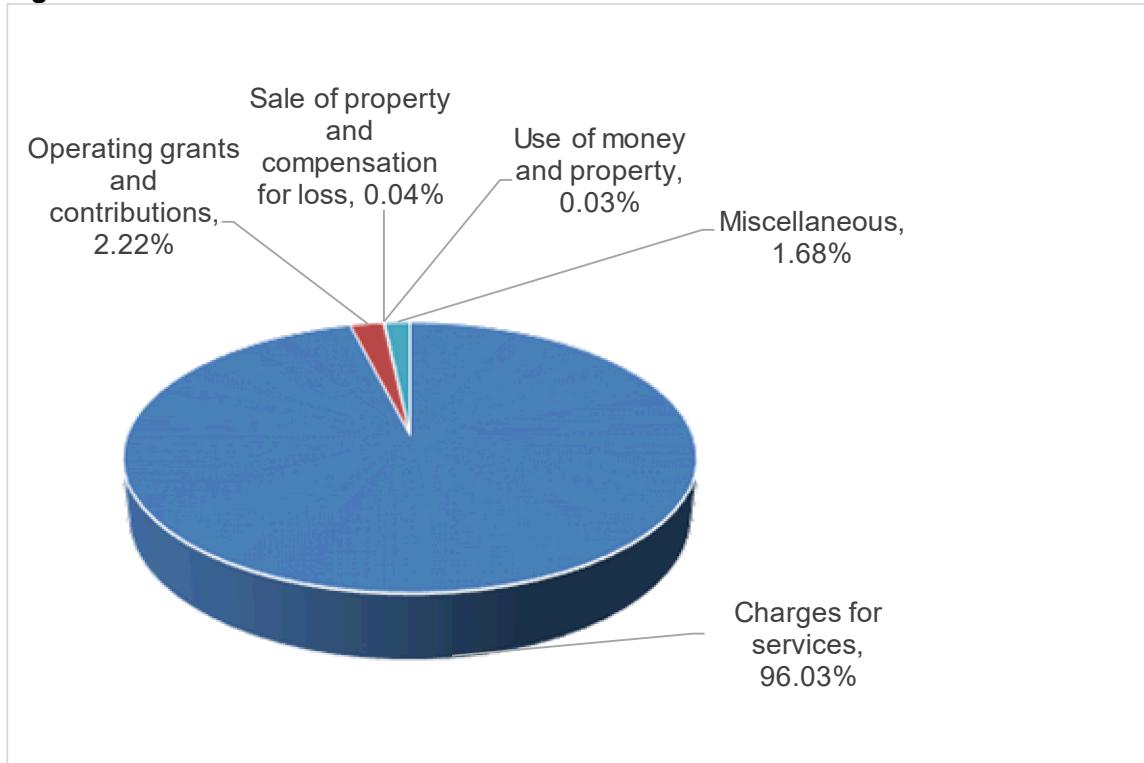
	Fiscal Year <u>2022</u>	Fiscal Year <u>2021</u>	Percent <u>Change</u>
<u>Revenue</u>			
Program revenue:			
Charges for services	\$ 186,005	\$ 166,473	11.7%
Operating grants and contributions	4,299	3,478	23.6%
General revenue:			
Use of money and property	61	43	41.9%
Sale of property and compensation for loss	84	49	71.4%
Miscellaneous	<u>3,241</u>	<u>4,444</u>	-27.1%
 Total revenue	 <u>193,690</u>	 <u>174,487</u>	 11.0%
<u>Expenses</u>			
Administration	8,362	8,340	0.3%
Occupational instruction	20,292	24,792	-18.2%
Instruction for special needs	92,294	97,212	-5.1%
Itinerant services	4,592	4,913	-6.5%
General instruction	11,788	9,687	21.7%
Instruction support	26,326	23,569	11.7%
Other services	18,012	15,240	18.2%
Other expenditures	38	(314)	-112.1%
School lunch program	884	889	-0.6%
Depreciation - unallocated	3,564	3,586	-0.6%
Debt service - interest	1,556	-	0.0%
Return of surplus	<u>12,348</u>	<u>7,770</u>	58.9%
 Total expenses	 <u>200,055</u>	 <u>195,683</u>	 2.2%
 Increase (Decrease) in net position	 <u>\$ (6,365)</u>	 <u>\$ (21,196)</u>	 -70.0%

The BOCES' 2022 revenue was \$193,689,733 compared to the previous year of \$174,486,878 (see Figure A-4).

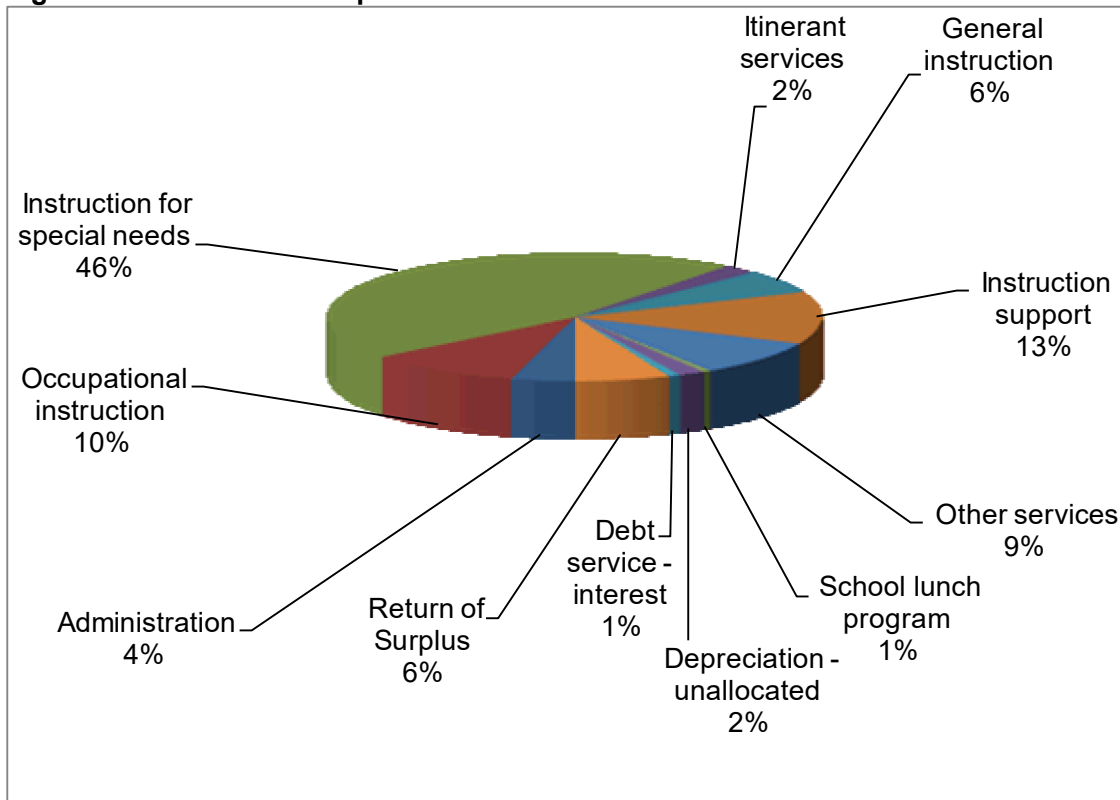
The total cost of all programs and services totaled \$200,054,397 for 2022, compared to \$195,682,834 in the previous year. These expenses are predominantly for the education, supervision, and transportation of students (see Figure A-4).

