ORANGE ULSTER BOCES

Financial Statements and
Independent Auditors Report
as of and for the year ended June 30, 2026

Bonadio & Co., LLP
Accounting, Consulting & More

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REQUIRED REPORT UNDER *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* 58-59

Bonadio & Co., LLP
Accounting, Consulting & More

INDEPENDENT AUDITOR'S REPORT

October 15, 2026

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, 2026, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

In our opinion, the 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, 2026, 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.

(Continued)

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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.

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)

***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 15, 2026 on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Bonadio & Co. LLP

ORANGE ULSTER BOCES

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2026

The following is a discussion and analysis of the Orange Ulster BOCES' (BOCES) *financial performance for the fiscal year ended June 30, 2026. 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.

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 *BOCES-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 funds.

- 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.

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.

BOCES-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.

Government-Wide Statements
- 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.

FINANCIAL SUMMARY

Our analysis below focuses on the net position (Figure 1) and changes in net position (Figure 2) of the BOCES' Governmental Activities.

Figure 1 - BOCES' Net Position (in thousands of dollars)

	Fiscal Year 2026	Fiscal Year 2025	Percent Change
Current and other assets	$ 187,080	$ 230,572	-18.9%
Noncurrent asset	116,199	62,501	85.9%
Total assets	303,279	293,074	3.5%
Deferred outflows of resources	83,175	86,361	-3.7%
Current liabilities	76,376	67,830	12.6%
Long-term liabilities	466,671	529,339	-11.8%
Total liabilities	543,047	597,169	-9.1%
Deferred inflows of resources	140,037	86,088	62.7%
Net position:			
Investment in capital assets	48,716	39,532	23.2%
Restricted	121,323	156,991	-22.7%
Unrestricted	(466,668)	(500,345)	6.7%
Total net position	$ (296,630)	$ (303,822)	2.4%

Figure 2 - Change in BOCES' Net Position (in thousands of dollars)

	Fiscal Year 2026	Fiscal Year 2025	Percent Change
Revenue			
Program revenue:			
Charges for services	$ 242,702	$ 228,324	6.3%
Operating grants and contributions	5,372	5,744	-6.5%
General revenue:			
Use of money and property	1,234	1,142	8.1%
Sale of property and compensation for loss	37	6	516.7%
Miscellaneous	5,395	4,226	27.7%
Total revenue	254,740	239,442	6.4%
Expenses			
Administration	9,823	9,781	0.4%
Occupational instruction	26,333	27,847	-5.4%
Instruction for special needs	116,509	109,761	6.1%
Itinerant services	4,822	4,818	0.1%
General instruction	17,080	17,239	-0.9%
Instruction support	29,211	29,742	-1.8%
Other services	26,307	28,186	-6.7%
Other expenditures	23	20	15.0%
School lunch program	1,458	1,387	5.1%
Depreciation - unallocated	3,095	4,063	-23.8%
Debt service - interest	6,090	1,540	295.5%
Return of surplus	6,797	8,851	-23.2%
Total expenses	247,548	243,234	1.8%
Increase (Decrease) in net position	7,192	(3,792)	289.6%
Total net position - beginning of year	(303,822)	(300,029)	
Total net position - end of year	$ (296,630)	$ (303,822)	2.4%

Detailed Analyses

Analysis of the Primary Government's Financial Position and Results of Operations

Figure 1 shows that, as of June 30, 2026, the BOCES' total net position – assets and deferred outflows minus liabilities and deferred inflows – was a deficit of $296,629,904, an increase of $7,192,369, or 2.4% from June 30, 2025. The increase is primarily due to an increase in nondepreciable capital assets of $44,418,345 and a $8,249,130 increase in due from school districts. These increases were offset by a decrease of $45,523,727 in cash held by fiscal agent.

Figure 2 shows that revenues exceeded expenses, resulting in an increase in net position. All of the BOCES' activity is governmental in nature, and various events contributed to the overall increase in net position. However, the primary factors affecting the change in net position are as follows:

1. Increases in revenue related to Charges for Service due to an increase in services performed in the current year.

2. Increases in expenses related to Instruction for Special Needs due to an increase in charges for service expenditures.

Detailed Analyses (Continued)

Increases in Revenues
There were notable increases in revenues related to charges for services in 2026. Charges for services, which account for 95.3% of overall revenues, increased by $14,377,855 or 6.3% to $242,702,041 from 2025 to 2026. This increase was primarily caused by an increase in various services performed for component districts.

Increase in Instruction for Special Needs Expenditures
There were notable increases in expenditures related to Instruction for Special Needs in 2026. Instruction for Special Needs Expenditures, which account for 47.1% of overall expenditures, increased by $6,787,574 or 6.1% to $116,548,452 from 2025 to 2026. This increase was primarily caused by an increase in special service requests from component districts.

Analysis of the Fund Balance or Net Position and Results of Operations of Each Major Fund
The BOCES reports all funds as major individually in the governmental fund financial statements. The funds are the General Fund, the Special Aid Fund, the School Lunch Fund, the Capital Projects Fund, Debt Service Funds, and the Miscellaneous Special Revenue Fund. Most of the discussion regarding governmental activities is equally applicable to the finances of those governmental funds. However, certain factors that are relevant to the BOCES' current financial health are more apparent in the fund financial statements than the government-wide financial statements. There were significant changes across these major funds. Those major funds are shown in Figure 3 and discussed in more detail below.