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

**Figure A-5: Revenue Sources for 2022**



**Figure A-6: Sources of Expenses for 2022**



## 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 resource's 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 2022 and 2021:

*General Fund:* Revenues exceeded expenditures, prior to surplus returns in the 2021-2022 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 \$8,385,934, an increase of \$2,038,470 from the prior year revenues of \$6,347,464. This increase in revenue was primarily attributable to an increase in the charges to components in the amount of \$1,547,708 and federal sources in the amount of \$478,374.

*School Lunch:* The school lunch fund ended 2021-2022 with an excess in operating revenue of \$6,632 which was offset by a budgeted interfund transfer to the general fund of \$4,351. This resulted in a Fund Balance of \$22,199 on hand as of June 30, 2022.

*Capital Projects:* The capital projects spending totaled \$451,959 in 2021-2022. This left a Fund Balance of \$2,838,872 on hand as of June 30, 2022.

### 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, 2022, the BOCES had \$37,001,558 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>2022</u>	Fiscal Year <u>2021</u>	Percent <u>Change</u>
Land	\$ 318	\$ 318	-0.1%
Construction in progress	2,174	1,722	26.3%
Buildings and improvements	26,195	28,113	-6.8%
Furniture and equipment	6,125	5,790	5.8%
Equipment and furniture	343	452	-24.1%
Leased assets	<u>1,848</u>	<u>-</u>	100.0%
Total	<u>\$ 37,002</u>	<u>\$ 36,395</u>	1.7%

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

### Long-Term Liabilities

As of June 30, 2022, the BOCES had \$368.6 million in Long Term Liabilities outstanding. More detailed information about the BOCES' long-term liabilities is included in the notes to the financial statements.

<u>Category</u>	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
Short term portion of installment purchase agreements	\$ 633	\$ 1,204
Compensated absences payable	5,907	5,818
Installment purchase agreements	312	1,047
Lease liability	1,750	-
Net pension liability	-	6,849
Total other postemployment benefits liability	<u>360,032</u>	<u>327,114</u>
Total	<u>\$ 368,634</u>	<u>\$ 342,032</u>

During the year, BOCES issued no 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 state of the economy due to the COVID-19 pandemic weighs heavy on both school districts and BOCES. Budgeting for the future will be extremely difficult due to uncertainty with state aid and potential future aid reductions. The BOCES will continue to carefully monitor financial conditions and adjust as necessary to future budget challenges.

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, 2022****ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:	
Cash - unrestricted	\$ 35,188,123
Cash - restricted	3,102,369
Due from school districts	7,074,750
State and federal aid receivable	15,435,678
Accounts receivable	694,005
Lease receivable	688,621
Prepaid expenditures	1,200
Inventories	<u>22,199</u>
Total current assets	<u>62,206,945</u>
NONCURRENT ASSETS:	
Capital assets, undepreciated	2,490,719
Capital assets, depreciated and amortized	82,683,961
Capital assets, depreciated, net	(48,173,122)
Net pension asset - ERS	5,810,949
Net pension asset - TRS	41,753,897
Lease receivable	<u>312,105</u>
Total noncurrent assets	<u>84,878,509</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - OPEB	58,564,367
Deferred outflows of resources - pensions ERS	11,622,068
Deferred outflows of resources - pensions TRS	<u>24,207,917</u>
Total deferred outflows of resources	<u>94,394,352</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 241,479,806</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

CURRENT LIABILITIES:	
Accounts payable	\$ 5,133,354
Accrued liabilities	2,625,550
Lease liability - current portion	407,026
Due to school districts	14,803,537
Due to other governments	3,270
Due to Teachers' Retirement System	4,481,743
Due To Employee Retirement System	622,960
Revenue anticipation note payable	17,158,194
Unearned revenue	337,836
Short term portion of installment purchase agreements	<u>633,149</u>
Total current liabilities	<u>46,206,619</u>
LONG-TERM LIABILITIES:	
Compensated absences payable	5,907,396
Installment purchase agreements	312,108
Lease liability	1,342,572
Total other postemployment benefits liability	<u>360,031,878</u>
Total long-term liabilities	<u>367,593,954</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources - OPEB	47,643,780
Deferred inflows of resources - Lease	999,377
Deferred inflows of resources - pensions ERS	20,518,288
Deferred inflows of resources - pensions TRS	<u>46,743,908</u>
Total deferred inflows of resources	<u>115,905,353</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>529,705,926</u>
<b>NET POSITION</b>	
Net investment in capital assets	(48,377,258)
Restricted	3,102,390
Unrestricted net position	<u>(242,951,252)</u>
TOTAL NET POSITION	<u>\$ (288,226,120)</u>

The accompanying notes are an integral part of these statements.



**ORANGE ULSTER BOCES**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
<b>FUNCTIONS/PROGRAMS:</b>				
Administration	\$ 8,361,620	\$ 8,560,934	\$ -	\$ 199,314
Occupational instruction	20,291,903	20,775,596	-	483,693
Instruction for special needs	92,292,615	94,492,571	-	2,199,956
Itinerant services	4,592,386	4,701,854	-	109,468
General instruction	11,787,576	12,068,553	3,539,817	3,820,794
Instruction support	26,326,385	26,953,920	-	627,535
Other services	18,011,742	18,441,083	-	429,341
Other expenses	38,222	-	-	(38,222)
School lunch program	883,841	10,472	759,164	(114,205)
Depreciation - unallocated	3,564,223	-	-	(3,564,223)
Debt service - interest	1,555,906	-	-	(1,555,906)
Return of Surplus	12,347,978	-	-	(12,347,978)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$ 200,054,397</u>	<u>\$ 186,004,983</u>	<u>\$ 4,298,981</u>	<u>(9,750,433)</u>
<b>GENERAL REVENUE:</b>				
Use of money and property				61,439
Sale of property and compensation for loss				83,780
Miscellaneous				<u>3,240,550</u>
<b>TOTAL GENERAL REVENUE</b>				<u>3,385,769</u>
<b>CHANGE IN NET POSITION</b>				<u>(6,364,664)</u>
<b>TOTAL NET POSITION - beginning of year</b>				<u>(281,861,456)</u>
<b>TOTAL NET POSITION - end of year</b>				<u>\$ (288,226,120)</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, 2022**

	<b>Governmental Fund Types</b>					<b>Total Governmental Funds</b>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	
<b>ASSETS</b>						
Cash - unrestricted	\$ 26,424,598	\$ 5,888,432	\$ 36,221	\$ 2,838,872	\$ -	\$ 35,188,123
Cash - restricted	3,039,569	-	-	-	62,800	3,102,369
Due from school districts	7,074,750	-	-	-	-	7,074,750
Due from other funds	6,268,227	-	4,740	-	21	6,272,988
State and federal aid	14,803,537	434,791	197,350	-	-	15,435,678
Accounts receivable	694,005	-	-	-	-	694,005
Lease receivable	999,377	-	-	-	-	999,377
Prepaid expenditures	1,200	-	-	-	-	1,200
Inventory	-	-	22,199	-	-	22,199
<b>TOTAL ASSETS</b>	<b>\$ 59,305,263</b>	<b>\$ 6,323,223</b>	<b>\$ 260,510</b>	<b>\$ 2,838,872</b>	<b>\$ 62,821</b>	<b>\$ 68,790,689</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Accounts payable	\$ 5,067,444	\$ 64,567	\$ 1,343	\$ -	\$ -	\$ 5,133,354
Accrued liabilities	8,493,912	31,595	4,217	-	-	8,529,724
Due to other governments	-	2,487	783	-	-	3,270
State aid due to school districts	14,803,537	-	-	-	-	14,803,537
Due to other funds	4,761	6,036,259	231,968	-	-	6,272,988
Due to Teachers' Retirement System	4,481,743	-	-	-	-	4,481,743
Due to Employees' Retirement System	622,960	-	-	-	-	622,960
Revenue anticipation note payable	17,158,194	-	-	-	-	17,158,194
Unearned revenue	170,250	167,586	-	-	-	337,836
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Deferred inflows of resources - Lease	999,377	-	-	-	-	999,377
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>51,802,178</b>	<b>6,302,494</b>	<b>238,311</b>	<b>-</b>	<b>-</b>	<b>58,342,983</b>

(Continued)

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

**ORANGE ULSTER BOCES**

**BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)  
JUNE 30, 2022**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Special Revenue	
<b>FUND BALANCES</b>						
Nonspendable						
Prepaid expenditures	1,200	-	-	-	-	1,200
Inventory	-	-	22,199	-	-	22,199
Restricted	3,039,569	-	-	-	62,821	3,102,390
Assigned	4,463,516	20,729	-	2,838,872	-	7,323,117
Unassigned	<u>(1,200)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,200)</u>
TOTAL FUND BALANCES	<u>7,503,085</u>	<u>20,729</u>	<u>22,199</u>	<u>2,838,872</u>	<u>62,821</u>	<u>10,447,706</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 59,305,263</u>	<u>\$ 6,323,223</u>	<u>\$ 260,510</u>	<u>\$ 2,838,872</u>	<u>\$ 62,821</u>	<u>\$ 68,790,689</u>

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

Total governmental fund balances per above	\$ 10,447,706
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	37,001,558
Deferred outflow of resources related to long-term pension and OPEB activity	94,394,352
Long term liabilities that are not due and payable in the current period are not reported in the funds	
Installment purchase agreements	(945,257)
Net pension asset - ERS	5,810,949
Net pension asset - TRS	41,753,897
Total other post-employment benefits liability	(360,031,878)
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds	(1,749,598)
Interest payable at year end is recorded in the government-wide statements under full accrual accounting	(1,873)
Deferred Inflow of resources related to long-term pension and OPEB activity	<u>(114,905,976)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (288,226,120)</u></b>

**ORANGE ULSTER BOCES**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Miscellaneous Special Revenue	
<b>REVENUE:</b>						
Charges for services	\$ 1,664,234	\$ 12,060	\$ -	\$ -	\$ -	\$ 1,676,294
Charges to components	155,803,312	4,390,860	-	-	-	160,194,172
Charges to other BOCES	14,906,192	481,078	-	-	-	15,387,270
Charges to non components	8,736,775	-	-	-	-	8,736,775
Interest and earnings	56,806	-	39	3,245	-	60,090
Sale of property and compensation for loss	83,780	-	-	-	-	83,780
Miscellaneous	3,021,268	-	102,839	-	46,524	3,170,631
State sources	-	1,337,005	16,615	-	-	1,353,620
Federal sources	37,881	2,164,931	694,032	-	-	2,896,844
Donated food	-	-	48,517	-	-	48,517
Sales - School lunch	-	-	10,472	-	-	10,472
<b>Total revenue</b>	<b>184,310,248</b>	<b>8,385,934</b>	<b>872,514</b>	<b>3,245</b>	<b>46,524</b>	<b>193,618,465</b>
<b>EXPENDITURES:</b>						
Administration	8,035,782	-	-	-	-	8,035,782
Occupational instruction	19,737,426	-	-	-	-	19,737,426
Instruction for special education	89,567,888	-	-	-	-	89,567,888
Itinerant services	4,456,605	-	-	-	-	4,456,605
General instruction	3,150,611	8,365,478	-	-	15,775	11,531,864
Instruction support	26,455,533	-	-	-	-	26,455,533
Other services	17,236,199	-	-	-	-	17,236,199
Other expenditures	4,351	-	-	-	33,871	38,222
Debt service - principal	803,984	-	-	-	-	803,984
Debt service - interest	43,243	-	-	-	-	43,243
Cost of sales	-	-	865,882	-	-	865,882
Capital outlay	-	-	-	451,959	-	451,959
<b>Total expenditures</b>	<b>169,491,622</b>	<b>8,365,478</b>	<b>865,882</b>	<b>451,959</b>	<b>49,646</b>	<b>179,224,587</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>14,818,626</b>	<b>20,456</b>	<b>6,632</b>	<b>(448,714)</b>	<b>(3,122)</b>	<b>14,393,878</b>
<b>OTHER SOURCES AND (USES):</b>						
Operating transfers in	4,351	-	-	1,053,207	-	1,057,558
Proceeds from leases	69,919	-	-	-	-	69,919
Return of surplus	(12,347,978)	-	-	-	-	(12,347,978)
Operating transfers out	(1,053,207)	-	(4,351)	-	-	(1,057,558)
<b>Total other sources (uses)</b>	<b>(13,326,915)</b>	<b>-</b>	<b>(4,351)</b>	<b>1,053,207</b>	<b>-</b>	<b>(12,278,059)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>1,491,711</b>	<b>20,456</b>	<b>2,281</b>	<b>604,493</b>	<b>(3,122)</b>	<b>2,115,819</b>
<b>FUND BALANCES - beginning of year</b>	<b>6,011,374</b>	<b>273</b>	<b>19,918</b>	<b>2,234,379</b>	<b>65,943</b>	<b>8,331,887</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 7,503,085</b>	<b>\$ 20,729</b>	<b>\$ 22,199</b>	<b>\$ 2,838,872</b>	<b>\$ 62,821</b>	<b>\$ 10,447,706</b>

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, 2022

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Net changes in fund balance - Total governmental funds	\$ 2,115,819
Capital outlays, net, are expenditures in governmental funds, but are capitalized in the statement of net position.	2,323,113
Leases are expenditures in governmental funds, but are capitalized in the statement of net position	69,919
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(3,564,223)
Amortization is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(705,457)
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.	9,054,180
Issuance of long-term lease liabilities are recognized as proceeds in the governmental funds, but recorded as a liability in the statement of net position.	(69,919)
Repayments of long-term lease liabilities are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	802,111
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.	1,306,288
Accrued post-employment benefits do not require the expenditure of current resources and, therefore are not reported as expenditures in the governmental funds.	<u>(17,696,495)</u>
Change in net position - governmental activities	<u>\$ (6,364,664)</u>

The accompanying notes are an integral part of these statements.