Figure 3 – Revenues, Expenditures, and Changes in Fund Balances (in thousands of dollars)

	General		Special Aid		School Lunch		Capital Projects		Debt Service		Special Miscellaneous Revenue	
	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025	2026	2025
Total revenue	$242,778	$228,778	$ 12,020	$ 11,088	$ 979	$ 1,022	$ 590	$ 186	$ -	$ -	$ 37	$ 46
Total expenditures	226,474	211,562	12,022	11,088	1,485	1,356	44,418	20,664	4,595	7,032	41	45
Excess (deficiency) of revenues	16,303	17,216	(2)	-	(506)	(334)	(43,829)	(20,477)	(4,595)	(7,032)	(4)	1
Other Financing Sources and (Uses):												
Operating Transfers In	-	6,382	-	-	508	327	-	1,060	12,966	7,032	-	-
Proceeds from issuance of debt	-	-	-	-	-	-	-	134,185	-	9,503	-	-
Proceeds from leases	1,922	343	-	-	-	-	-	-	-	-	-	-
Return of surplus	(6,797)	(8,851)	-	-	-	-	-	-	-	-	-	-
Operating transfers out	(12,414)	(8,419)	-	-	-	-	(1,060)	(6,382)	-	-	-	-
Total other financing sources	(17,288)	(10,544)	-	-	508	327	(1,060)	128,862	12,966	16,535	-	-
Change in fund balance	(985)	6,672	(2)	-	1	(7)	(44,888)	108,385	8,371	9,503	(4)	1
Fund balance - beginning of year	29,333	22,661	16	16	13	20	131,928	23,544	9,503	-	66	65
Fund balance - end of year	$ 28,348	$ 29,333	$ 14	$ 16	$ 15	$ 13	$ 87,040	$ 131,928	$ 17,874	$ 9,503	$ 62	$ 66

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

General Fund:
The fund balance of the BOCES' General Fund decreased by 3.4%. This decrease in fund balance is largely attributable to a $13,592,493 increase in instruction for special education and a decrease in charges to other BOCES in the amount of $2,004,712. These changes were offset by an increase in charges to components in the amount of $14,922,931.

Special Aid:
The Special Aid fund balance of the BOCES' Special Aid Fund remained consistent. Total expenditures in the fund increased by $933,830 as a result of increased spending in the Adult Education grant in the amount of $322,748 as well as various increases in charges for services to component districts.

School Lunch:
The fund balance of the BOCES' School Lunch Fund increased by $1,407 or 10.5%. This increase in fund balance is largely attributable to an increase in transfers in of $180,570. This increase was offset by an increase in costs of sales in the amount of $129,087.

Capital Projects:
Outlays for capital assets increased by $23,754,384 from the prior year, or 114.9%. This increase was the product of several major capital improvement projects at the BOCES, most notably the Axelrod and Arden Hill Gymnasium Project, which comprised a majority of the capital outlay expenditures in the current year. This project was approved on October 25, 2022, and includes, but is not limited to, work for the Orange Ulster BOCES Capital Improvement Project. During the prior year, the BOCES issued a $134,185,000 bond with DASNY to fund this project (see "Long-Term Financing Activity"). Combined with the previously noted transfer from the General Fund, the overall funding received in the Capital Projects Fund covered all expenditures.

Debt Service:
The fund balance of the BOCES' debt service fund increased by $8,370,562 or 88.1%. This increase is largely attributable to a transfer in from general fund of $11,905,996 and a transfer in from the capital fund of $1,059,911. These increases were offset by interest payments of $4,595,349.

Miscellaneous Special Revenue:
The miscellaneous special revenue fund ended 2026 with a decrease in fund balance of $4,006, or 6.11% due to an increase in activity by the extra classroom activities. This left a fund balance of $61,560.

Significant Capital Asset and Long-Term Financing Activity

Capital Asset Activity
The BOCES had construction in progress additions in the current year of $44,418,345 or a 211.9% overall increase in this capital asset classification. This was largely due to the additions of construction in progress for the Axelrod and Arden Hill Gymnasium Project which is currently ongoing at the BOCES. Detailed information about these projects has been previously described.

Long-Term Financing Activity
Total bonds payable outstanding remained consistent in the current year. The balance outstanding at June 30, 2026 was $142,445,000, with $4,940,000 due within the next fiscal year.

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

Currently Known Facts, Decisions, or Conditions

Management is aware of the following facts, decisions, and conditions that are expected to have a significant impact on the BOCES' financial position, results of operations, or future services:

Capital Projects
The BOCES has authorized capital improvement projects totaling approximately $158 million. Construction began during fiscal year 2024 and will continue through 2028. Funding for the project was provided through the borrowing of two separate bonds authorized by the Dormitory Authority of the State of New York (DASNY). The bonds mature in 2044.

Enrollment Trends
Enrollment in both Special Education and Career and Technical classes has increased over the past several years. Management continues to monitor enrollment trends and their potential impact on staffing, instructional programs, facility utilization, and future state aid.

Economic and Regulatory Considerations
Management continues to evaluate the impact of inflationary pressures, changes in utility costs, health insurance expenditures, and other operating costs. These factors may affect future budgetary decisions and tuition costs.

Other Significant Matters
Management is not aware of any other currently known facts, decisions, or conditions that are expected to have a significant effect on the BOCES' financial position or results of operations beyond those discussed above.