# ORANGE ULSTER BOCES

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2022

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

#### **Nature of Operations**

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

#### **Significant Accounting Policies**

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

#### **Reporting Entity**

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

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

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

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

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

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

### **Extraclassroom Activity Funds**

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The board of education exercises general oversight of these funds. 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 the Miscellaneous Special Revenue 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. Separate statements for each fund category 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)

*Miscellaneous Special Revenue Fund:* This fund accounts for proceeds from various funding sources, which may be restricted by a donor or designated by the School District for specific purposes. The transactions of the Extraclassroom Activity Funds are included in this fund.

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

### 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 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.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, other postemployment benefits and long-term pension obligation, 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 leases are reported as other financing sources.

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 leases are reported as other financing sources.



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

**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, 2022.

**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 \$3,102,369 within the governmental funds.

**Accounts Receivable**

Receivables include amounts due from other governments, individuals for services provided by BOCES and amounts due from assets leased to others. 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.

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

### 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). Eliminations have been made for all interfund receivables and payables between the funds.

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

### 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

Capital assets also include lease assets with a term greater than one year. The BOCES does not implement a capitalization threshold for lease assets. Lease assets are amortized on a straight-line basis over the term of the lease.

### 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 leases, pension and OPEB obligations. These amounts are detailed in the discussion of the BOCES leases, pension and OPEB plans in Note 6, 10 and 11.

Lease-related amounts are recognized at the inception of leases in with the District is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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

### **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.

### **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 \$337,836 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.

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

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.

### **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**

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)**

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 \$4,463,516.

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

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

As of June 30, 2022, the BOCES' encumbrances were classified as follows:

Administration	\$	51,194
Occupational instruction		1,801,784
Instruction for special education		1,158,202
Itinerant services		5,828
General instruction		62,994
Instruction support		1,078,671
Other services		304,843
Other expenses		-
Total encumbrances	\$	<u>4,463,516</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.

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

### **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.

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.



### 3. STEWARDSHIP AND COMPLIANCE (Continued)

#### Budgets (Continued)

The following supplemental appropriations occurred during the year.

Adopted budget	\$155,598,321
Add: Prior year's encumbrances	<u>3,675,427</u>
Original budget	159,273,748
Budget revision: Board resolutions to accept changes in service contracts	<u>36,145,693</u>
Final budget	<u>\$195,419,441</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	<u>\$ 40,917,316</u>	<u>\$ 38,290,492</u>
Collateralized with securities held by the pledging financial institution's trust department or agent in the BOCES' name	\$ 40,281,585	
Covered by FDIC insurance	<u>635,731</u>	
Total	<u>\$ 40,917,316</u>	

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	\$ 651,461
Retirement	<u>2,388,108</u>
	<u>\$ 3,039,569</u>

Miscellaneous special revenue fund

Scholarships	\$ 47,017
Extraclass activities	<u>15,783</u>
	<u>\$ 62,800</u>

## 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	(restated) July 1, 2021			June 30, 2022
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 317,559	\$ -	\$ -	\$ 317,559
Construction in progress	1,721,201	451,959	-	2,173,160
Total non-depreciable capital assets	<u>2,038,760</u>	<u>451,959</u>	<u>-</u>	<u>2,490,719</u>
Capital assets that are depreciated:				
Buildings and improvements	59,437,609	-	-	59,437,609
Furniture and equipment	18,872,262	1,871,154	1,083,369	19,660,047
Vehicles	1,292,934	-	124,543	1,168,391
Total depreciable capital assets	<u>79,602,805</u>	<u>1,871,154</u>	<u>1,207,912</u>	<u>80,266,047</u>
Less accumulated depreciation:				
Buildings and improvements	31,324,418	1,918,086	-	33,242,504
Furniture and equipment	13,081,793	1,537,002	1,083,369	13,535,426
Vehicles	840,811	109,135	124,543	825,403
Total accumulated depreciation	<u>45,247,022</u>	<u>3,564,223</u>	<u>1,207,912</u>	<u>47,603,333</u>
Total depreciable capital assets net	<u>34,355,783</u>	<u>(1,693,069)</u>	<u>-</u>	<u>32,662,714</u>
Total capital assets, net	<u>36,394,543</u>	<u>(1,241,110)</u>	<u>-</u>	<u>35,153,433</u>
Lease assets that are amortized:				
Classrooms	437,244	-	-	437,244
Buildings	2,046,419	69,919	135,668	1,980,670
Total amortized leased assets	<u>2,483,663</u>	<u>69,919</u>	<u>135,668</u>	<u>2,417,914</u>
Less accumulated amortization:				
Classrooms	-	210,911	-	210,911
Buildings	-	494,546	135,668	358,878
Total accumulated amortization	<u>-</u>	<u>705,457</u>	<u>135,668</u>	<u>569,789</u>
Total amortized lease assets, net	<u>2,483,663</u>	<u>(635,538)</u>	<u>-</u>	<u>1,848,125</u>
Governmental Activities Capital Assets	<u>\$ 38,878,206</u>	<u>\$ (1,876,648)</u>	<u>\$ -</u>	<u>\$ 37,001,558</u>

## 6. LEASES

### Lessee Agreements

The BOCES leases various copiers and equipment, primarily from their component districts. Some of the leases do contain renewal options. Leases contain various inception dates and remaining terms of 12-132 months. Lease agreements are summarized as follows:

<u>Description</u>	<u>Interest Rate / Discount Rate</u>	<u>Total Initial Lease Liability</u>
Building and Classroom Leases:		
Warwick Valley CSD - Stanfordville ES	2.21%	\$ 63,318
Minisink Valley CSD - Otisville ES	2.21%	208,407
Minisink Valley CSD - Minisink Valley MC	2.21%	7,564
Minisink Valley CSD - Minisink Valley HS	2.21%	12,972
Marlboro CSD - Middlehope ES	2.21%	135,668
Goshen CSD - Main Street Lease	2.21%	863,134
County of Orange - Maple Building Leas	2.21%	837,923
Chester UFSD - Chester Academy	2.21%	144,982
Arden Hill LDC - Regional Ed Center	2.21%	<u>209,695</u>
Total Lease Liability		<u>\$ 2,483,663</u>

Activity of lease liabilities for the year ended June 30, 2022 is summarized as follows:

(Restated)				Amounts due within One Year
<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>	
\$ 2,483,663	\$ 69,919	\$ 803,984	\$ 1,749,598	<u>\$ 407,027</u>

Annual requirements to amortize long-term obligations and related interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	407,027	35,193	442,220
2024	311,943	26,957	338,900
2025	247,720	20,622	268,342
2026	257,291	15,051	272,342
2027	78,678	10,822	89,500
2028-2032	<u>446,939</u>	<u>25,559</u>	<u>472,498</u>
	<u>\$ 1,749,598</u>	<u>\$ 134,204</u>	<u>\$ 1,883,802</u>

**6. LEASES (Continued)**

**LESSOR AGREEMENTS**

The BOCES leases out various copiers and equipment, primarily to their component districts. The leases do not contain renewal options. The Leases contain various inception dates and remaining terms of 12 to 36 months. Lease agreements are summarized as follows:

<u>Description</u>	<u>Interest Rate / Discount Rate</u>	<u>Total Future Receipts</u>
Equipment Schedule No. 75 - Marlboro	2.01%	\$ 195,737
Equipment Schedule No. 75 - Highland Falls CSD	2.43%	99,441
Equipment Schedule No. 73 - Eldred CSD	1.02%	23,551
Equipment Schedule No. 72 - Sullivan West CSD	1.04%	35,517
Equipment Schedule No. 71 - Warwick Valley CSD	0.94%	111,280
Equipment Schedule No. 70 - Washingtonville CSD	0.97%	170,547
Equipment Schedule No. 69 - Cornwall CSD	0.97%	108,997
Equipment Schedule No. 68 - Warwick Valley CSD	0.94%	67,742
Equipment Schedule No. 67 - Monticello CSD	2.00%	18,497
Equipment Schedule No. 66 - Greenwood Lake CSD	1.99%	17,997
Equipment Schedule No. 65 - Washingtonville CSD	2.01%	-
Equipment Schedule No. 64 - Eldred CSD	1.98%	8,811
Equipment Schedule No. 63 - Greenwood Lake CSD	1.98%	54,255
Equipment Schedule No. 62 - Livingston Manor CSD	1.98%	9,640
Equipment Schedule No. 61 - Warwick CSD	2.11%	-
Equipment Schedule No. 60 - Pine Bush CSD	1.86%	-
Equipment Schedule No. 57 - Marlboro CSD	2.62%	-
Equipment Schedule No. 56 - Liberty CSD	3.02%	-
Equipment Schedule No. 54 - Goshen CSD	3.00%	-
Equipment Schedule No. 52 - Liberty CSD	2.91%	105,143
Equipment Schedule No. 50 - Pine Bush CSD	2.86%	-
		<u>\$ 1,027,155</u>

Activity of lease inflows for the year ended June 30, 2022 is summarized as follows:

<u>Lease-related Revenue</u>	<u>Year Ending 2022</u>
Lease Revenue	
Equipment	<u>1,173,910</u>
Total Lease Revenue	1,173,910
Interest Revenue	<u>29,049</u>
Total	<u>1,202,959</u>

Future minimum lease payments due to the BOCES are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 693,932	\$ 16,328	\$ 710,260
2024	<u>\$ 312,105</u>	<u>\$ 4,790</u>	<u>\$ 316,895</u>
	<u>\$ 1,006,037</u>	<u>\$ 21,118</u>	<u>\$ 1,027,155</u>

## 7. 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	7/22/2021	1.00%	\$ 17,148,278	\$ -	\$ 17,148,278	\$ -
RAN	7/22/2022	1.00%	-	17,158,194	-	17,158,194
			<u>\$ 17,148,278</u>	<u>\$ 17,158,194</u>	<u>\$ 17,148,278</u>	<u>\$ 17,158,194</u>

## 8. 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	\$ 2,251,545	\$ -	\$ 1,306,288	\$ 945,257	\$ 633,149
Other liabilities:					
Compensated absences	\$ 5,818,057	\$ 89,339	\$ -	\$ 5,907,396	\$ 590,740
Net pension liability	6,849,102	-	6,849,102	-	-
Total other postemployment benefits	<u>327,114,029</u>	<u>39,866,821</u>	<u>6,948,972</u>	<u>360,031,878</u>	<u>-</u>
Total other liabilities	<u>339,781,188</u>	<u>39,956,160</u>	<u>13,798,074</u>	<u>365,939,274</u>	<u>590,740</u>
Total long-term liabilities	<u>\$342,032,733</u>	<u>\$ 39,956,160</u>	<u>\$ 15,104,362</u>	<u>\$366,884,531</u>	<u>\$ 1,223,889</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.

**8. 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, 2022 was \$945,257. 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>
2023	\$ 633,149	\$ 14,578	\$ 647,727
2024	<u>312,108</u>	<u>4,790</u>	<u>316,898</u>
Totals	<u>\$ 945,257</u>	<u>\$ 19,368</u>	<u>\$ 964,625</u>

**9. INTERFUND BALANCES AND ACTIVITY**

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditure</u>
General fund	\$ 6,268,227	\$ 4,761	\$ 4,351	\$ 1,053,207
Special aid fund	-	6,036,259	-	-
School lunch fund	4,740	231,968	-	4,351
Capital fund	-	-	1,053,207	-
Misc Special Revenue	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 6,272,988</u>	<u>\$ 6,272,988</u>	<u>\$ 1,057,558</u>	<u>\$ 1,057,558</u>

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

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

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

**10. PENSION PLANS**

New York State and Local Employees Retirement System

The BOCES participates in the New York State and Local Employee’s Retirement System (ERS). This is a cost-sharing multiple-employer retirement system, providing retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the Fund), established to hold all net assets and record changes in plan net position allocated to ERS. ERS benefits are established under the provisions of the New York Retirement and Social Security Law (RSSL). Once an employer elects to participate in ERS, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees’ Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State’s financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

*Contributions*

The system is noncontributory except for employees who joined the New York State and Local Employees’ Retirement System after July 27<sup>th</sup>, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers’ contributions based on salaries paid during ERS’s fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

<u>ERS</u>	
2022	\$ 3,519,718
2021	\$ 3,552,463
2020	\$ 3,385,604

**Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the BOCES reported an liability (asset) of \$5,810,949 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of March 31, 2022, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by the actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability (asset) to March 31, 2022. The BOCES’ proportion of the net pension liability (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, 2022, and 2021, the BOCES’ proportion was 0.0710856% percent and 0.079464% percent, respectively as measured at March 31, 2022 and 2021, respectively.

## 10. PENSION PLANS (Continued)

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

For the year ended June 30, 2022, the BOCES recognized pension expense of \$440,524. At June 30, 2022, 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	\$ 440,071	\$ 570,797
Changes of assumptions	9,697,823	163,640
Net difference between projected and actual earnings on pension plan investments	-	19,028,424
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	861,214	755,427
Contributions subsequent to the measurement date	<u>622,960</u>	<u>-</u>
	<u>\$ 11,622,068</u>	<u>\$ 20,518,288</u>

The amount of \$622,960 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, 2023. 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:

2023	\$ (1,347,862)
2024	(2,106,328)
2025	(4,930,462)
2026	(1,134,528)
2027	-
Thereafter	<u>-</u>
	<u>\$ (9,519,180)</u>



## 10. PENSION PLANS (Continued)

### Actuarial Assumptions

The total pension liability (asset) at March 31, 2022 was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability (asset) to March 31, 2022. The actuarial valuation used the following actuarial assumptions:

Inflation	2.7%
Salary Scale	4.4 % ERS, indexed by service
Investment rate of return, including inflation	5.9% compounded annually, net of investment expenses,
Cost of Living Adjustments	1.4% annually
Decrements	Developed from the Plan's 2020 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2020

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major liability (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 liability (asset) allocation percentage and by adding expected inflation.