CONTACTING THE BOCES

This financial report is designed to provide the reader with a general overview of the BOCES's finances and to demonstrate the BOCES's accountability for the funds it receives. Requests for additional information can be directed to:

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

ORANGE ULSTER BOCES

STATEMENT OF NET POSITION
JUNE 30, 2026

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash - unrestricted	$ 26,092,283
Cash - restricted	16,408,848
Cash - restricted, with fiscal agent	95,468,757
Due from school districts	21,377,517
State and federal aid receivable	25,728,480
Accounts receivable	801,478
Due from other governments	410
Lease receivable	1,187,702
Inventory	14,863
Total current assets	187,080,338
NONCURRENT ASSETS:	
Net pension asset - TRS	14,365,746
Capital assets, non-depreciable	65,699,933
Capital assets, depreciable, net	34,560,981
Lease receivable, net of current portion	1,572,665
Total noncurrent assets	116,199,325
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - OPEB	51,165,028
Deferred outflows of resources - pensions ERS	5,262,588
Deferred outflows of resources - pensions TRS	18,376,384
Deferred outflows of resources - debt service	8,370,562
Total deferred outflows of resources	83,174,562
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 386,454,225
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES:	
Accounts payable	$ 13,946,532
Accrued liabilities	2,457,019
Accrued interest	885,302
Lease liability, current portion	798,847
Due to school districts	24,658,373
Due to other governments	15,442
Due to Teachers' Retirement System	5,796,681
Due To Employee Retirement System	1,263,498
Unearned revenue	12,526,416
Installment purchase agreements, current portion	1,065,572
Bonds payable, current portion	4,940,000
SBITA Liability	38,221
Other postemployment benefits liability, current	7,984,228
Total current liabilities	76,376,131
LONG-TERM LIABILITIES:	
Bonds payable, net of current portion	147,167,005
Installment purchase agreements, net of current portion	1,417,540
Lease liability, net of current portion	1,248,759
Compensated absences payable	8,914,422
Net pension liability - ERS	4,119,668
Total other postemployment benefits liability, net of current	303,803,541
Total long-term liabilities	466,670,935
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources - OPEB	117,699,531
Deferred inflows of resources - Lease	2,919,646
Deferred inflows of resources - pensions ERS	7,536,918
Deferred inflows of resources - pensions TRS	11,880,968
Total deferred inflows of resources	140,037,063
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	683,084,129
NET POSITION	
Net investment in capital assets	48,715,732
Restricted	121,322,744
Unrestricted net position	(466,668,380)
TOTAL NET POSITION	$ (296,629,904)

The accompanying notes are an integral part of these statements.

ORANGE ULSTER BOCES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS:				
Administration	$ 9,823,230	$ 10,358,478	$ -	$ 535,248
Occupational instruction	26,333,101	27,767,939	-	1,434,838
Instruction for special needs	116,509,076	122,857,417	-	6,348,341
Itinerant services	4,821,702	5,084,427	-	262,725
General instruction	17,079,671	18,010,308	4,473,909	5,404,546
Instruction support	29,210,721	30,802,354	-	1,591,633
Other services	26,307,238	27,740,667	-	1,433,429
Other expenses	23,341	-	-	(23,341)
School lunch program	1,457,697	80,451	898,076	(479,170)
Depreciation - unallocated	3,094,686	-	-	(3,094,686)
Debt service - interest	6,090,342	-	-	(6,090,342)
Return of Surplus	6,796,658	-	-	(6,796,658)
TOTAL FUNCTIONS AND PROGRAMS	$ 247,547,463	$ 242,702,041	$ 5,371,985	526,563
GENERAL REVENUE:				
Use of money and property				1,233,858
Sale of property and compensation for loss				37,079
Miscellaneous				5,394,869
TOTAL GENERAL REVENUE				6,665,806
CHANGE IN NET POSITION				7,192,369
TOTAL NET POSITION - beginning of year				(303,822,273)
TOTAL NET POSITION - end of year				$ (296,629,904)

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, 2026

	Governmental Fund Types						
	General	Special Aid	School Lunch	Capital Projects	Debt Service Fund	Miscellaneous Special Revenue	Total Governmental Funds
ASSETS							
Cash - unrestricted	$ 16,199,930	$ 31,048	$ 4,532	$ 9,856,773	$ -	$ -	$ 26,092,283
Cash - restricted	16,347,288	-	-	-	-	61,560	16,408,848
Cash - restricted, held by fiscal agent	-	-	-	95,468,757	-	-	95,468,757
Due from school districts	21,377,517	-	-	-	-	-	21,377,517
Due from other funds	1,434,247	-	6,831	-	9,503,295	-	10,944,373
Due from other governments	410	-	-	-	-	-	410
State and federal aid receivables	24,658,373	890,681	179,426	-	-	-	25,728,480
Accounts receivable	91,260	622,365	-	-	-	-	713,625
Lease receivable	2,760,367	-	-	-	-	-	2,760,367
Inventory	-	-	14,863	-	-	-	14,863
TOTAL ASSETS	82,869,392	1,544,094	205,652	105,325,530	9,503,295	61,560	199,509,523
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred ouflows of resources - debt service	-	-	-	-	8,370,562	-	8,370,562
TOTAL ASSETS, AND DEFERRED OUTFLOWS OF RESOURCES	$ 82,869,392	$ 1,544,094	$ 205,652	$ 105,325,530	$ 17,873,857	$ 61,560	$ 207,880,085
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	$ 5,096,135	$ 60,139	$ 8,062	$ 8,782,196	$ -	$ -	$ 13,946,532
Accrued liabilities	2,280,648	128,605	47,766	-	-	-	2,457,019
Due to other governments	13,174	1,562	706	-	-	-	15,442
State aid due to school districts	24,658,373	-	-	-	-	-	24,658,373
Due to other funds	6,831	1,299,992	134,255	9,503,295	-	-	10,944,373
Due to Teachers' Retirement System	5,796,681	-	-	-	-	-	5,796,681
Due to Employees' Retirement System	1,263,498	-	-	-	-	-	1,263,498
Unearned revenue	12,486,382	40,034	-	-	-	-	12,526,416
TOTAL LIABILITIES	51,601,722	1,530,332	190,789	18,285,491	-	-	71,608,334
DEFERRED INFLOWS OF RESOURCES:							
Deferred inflows of resources - Lease	2,919,646	-	-	-	-	-	2,919,646
TOTAL LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	54,521,368	1,530,332	190,789	18,285,491	-	-	74,527,980