The allocation and best estimates of arithmetic real rates of return for each major liability (asset) class as of March 31, 2022 are summarized below:

<u>Asset Type</u>	<u>Target Allocations</u>	<u>Long-Term expected real rate of return</u>
Domestic Equity	32%	3.30
International Equity	15%	5.85
Private Equity	10%	6.50
Real Estate	9%	5.00
Opportunistic Portfolio	3%	4.10
Credit	4%	3.78
Real Assets	3%	5.80
Fixed Income	23%	-
Cash	1%	-1.00%
	<u>100%</u>	

### Discount Rate

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

**10. PENSION PLANS (Continued)**

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

The following presents the BOCES' proportionate share of the net pension liability (asset) calculated using the discount rate of 5.9%, as well as what the BOCES' proportionate share of the net pension liability (asset) 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 <u>(4.9%)</u>	Current Discount <u>(5.9%)</u>	1% Increase <u>(6.9%)</u>
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ 14,957,320	\$ (5,810,949)	\$ (23,182,604)

**Pension Plan Fiduciary Net Position**

The components of the current-year net pension liability (asset) of the plan as of March 31, 2022, were as follows (in thousands):

	<u>Pension plan's fiduciary net position</u>
Total pension liability	\$ 223,874,888
Net position	<u>232,049,473</u>
Net pension liability (asset)	<u>\$ (8,174,585)</u>
Fiduciary net position as a percentage of total pension liability	103.65%

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.

*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.

## 10. PENSION PLANS (Continued)

### Contributions (Continued)

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>
2022	\$ 3,897,438
2021	\$ 3,684,346
2020	\$ 4,242,238

### Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the BOCES reported an liability (asset) of \$41,753,897 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by the actuarial valuation as of June 30, 2020 with update procedures applied to roll forward the total pension liability (asset) to June 30, 2021. The BOCES' proportion of the net pension liability (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, 2022 and 2021 the BOCES' proportion was 0.240948 percent and 0.244999 percent, respectively as measured at June 30, 2022 and 2021, respectively.

For the year ended June 30, 2022, the BOCES recognized pension expense of \$2,451,594. At June 30, 2022 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	\$ 5,755,332	\$ 216,929
Changes of assumptions	13,733,729	2,432,041
Net difference between projected and actual earnings on pension plan investments	-	43,699,773
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	237,113	395,165
Contributions subsequent to the measurement date	4,481,743	-
	<u>\$ 24,207,917</u>	<u>\$ 46,743,908</u>

## 10. PENSION PLANS (Continued)

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

The amount of \$4,481,743 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, 2023. 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:

2022	\$ (5,447,780)
2023	(6,354,671)
2024	(8,023,934)
2025	(10,549,581)
2026	1,954,969
Thereafter	<u>1,403,263</u>
	<u>\$ (27,017,734)</u>

### Actuarial Assumptions

Inflation	2.40%
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	5.18%
15	3.64%
25	2.50%
35	1.95%

Projected COLAs	1.3% compounded annually
Investment Rate of Return	6.95% compounded annually, net of pension plan investment expense, including inflation.

The total pension liability (asset) at the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability (asset) to June 30, 2021.

These actuarial valuations used the following actuarial assumptions.

**10. PENSION PLANS (Continued)**

**Pension Liability (Asset), 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 MP2020, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions used in the June 30, 2021 actuarial valuation are based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major liability (asset) class as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major liability (asset) class included in NYSTRS target liability (asset) allocation as of the valuation date of June 30, 2020 (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%	6.8%
International Equity	16%	7.6%
Global equities	4%	7.1%
Real Estate	11%	6.5%
Private Equity	8%	10.0%
Domestic Fixed Income Securities	16%	1.3%
Global Bonds	2%	0.8%
Private debt	1%	5.9%
Real estate debt	7%	3.3%
High Yield Bonds	1%	3.8%
Cash equivalents	1%	-0.2%
	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability (asset) was 6.95 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 (asset).

## 10. PENSION PLANS (Continued)

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

The following presents the net pension liability (asset) of the BOCES calculated using the discount rate of 6.95 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 (5.95%)	Current Discount (6.95%)	1% Increase (7.95%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	\$ (4,381,463)	\$ (41,753,897)	\$ (73,162,716)

### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (asset) of the plan as June 30, 2021, were as follows (in thousands):

	Pension plan's fiduciary net position
Total pension liability	\$ 130,819,415
Net position	148,148,457
Net pension liability (asset)	<u>\$ (17,329,042)</u>
Fiduciary net position as a percentage of total pension liability	113.25%

## 11. 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.

## 11. 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, 2022 was \$6,100,098.

#### 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 formulaic 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, 2022 was \$835,035.

At July 1, 2020, the number of employees covered by BOCES Post-Retirement Health Care Plan and the Retirement Incentive OPEB plans:

	Post-Retirement Health Care	Retirement Incentive
Inactive employees or beneficiaries currently receiving benefits	440	-
Active employees	995	976
Total participants	<u>1,435</u>	<u>976</u>

#### **Total OPEB Liability**

The BOCES total OPEB liability for both its Post-Retirement Health Care and Retirement Incentive Plan was \$360,031,878 and were measured as of June 30, 2021, and were determined by an actuarial valuation as of July 1, 2020. The July 1, 2020 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.

## 11. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

The changes in the OPEB liability are as follows:

	Post-Retirement Health Care	Retirement Incentive	Total
Balance at June 30, 2021	<u>\$ 320,660,775</u>	<u>\$ 6,453,254</u>	<u>\$ 327,114,029</u>
Changes for the Year			
Service cost	\$ 18,437,022	463,763	18,900,785
Interest	7,432,272	138,288	7,570,560
Changes of benefit terms	-	-	-
Changes in assumptions or other inputs	11,195,581	75,502	11,271,083
Differences between expected and actual experience	1,021,067	1,103,326	2,124,393
Benefit payments	<u>(5,622,472)</u>	<u>(1,326,500)</u>	<u>(6,948,972)</u>
Net changes	<u>32,463,470</u>	<u>454,379</u>	<u>32,917,849</u>
Balance at June 30, 2022	<u>\$ 353,124,245</u>	<u>\$ 6,907,633</u>	<u>\$ 360,031,878</u>

### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 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 2.16% 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 MP-2021 Headcount Weighted Mortality Table, Teachers and General Classifications projected generationally with MP-2021.

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

Year	Pre-65	Post-65	EGWP
2020	7.69%	8.68%	1.20%
2021	7.35%	8.24%	4.37%
2022	7.00%	7.80%	4.65%
2023	6.65%	7.34%	5.62%
2024	6.30%	6.88%	6.36%
2025	5.94%	6.41%	6.64%
2026	5.58%	5.94%	6.87%
2027	5.22%	5.46%	5.83%
2028	4.86%	4.98%	5.66%
2029+	4.50%	4.50%	4.50%

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% to 2.16%. 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-2021 varying based on Bargaining Unit Classification.



## 11. 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	\$ 428,336,237	\$ 353,124,245	\$ 294,455,689
Total Retirement Incentive Plan	6,813,843	6,907,633	6,101,575
Total OPEB Liability	<u>\$ 435,150,080</u>	<u>\$ 360,031,878</u>	<u>\$ 300,557,264</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>\$ 283,469,119</u>	<u>\$ 353,124,245</u>	<u>\$ 447,013,428</u>

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

For the year ended June 30, 2022, the BOCES recognized OPEB expense of \$24,075,151 for the Post-Retirement Health Care Plan and \$556,447 for the Retirement Incentive Plan. At June 30, 2022, 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	\$ 900,231	\$ 18,801,323	\$ 1,177,546	\$ 905,812	2,077,777	19,707,135
Changes of assumptions	48,984,429	27,052,255	567,028	884,420	49,551,457	27,936,675
Benefit payments subsequent to measurement date	<u>6,100,098</u>	<u>-</u>	<u>835,035</u>	<u>-</u>	<u>6,935,133</u>	<u>-</u>
Total	<u>\$ 55,984,758</u>	<u>\$ 45,853,578</u>	<u>\$ 2,579,609</u>	<u>\$ 1,790,232</u>	<u>\$ 58,564,367</u>	<u>\$ 47,643,810</u>

**11. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)**

The BOCES recognized \$6,935,133 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of June 30, 2021, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2023.

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
2023	\$ (1,794,143)	\$ (45,574)	\$ (1,839,717)
2024	(1,794,143)	(45,574)	(1,839,717)
2025	(1,794,143)	(45,574)	(1,839,717)
2026	(948,417)	(45,574)	(993,991)
2027	3,138,736	(45,574)	3,093,162
Thereafter	<u>7,223,192</u>	<u>182,212</u>	<u>7,405,404</u>
	<u>\$ 4,031,082</u>	<u>\$ (45,658)</u>	<u>\$ 3,985,424</u>

**12. 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.

**13. FUND BALANCES**

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

## 14. 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.

## 15. COVID-19 PANDEMIC

The United States is presently in the midst of a national health emergency related to a virus commonly known as the Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a nation, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of the situation on the BOCES and its future results and financial position is not presently determinable.

On June 30, 2022 the BOCES applied for a Federal Emergency Management Agency (FEMA) disaster recovery grant. The BOCES is expected to receive \$1,135,097 in FEMA disaster recovery funds.

## 16. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2022, the BOCES implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use and underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the District's financial statements and had no effect on the beginning net position of the governmental activities and fund balance of the general fund, as the net book value of the leased asset equaled the amount of the lease liability.

	Governmental Activities Net <u>Position</u>	General Fund <u>Fund Balance</u>
Balance at June 30, 2021, as previously reported	\$ (281,861,456)	6,011,374
Adjustments:		
Net book value asset	2,483,663	-
Lease liability	(2,483,663)	-
Lease receivable	1,027,155	1,027,155
Deferred inflow of resources - leases	<u>(1,027,155)</u>	<u>(1,027,155)</u>
Balance at June 30, 2021, as restated	<u>\$ (281,861,456)</u>	<u>\$ 6,011,374</u>

**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, 2022**

	Adopted Budget	Final Budget	Actual	Final Budget Variance with Budgetary Actual
<b>REVENUE</b>				
Administration (001-002)	\$ 10,073,123	\$ 10,073,123	\$ 9,430,568	\$ (642,555)
Occupational instruction (100-199)	20,992,279	20,992,279	24,231,647	3,239,368
Instruction for special education (200-299)	81,682,776	81,682,776	96,074,436	14,391,660
Itinerant services (300-399)	3,256,666	3,256,666	4,687,141	1,430,475
General instruction (400-499)	4,167,988	4,167,988	4,178,482	10,494
Instruction support (500-599)	24,269,083	24,269,083	26,996,068	2,726,985
Other services (600-699)	11,377,956	11,377,956	18,711,906	7,333,950
Transfers from other funds	<u>(300,000)</u>	<u>(300,000)</u>	<u>4,351</u>	<u>304,351</u>
Total revenues	155,519,871	155,519,871	184,314,599	28,794,728
<b>EXPENDITURES</b>				
				Variance with Budgetary Actual and Encumbrances
			Encumbrances	
Administration (001-002)	9,019,916	9,038,232	8,035,782	951,256
Occupational instruction (100-199)	20,992,284	21,216,623	19,737,426	(322,587)
Instruction for special education (200-299)	81,682,774	106,860,276	89,567,888	16,134,186
Itinerant services (300-399)	3,256,665	5,034,141	4,456,605	571,708
General instruction (400-499)	4,168,114	4,711,219	3,150,611	1,497,614
Instruction support (500-599)	24,265,590	27,005,648	26,455,533	(528,556)
Other services (600-699)	11,459,770	20,800,094	17,236,199	3,259,052
Other expenditures (700-799)	(299,999)	(299,999)	4,351	(304,350)
Transfers to other funds	<u>1,053,207</u>	<u>1,053,207</u>	<u>1,053,207</u>	<u>-</u>
Total expenditures	<u>155,598,321</u>	<u>195,419,441</u>	<u>169,697,602</u>	<u>21,258,323</u>
Excess revenue over expenditures (expenditures over revenue)	<u>\$ (78,450)</u>	<u>\$ (39,899,570)</u>	<u>\$ 14,616,997</u>	<u>\$ 7,536,405</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, 2022**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*							
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proportion of the net pension liability (asset)	0.0710856%	0.0794646%	0.0766570%	0.0813729%	0.0791216%	0.0780812%	0.0771370%	0.0778935%
Proportionate share of the net pension liability (asset)	\$ (5,810.95)	\$ 79.13	\$ 20,299.22	\$ 5,765.52	\$ 2,553.61	\$ 7,336.69	\$ 12,380.70	\$ 2,631.40
Covered-employee payroll	\$ 22,862.58	\$ 23,225.73	\$ 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	-25.42%	0.34%	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)	103.65%	99.95%	99.95%	96.27%	98.24%	94.70%	90.68%	97.95%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*							
	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Proportion of the net pension liability (asset)	0.2409480%	0.2449990%	0.2393160%	0.2398370%	0.2365470%	0.2386630%	0.2337670%	0.2391020%
Proportionate share of the net pension liability (asset)	\$ (41,753.90)	\$ 6,769.98	\$ (6,217.45)	\$ (4,336.89)	\$ (1,797.99)	\$ 2,556.18	\$ (24,280.90)	\$ (26,634.50)
Covered-employee payroll	41,041.50	\$ 40,896.52	\$ 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	-101.74%	16.55%	-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)	113.20%	97.80%	97.76%	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, 2022**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,519.72	\$ 3,552.46	\$ 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	3,519.72	3,552.46	3,385.60	3,459.98	3,306.66	3,162.85	3,414.12	3,981.84
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 22,862.58	\$ 23,225.73	\$ 25,796.27	\$ 23,796.29	\$ 22,029.68	\$ 21,663.40	\$ 19,700.65	\$ 21,795.10
Contributions as a percentage of covered-employee payroll	15.40%	15.30%	13.12%	14.54%	15.01%	15.02%	17.33%	18.27%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)*							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 3,897.44	\$ 3,684.35	\$ 4,242.24	\$ 3,828.55	\$ 4,393.23	\$ 4,883.41	\$ 6,155.65	\$ 5,739.50
Contributions in relation to the contractually required contribution	3,897.44	3,684.35	4,242.24	3,828.55	4,393.23	4,883.41	6,155.65	5,739.50
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Covered-employee payroll	\$ 41,041.50	\$ 40,896.52	\$ 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	9.50%	9.01%	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, 2022**