(Continued)

ORANGE ULSTER BOCES

BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)
JUNE 30, 2026

	Governmental Fund Types						
	General	Special Aid	School Lunch	Capital Projects	Debt Service Fund	Miscellaneous Special Revenue	Total Governmental Funds
FUND BALANCES							
Nonspendable							
Inventory	-	-	14,863	-	-	-	14,863
Restricted	16,347,288	-	-	87,040,039	17,873,857	61,560	121,322,744
Assigned	12,000,736	13,762	-	-	-	-	12,014,498
Unassigned	-	-	-	-	-	-	-
TOTAL FUND BALANCES	28,348,024	13,762	14,863	87,040,039	17,873,857	61,560	133,352,105
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 82,869,392	$ 1,544,094	$ 205,652	$ 105,325,530	$ 17,873,857	$ 61,560	$ 207,880,085

A reconciliation of total governmental fund balance to government-wide net position follows:	
Total governmental fund balances per above	$ 133,352,105
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	100,260,914
Deferred outflow of resources related to long-term pension and OPEB activity	74,804,000
Long term liabilities that are not due and payable in the current period are not reported in the funds	
Bonds payable including unamortized premiums	(152,107,005)
Installment purchase agreements	(2,483,112)
Compensated absences	(8,914,422)
Net pension liability - ERS	(4,119,668)
Net pension asset - TRS	14,365,746
Total other post-employment benefits liability	(311,787,769)
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds	(2,085,827)
Interest receivable at year end is recorded in the government-wide statements under full accrual accounting	87,853
Interest payable at year end is recorded in the government-wide statements under full accrual accounting	(885,302)
Deferred Inflow of resources related to long-term pension and OPEB activity	(137,117,417)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (296,629,904)

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

ORANGE ULSTER BOCES

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	Governmental Fund Types						
	General	Special Aid	School Lunch	Capital Projects	Debt Service Fund	Miscellaneous Special Revenue	Total Governmental Funds
REVENUE:							
Charges for services	$ 1,992,369	$ 1,036,734	$ -	$ -	$ -	$ -	$ 3,029,103
Charges to components	208,264,532	6,067,090	-	-	-	-	214,331,622
Charges to other BOCES	12,331,837	442,087	-	-	-	-	12,773,924
Charges to non components	14,151,682	-	-	-	-	-	14,151,682
Interest and earnings	642,319	-	186	589,802	-	-	1,232,307
Sale of property and compensation for loss	37,079	-	-	-	-	-	37,079
Miscellaneous	5,357,907	-	173	-	-	36,785	5,394,865
State sources	-	2,044,757	16,931	-	-	-	2,061,688
Federal sources	-	2,429,152	856,531	-	-	-	3,285,683
Donated food	-	-	24,614	-	-	-	24,614
Sales - School lunch	-	-	80,451	-	-	-	80,451
Total revenue	242,777,725	12,019,820	978,886	589,802	-	36,785	256,403,018
EXPENDITURES:							
Administration	9,967,522	-	-	-	-	-	9,967,522
Occupational instruction	27,155,779	-	-	-	-	-	27,155,779
Instruction for special education	120,213,238	-	-	-	-	-	120,213,238
Itinerant services	4,984,319	-	-	-	-	-	4,984,319
General instruction	5,658,396	12,021,884	-	-	-	17,450	17,697,730
Instruction support	30,731,514	-	-	-	-	-	30,731,514
Other services	26,449,582	-	-	-	-	-	26,449,582
Other expenditures	-	-	-	-	-	23,341	23,341
Debt service - principal	1,229,954	-	-	-	-	-	1,229,954
Debt service - interest	84,096	-	-	-	4,595,349	-	4,679,445
Cost of sales	-	-	1,485,047	-	-	-	1,485,047
Capital outlay	-	-	-	44,418,345	-	-	44,418,345
Total expenditures	226,474,400	12,021,884	1,485,047	44,418,345	4,595,349	40,791	289,035,816
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	16,303,325	(2,064)	(506,161)	(43,828,543)	(4,595,349)	(4,006)	(32,632,798)
OTHER SOURCES AND (USES):							
Operating transfers in	-	-	507,569	-	12,965,911	-	13,473,480
Proceeds from Leases	1,921,730	-	-	-	-	-	1,921,730
Return of surplus	(6,796,658)	-	-	-	-	-	(6,796,658)
Operating transfers out	(12,413,569)	-	-	(1,059,911)	-	-	(13,473,480)
Total other sources (uses)	(17,288,497)	-	507,569	(1,059,911)	12,965,911	-	(4,874,928)
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(985,172)	(2,064)	1,408	(44,888,454)	8,370,562	(4,006)	(37,507,726)
FUND BALANCES - beginning of year	29,333,196	15,826	13,455	131,928,493	9,503,295	65,566	170,859,831
FUND BALANCES - end of year	$ 28,348,024	$ 13,762	$ 14,863	$ 87,040,039	$ 17,873,857	$ 61,560	$ 133,352,105

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, 2026

Net changes in fund balance - Total governmental funds	$ (37,507,726)
Capital outlays, net, are expenditures in governmental funds, but are capitalized in the statement of net position	48,121,137
Right to use assets and SBITA assets are expenditures in governmental funds, but are capitalized in the statement of net position	1,921,730
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(3,094,686)
Amortization is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(1,006,479)
Pension income (expense) resulting from the long-term pension related actuary calculations is not recorded as an expenditure in the government funds, but is recorded in the statement of activities	5,486,739
Proceeds from the issuance of installment purchase debt are recognized as revenue in the governmental funds, but are recorded as a liability in the statement of net position	(1,664,737)
Proceeds from SBITAs and leases are recognized as revenue in the governmental funds, but are recorded as a liability in the statement of net position	(1,921,730)
Premium on the issuance of debt is recognized as revenue in the governmental funds, but is recorded as a liability and amortized over the life of the bond in the government-wide financial statements	163,923
Repayments of long-term lease and subscription liabilities are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	1,229,954
Repayments of installment purchases debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position	1,296,726
Interest receivable at year end is recorded in the government-wide statements under full accrual accounting	1,551
Interest payable at year end is recorded in the government-wide statements under full accrual accounting	(568,341)
Accrued post-employment benefits do not require the expenditure of current resources and, therefore are not reported as expenditures in the governmental funds	(5,010,268)
Accrued compensated absences do not require the expenditure of current resources and, therefore are not reported as expenditures in the governmental funds	(255,424)
Change in net position - governmental activities	$ 7,192,369

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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 GASB. 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.

Debt Service Fund: This fund is used to account for the accumulation of resources reserved for future debt payments Transfers from the general fund, as well as state aid intercepts to meet future debt service requirements that are held until payment is due.

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 Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Measurement Focus and Basis of Accounting

The BOCES-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 fund financial 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.

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 statues. 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.

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

Cash (and Cash Equivalents)/Investments (Continued)
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, 2026.

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 $18,290,705 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. At the commencement of a lease, the BOCES initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received.

Inventory and Prepaid Items
Inventory of food in the school lunch fund is 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 within 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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 and SBITA assets with a term greater than one year. The BOCES does not implement a capitalization threshold for lease and SBITA assets. Lease and SBITA assets are amortized on a straight-line basis over the term of the lease and SBITA.

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 assets 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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

The BOCES reports 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.

Deferred outflows related to future debt service payments are equal to the amount of state aid intercepted by the NYS Comptroller's Office in accordance with the terms of the DASNY bonds to pay future debt service costs on the DASNY bonds.

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

Deferred Outflows and Inflows of Resources (Continued)
Lease-related amounts are recognized at the inception of leases in which 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.

Vested Employee Benefits
In accordance with GASB Statement 101, Compensated absences, the BOCES recognizes a liability for leave time that has (1) been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee) during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements and is measured using the last-in, first-out (LIFO) method, under which employees are assumed to use their most recently earned leave balances first, leaving older accrued balances available for future payout upon separation from service. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The compensated liability includes salary related benefits, where applicable.

The liability for compensated absences is calculated at rates in effect as of the balance sheet date and is recorded in the governmental funds inasmuch as it will be funded from current financial resources and the statement of net position for amounts to be paid from future financial resources.

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 is 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 11.

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 $12,486,382 and $40,034 for amounts received in advance in the General Fund and Special Aid Fund respectively. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

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

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

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

Accounts Payable, 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 $12,000,736.

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

Fund Balance – Reservations and Designations (Continued)

As of June 30, 2026, the BOCES' encumbrances were classified as follows:

Assigned fund balance:

Administration	$ 66,184
Occupational instruction	3,745,014
Instruction for special education	4,397,637
Itinerant services	125,159
General instruction	461,296
Instruction support	765,185
Other services	351,826
Other Expenenditures	2,088,435
Total encumbrances	$ 12,000,736

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 by 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	$193,741,488
Add: Prior year's encumbrances	13,839,451
Original budget	207,580,939
Budget revision: Board resolutions to accept changes in service contracts	47,984,215
Final budget	$255,565,154

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:

	Bank Balance	Carrying Amount
Cash and cash equivalents	$ 44,696,733	$ 42,501,131
Collateralized with securities held by the pledging financial institution's trust department or agent in the BOCES' name	$ 44,187,884	
Covered by FDIC insurance	508,849	
Total	$ 44,696,733	

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	$ 72,061
Liability reserve	1,022,818
Insurance reserve	511,409
Retirement	5,884,417
EBLAR	8,856,583
	$ 16,347,288
Miscellaneous special revenue fund	
Scholarships	$ 43,126
Extraclass activities	18,434
	$ 61,560

In addition to the cash balances noted above, the BOCES maintains cash balances with a fiscal agent in the amount of $95,468,757. This balance represents funds available for drawdown to pay future capital project costs.

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2026 were as follows:

	July 1, 2025 Balance	Additions	Deletions	June 30, 2026 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 317,559	$ -	$ -	$ 317,559
Construction in progress	20,964,029	44,418,345	-	65,382,374
Total non-depreciable capital assets	21,281,588	44,418,345	-	65,699,933
Capital assets that are depreciated:				
Buildings and improvements	61,610,769	-	-	61,610,769
Furniture and equipment	17,724,636	2,947,678	1,130,377	19,541,937
Vehicles	1,463,311	755,114	105,769	2,112,656
Total depreciable capital assets	80,798,716	3,702,792	1,236,146	83,265,362
Less accumulated depreciation:				
Buildings and improvements	39,257,879	725,854	-	39,983,733
Furniture and equipment	8,856,198	2,197,231	1,130,377	9,923,052
Vehicles	953,281	171,601	105,769	1,019,113
Total accumulated depreciation	49,067,358	3,094,686	1,236,146	50,925,898
Total depreciable capital assets net	31,731,358	608,106	-	32,339,464
Total capital assets, net	53,012,946	45,026,451	-	98,039,397
Lease assets that are amortized:				
Office space	136,383	1,141,998	-	1,278,381
Classrooms	746,491	438,737	20,537	1,164,691
Buildings	1,701,056	-	863,134	837,922
Total amortized leased assets	2,583,930	1,580,735	883,671	3,280,994
Less accumulated amortization:				
Equipment	-	-	-	-
Office space	22,731	403,396	-	426,127
Classrooms	259,727	279,765	20,537	518,955
Buildings	995,206	248,802	863,134	380,874
Total accumulated amortization	1,277,664	931,963	883,671	1,325,956
Total amortized lease assets, net	1,306,266	648,772	-	1,955,038
Subscription assets that are amortized:				
Subscriptions	-	340,995	-	340,995
Total amortized subscription assets	-	340,995	-	340,995
Less accumulated amortization:				
Subscriptions	-	74,516	-	74,516
Total accumulated amortization	-	74,516	-	74,516
Total amortized subscription assets, net	-	266,479	-	266,479
Governmental Activities Capital Assets	$ 54,319,212	$ 45,941,702	$ -	$100,260,914