	Last Ten Fiscal Years*				
	2022	2021	2020	2019	2018
Total OPEB Liability - Post-Retirement Health Care Plan					
Service cost	\$ 18,437,022	\$ 15,067,191	\$ 13,100,169	\$ 12,726,267	\$ 15,391,826
Interest	7,432,272	10,486,582	10,078,877	9,462,837	8,169,455
Changes of benefit terms	-	(246,838)	-	-	-
Differences between expected and actual experience	1,021,067	(21,770,487)	(43,284)	(3,848,618)	-
Changes in assumptions	11,195,581	35,929,880	(4,351,298)	(18,486,771)	(39,214,894)
Benefit payments	<u>(5,622,472)</u>	<u>(4,960,029)</u>	<u>17,879,094</u>	<u>(3,888,986)</u>	<u>(4,122,868)</u>
Total change in total OPEB liability	32,463,470	34,506,299	36,663,558	(4,035,271)	(19,776,481)
OPEB Plan Fiduciary Net Position					
Total OPEB liability - beginning	<u>320,660,775</u>	<u>286,154,476</u>	<u>249,490,918</u>	<u>253,526,189</u>	<u>273,302,670</u>
Total OPEB liability - ending	<u>\$ 353,124,245</u>	<u>\$ 320,660,775</u>	<u>\$ 286,154,476</u>	<u>\$ 249,490,918</u>	<u>\$ 253,526,189</u>
Covered-employee payroll	\$ 63,484,427	\$ 63,328,986	\$ 68,066,955	\$ 58,774,445	\$ 56,345,972
Total OPEB liability as a percentage of covered-employee payroll	556.2%	506.3%	420.4%	424.5%	449.9%
Notes to schedule:					
Change in significant assumptions:					
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate	2.16%	2.21%	3.51%	3.87%	3.58%
Healthcare trend rate:					
Initial rate	7.35%	7.69%	7.14%	7.51%	7.51%
Decreasing per year	0.34%	0.35%	0.37%	0.37%	0.43%
Ultimate rate	4.50%	4.50%	4.50%	4.50%	4.50%
Ultimate rate year	2029	2029	2027	2027	2.02
Mortality rate	MP 2021	MP 2020	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, 2022**

	Last Ten Fiscal Years*				
	2022	2021	2020	2019	2018
Total OPEB Liability - Retirement Incentive Plan					
Service cost	\$ 463,763	\$ 414,046	\$ 379,371	\$ 380,903	\$ 413,868
Interest	138,288	232,723	242,473	265,019	215,374
Changes of benefit terms	1,103,326	283,631	-	-	-
Differences between expected and actual experience	-	(841,315)	221,756	(312,133)	-
Changes in assumptions	(1,326,500)	487,071	(604,750)	(994,345)	(386,852)
Benefit payments	<u>75,502</u>	<u>(672,500)</u>	<u>125,162</u>	<u>(348,350)</u>	<u>(379,327)</u>
Total change in total Retirement incentive liability	454,379	(96,344)	364,012	(1,008,906)	(136,937)
OPEB Plan Fiduciary Net Position					
Total liability - beginning	<u>6,453,254</u>	<u>6,549,598</u>	<u>6,185,586</u>	<u>7,194,492</u>	<u>7,331,429</u>
Total liability - ending	<u>\$ 6,907,633</u>	<u>\$ 6,453,254</u>	<u>\$ 6,549,598</u>	<u>\$ 6,185,586</u>	<u>\$ 7,194,492</u>
Covered-employee payroll	\$ 63,484,427	\$ 63,328,986	\$ 68,066,955	\$ 58,774,445	\$ 56,345,973
Total OPEB liability as a percentage of covered-employee payroll	10.88%	10.19%	9.62%	10.52%	12.77%
Notes to schedule:					
Change in significant assumptions:					
	2022	2021	2020	2019	2018
Discount rate	221.00%	2.21%	3.51%	3.87%	358.00%
Mortality rate	Pub -2010 `	Pub-2010	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.

**OTHER INFORMATION (UNAUDITED)**

## ORANGE ULSTER BOCES

### SCHEDULE OF ACCOUNT A431 - SCHOOL DISTRICTS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2022

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July 1, 2021 - Debit (Credit) balance of account A431	\$ 6,571,229
Debits:	
Billings to school districts	180,564,512
Refund of balances due school districts	7,770,182
Encumbrances - June 30, 2022	4,463,516
Other Adjustments	-
Total debits	<u>192,798,210</u>
Credits:	
Collections from school districts	174,786,233
Encumbrances - June 30, 2021	3,675,427
Adjustment - credits to school districts - revenue in excess of expenditures	13,839,692
Other Adjustments	-
Total credits	<u>192,301,352</u>
June 30, 2022 - Debit (Credit) balance of account A431	<u>\$ 7,068,087</u>

**ORANGE ULSTER BOCES**

**SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2022**

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<u>Project Title</u>	<u>Original Budget</u>	<u>Revised Budget</u>	<u>Expenditures</u>			<u>Unexpended Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	
Waste Water Infrastructure	\$ 1,806,239	\$ 1,806,239	\$ 225,392	\$ -	\$ 225,392	\$ 1,806,239
Arden Hill - Phase II	-	-	-	-	-	-
Arden Hill - Phase III	373,652	801,859	-	-	-	801,859
Chiller/Cooling Tower - Arden	48,617	492,747	1,495,809	451,959	1,947,768	40,788
Electrical System/Equipment upgrades	-	180,870	-	-	-	180,870
<b>Total</b>	<b>\$ 2,228,508</b>	<b>\$ 3,281,715</b>	<b>\$ 1,721,201</b>	<b>\$ 451,959</b>	<b>\$ 2,173,160</b>	<b>\$ 2,829,756</b>

**ORANGE ULSTER BOCES**

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2022**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 155,598,321
Add: Prior year's encumbrances	<u>3,675,427</u>
Original budget	159,273,748
Budget revision: Board resolutions to accept changes in service contracts	<u>36,145,693</u>
Final budget	<u>\$ 195,419,441</u>

## ORANGE ULSTER BOCES

### SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2022

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Capital assets, net	\$ (45,682,403)
Deduct:	
Short-term portion of installment purchase debt	633,149
Long-term portion of installment purchase debt	312,108
Short-term portion of lease liability	407,026
Long-term portion of lease liability	<u>1,342,572</u>
Net investment in capital assets	<u>\$ (48,377,258)</u>

See the accompanying independent auditor's report

**REQUIRED REPORTS UNDER THE GOVERNMENT AUDITING STANDARDS**

**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 10, 2022

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, and each major fund of Orange Ulster BOCES (BOCES) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated October 10, 2022.

**Report on 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 or significant deficiencies may exist that have not been identified.

(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)**

**Report on 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.