6. LEASES

Lessee Agreements

The BOCES leases various office and classroom space, primarily from their component districts. Some of the leases do contain renewal options. Leases contain various inception dates and remaining terms of 24-132 months. Lease agreements are summarized as follows:

Description	Interest Rate / Discount Rate	Total Lease Liability
Warwick pine island lease 2025-2028	3.93%	$ 456,087
Port Jervis HBE lease 2025-2028	3.93%	295,314
Middlehope lease 2025-2028	3.93%	323,177
Danzinc lease	3.65%	93,911
Chester academy lease	3.65%	127,465
Minisink Valley CSD - Otisville ES	3.54%	226,033
County of Orange - maple building lease	2.21%	525,619
Total lease liability		$ 2,047,606

Activity of lease liabilities for the year ended June 30, 2026 is summarized as follows:

Beginning Balance	Additions	Subtractions	Ending Balance	Amounts due within One Year
$ 1,394,051	$ 1,580,735	$ 927,180	$ 2,047,606	$ 798,847

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

	Principal	Interest	Total
2027	$ 798,847	$ 57,220	$ 856,067
2028	794,590	27,376	821,966
2029	155,329	9,499	164,828
2030	114,121	5,648	119,769
2031	91,339	3,161	94,500
2032-2036	93,380	1,122	94,502
	$ 2,047,606	$ 104,026	$ 2,151,632

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 25-60 months. Lease agreements are summarized as follows:

Description	Interest Rate / Discount Rate	Total Future Receipts
Equipment schedule No. 101 - IPA 7 Middletown	4.94%	$ 149,499
Equipment schedule No. 99 - IPA 5 Florida	5.07%	92,752
Equipment schedule No. 98 - IPA 8 Washingtonville	4.43%	373,421
Equipment schedule No. 97 - IPA 4 Minisink	4.42%	250,257
Equipment schedule No. 96 - OU BOCES Signed-IPA 15 Warwick	4.57%	294,485
Orange County commercial lease agreement 2024-2028	3.93%	341,630
Greenwood Lake union free school district equipment #89	5.59%	92,773
Cornwall CSD equipment schedule #94	5.10%	111,318
Washingtonville CSD equipment schedule #93	4.48%	215,340
Sullivan West CSD equipment schedule #92	5.16%	34,761
Warwick Valley CSD equipment schedule #91	4.61%	162,872
Washingtonville CSD equipment schedule #90	4.48%	301,836
Highland Falls-Fort Montgomery CSD equipment schedule #95	5.62%	60,855
Greenwood Lake equipment schedule #88	5.70%	24,424
Tuxedo equipment schedule #86	5.22%	50,425
Washingtonville IPA equipment schedule #83	4.51%	203,719
		$ 2,760,367

Activity of lease inflows for the year ended June 30, 2026 is summarized as follows:

Lease-related Revenue	Year Ending 2026
Lease Revenue:	
Equipment	$ 1,253,666
Copy Machine	193,779
Land	142,253
Total Lease Revenue	1,589,698
Interest Revenue	175,947
Total	$ 1,765,645

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

	Principal	Interest	Total
2027	$ 1,187,702	$ 126,463	$ 1,314,165
2028	1,010,963	$ 70,211	$ 1,081,174
2029	437,091	23,928	461,019
2030	124,611	5,801	130,412
	$ 2,760,367	$ 226,403	$ 2,986,770

7. SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS

Subscription Agreements
The BOCES has one subscription agreement. The subscription does not contain renewal options. The subscription has an inception date of May 2026 and a remaining term of 60 months.

Activity of the subscription liabilities for the year ended June 30, 2026 is summarized as follows:

Beginning Balance	Additions	Subtractions	Ending Balance	Amounts due within One Year
$ -	$ 340,995	$ 302,774	$ 38,221	$ 38,221

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

	Principal	Interest	Total
2027	$ 38,221	$ 1,529	$ 39,750

8. LONG-TERM LIABILITIES

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Bonds and notes payable:					
DASNY bonds	$142,445,000	$ -	$ -	$142,445,000	$ 4,940,000
Unamortized bond premiums	9,825,928	-	163,923	9,662,005	-
Installment purchase debt	2,115,101	1,664,737	1,296,726	2,483,112	1,065,572
Total bonds and notes payable	154,386,029	1,664,737	1,460,649	154,590,117	6,005,572
Other liabilities:					
Lease liability	1,394,051	1,580,735	927,180	2,047,606	798,847
SBITA liability	-	340,995	302,774	38,221	38,221
Compensated absences	8,658,998	255,424	-	8,914,422	-
Net pension liability	11,953,426	-	7,833,758	4,119,668	-
Total other postemployment benefits	362,041,728	(42,571,646)	7,682,313	311,787,769	7,984,228
Total other liabilities	384,048,203	(40,394,492)	16,746,025	326,907,686	8,821,296
Total long-term liabilities	$538,434,232	$ (38,729,755)	$ 18,206,674	$481,497,803	$ 14,826,868

Bonds payable
During 2024 and 2025, the BOCES issued $14,795,000 and $134,185,000 in bonds through the Dormitory Authority of the State of New York as part of a $158,825,054 capital improvement project consisting of the construction, reconstruction, and renovation of certain buildings, facilities, and sites owned or to be owned by the BOCES. These bonds are repaid through intercepts of New York State aid by the NYS Comptroller's Office who, in turn, pays the trustee for payments to bond holders. These intercepts are withheld from the BOCES' September state aid payment. The amount withheld is used to pay the next two debt service payments in February and August. The amount of the intercept, less the February payment is recorded as a deferred outflow of resources in the debt service fund.

8. LONG-TERM LIABILITIES (Continued)

The bond obligations are comprised of the following:

Issue Date	Final Maturity	Interest Rate	Outstanding as of June 30, 2026
6/20/2024	8/15/2044	4.25% - 4.00%	$ 8,260,000
6/18/2025	8/18/2044	4.55% - 5.00%	134,185,000
			$ 142,445,000

The following is a summary of the debt service requirements of the bonds:

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	$ 4,940,000	$ 7,064,000	$ 12,004,000
2028	5,185,000	6,816,625	12,001,625
2029	5,445,000	6,557,000	12,002,000
2030	5,715,000	6,284,375	11,999,375
2031	6,000,000	5,998,250	11,998,250
2032-2036	34,820,000	25,172,750	59,992,750
2037-2041	44,415,000	15,577,963	59,992,963
2042-2045	35,925,000	3,853,262	39,778,262
	$142,445,000	$ 77,324,225	$219,769,225

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, 2026 was $2,483,112. The terms of the agreements provide for the repayment between 12 to 48 months including interest at rates between 1.69% and 3.02%.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2027	$ 1,065,572	$ 119,187	$ 1,184,759
2028	880,057	67,497	947,554
2029	412,870	24,985	437,855
2030	124,613	5,801	130,414
Totals	$ 2,483,112	$ 217,470	$ 2,700,582

The installment purchase agreements contain no significant events of default with finance related consequences, termination events with finance-related consequences, subjective acceleration clauses, or unused lines of credit that are required to be disclosed under GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.*

9. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	$ 1,434,247	$ 6,831	$ -	$ 12,413,569
Special aid fund	-	1,299,992	-	-
School lunch fund	6,831	134,255	507,569	-
Capital fund	-	9,503,295	-	1,059,911
Debt fund	9,503,295	-	12,965,911	-
Total governmental activities	$ 10,944,373	$ 10,944,373	$ 13,473,480	$ 13,473,480

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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

10. PENSION PLANS (Continued)

New York State and Local Employees Retirement System (Continued)

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

	ERS
2026	$ 4,183,344
2025	$ 3,539,366
2024	$ 2,839,808

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

At June 30, 2026, the BOCES reported a liability (asset) of $4,119,668 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of March 31, 2026, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by the actuarial valuation as of April 1, 2025, with update procedures used to roll forward the total pension liability (asset) to March 31, 2026. 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, 2026, the BOCES' proportion was 0.0730212%, which was an increase from its proportion of 0.0697167%, respectively as measured at June 30, 2025.

10. PENSION PLANS (Continued)

New York State and Local Employees Retirement System (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, 2026, the BOCES recognized pension expense of $4,557,371. At June 30, 2026, 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	$ 2,357,516	$ -
Changes of assumptions	707,165	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	934,409	7,386,792
Contributions subsequent to the measurement date	1,263,498	150,126
	$ 5,262,588	$ 7,536,918

The amount of $1,263,498 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, 2027. 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:	
2027	$ 1,802,044
2028	(2,482,449)
2029	(1,303,236)
2030	(1,554,187)
2031	-
Thereafter	-
	$ (3,537,828)

10. PENSION PLANS (Continued)

New York State and Local Employees Retirement System (Continued)

Actuarial Assumptions
The total pension liability (asset) at March 31, 2026 was determined by using an actuarial valuation as of April 1, 2025, with update procedures used to roll forward the total pension liability (asset) to March 31, 2026. The actuarial valuation used the following actuarial assumptions:

Inflation	2.9%
Salary Scale	5.2% ERS, indexed by service
Investment rate of return, including inflation	5.9% compounded annually, net of investment expenses,
Cost of Living Adjustments	1.5% annually
Decrements	Developed from the Plan's 2025 experience study of the period April 1, 2020 through April 1, 2025
Mortality improvement	Society of Actuaries Scale MP-2021

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, 2026 are summarized below:

Asset Type	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	25%	3.29%
International Equity	14%	5.85%
Private Equity	15%	7.00%
Real Estate	12%	5.20%
Opportunistic Portfolio	3%	5.13%
Credit	4%	5.10%
Real Assets	4%	5.54%
Fixed Income	22%	1.75%
Cash	1%	0.25%
	100%	

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)

New York State and Local Employees Retirement System (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 (4.9%)	Current Rate (5.9%)	1% Increase (6.9%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 28,136,203	$ 4,119,668	$ (15,959,219)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (asset) of the plan as of March 31, 2026, were as follows:

	Pension plan's fiduciary net position
Total pension liability	$ 253,773,040
Net position	248,131,290
Net pension liability (asset)	$ 5,641,750
Fiduciary net position as a percentage of total pension liability	97.78%

New York State Teachers' 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)

New York State Teachers' Retirement System (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:

	TRS
2026	$ 4,816,272
2025	$ 4,324,403
2024	$ 4,365,979

Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
At June 30, 2026, the BOCES reported a liability (asset) of ($14,365,746) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2025, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by the actuarial valuation as of June 30, 2025. 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, 2026 and 2025 the BOCES' proportion was 0.242621% percent and 0.232054%, respectively as measured at June 30, 2026 and 2025, respectively.

For the year ended June 30, 2026, the BOCES recognized pension expense of $(778,069). At June 30, 2026 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	$ 7,530,854	$ -
Changes of assumptions	5,686,952	154,886
Net difference between projected and actual earnings on pension plan investments	-	11,219,612
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	323,453	506,470
Contributions subsequent to the measurement date	4,835,125	-
	$ 18,376,384	$ 11,880,968

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 $4,835,125 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, 2027. 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:	
2026	$ 7,260,310
2027	(3,024,088)
2028	(3,253,423)
2029	(740,484)
2030	1,172,419
Thereafter	245,557
	$ 1,660,291

Actuarial Assumptions

The total pension asset at the June 30, 2026 measurement date was determined by an actuarial valuation as of June 30, 2025, with updated procedures used to roll forward the total pension asset to June 30, 2026.

These actuarial valuations used the following actuarial assumptions:

Inflation	2.50%
Projected Salary Increases	Rates of increase differ based on service They have been calculated based upon recent NYSTRS member experience and were updated as of June 30, 2026.

Service	Rate
5	5.80%
15	3.66%
25	2.68%
35	2.04%

Projected COLAs	1.4% compounded annually
Investment Rate of Return	6.95% compounded annually, net of pension plan investment expense, including inflation.

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, 2025 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, 2026 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Type	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Equity	33%	6.7%
International Equity	15%	7.4%
Global equities	4%	7.0%
Real Estate	11%	6.5%
Private Equity	9%	9.8%
Domestic Fixed Income Securities	16%	2.6%
Global Bonds	2%	2.4%
Private debt	2%	6.1%
Real estate debt	6%	3.8%
High Yield Bonds	1%	4.7%
Cash equivalents	1%	0.6%
	100%	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 6.95%. 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 Rate (6.95%)	1% Increase (7.95%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 27,603,964	$ (14,365,746)	$ (49,681,073)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (asset) of the plan as June 30, 2026, were as follows:

	Pension plan's fiduciary net position
Total pension liability	$148,272,068,018
Net position	154,193,125,241
Net pension liability (asset)	$ (5,921,057,223)
Fiduciary net position as a percentage of total pension liability	103.99%

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 are 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, 2026 was $7,251,313.

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

Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. The plan does not accumulate assets to meet its future obligation and the plan is not administered through a trust or an equivalent arrangement that meets the criteria of GASB 75, paragraph 4. The Retirement Incentive OPEB plan does not issue a stand-alone financial report.

In the governmental funds, the BOCES recognizes the cost of providing retirement incentives by recording these payments as an expenditure or operating transfer to other funds in the general fund in the year paid. Total payment to the plan to cover the BOCES retirement incentive payments for the year ended June 30, 2026 was $431,000.

At July 1, 2024, the number of employees covered by BOCES Post-Retirement Health Care Plan and the Retirement Incentive OPEB plans:

Inactive employees or beneficiaries	Post-Retirement Health Care	Retirement Incentive
currently receiving benefits	770	-
Active employees	933	914
Total participants	1,703	914

Total OPEB Liability
The BOCES total OPEB liability for both its Post-Retirement Health Care and Retirement Incentive Plan was $311,787,769 and were measured as of June 30, 2026, and were determined by an actuarial valuation as of July 1, 2025. The July 1, 2025 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, 2025	$ 355,685,066	$ 6,356,662	$ 362,041,728
Changes for the Year			
Service cost	15,234,222	367,819	15,602,041
Interest	14,436,013	255,884	14,691,897
Changes of benefit terms	-	-	-
Changes in assumptions or other inputs	(72,157,101)	(457,683)	(72,614,784)
Differences between expected and actual experience	(250,800)	-	(250,800)
Benefit payments	(7,251,313)	(431,000)	(7,682,313)
Net changes	(49,988,979)	(264,980)	(50,253,959)
Balance at June 30, 2026	$ 305,696,087	$ 6,091,682	$ 311,787,769

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2025 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 5.20% 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
2024	8.92%	10.35%	6.44%
2025	8.45%	9.74%	8.66%
2026	7.98%	9.12%	8.76%
2027	7.49%	8.49%	8.83%
2028	7.01%	7.84%	7.79%
2029	6.51%	7.19%	7.50%
2030	6.01%	6.52%	7.16%
2031	5.51%	5.85%	6.27%
2032	5.01%	5.18%	5.86%
2033+	4.50%	4.50%	4.50%

Changes of assumptions and other inputs reflect a change in the discount rate from 3.93% to 5.20%. Mortality assumption was updated from the RP-2014 Combined Healthy Generational Mortality Table with projection scale MP-2021 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 Rate	1% Increase
Total Post-Retirement Health Care Plan	$ 356,471,028	$ 305,696,087	$ 264,715,638
Total Retirement Incentive Plan	6,406,708	6,091,682	5,787,612
Total OPEB Liability	$ 362,877,736	$ 311,787,769	$ 270,503,250

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	$ 257,967,297	$ 305,696,087	$ 366,776,585

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended June 30, 2026, the BOCES recognized OPEB expense of $12,852,872 for the Post-Retirement Health Care Plan and $534,021 for the Retirement Incentive Plan. At June 30, 2026, 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	$ 11,961,978	$ 7,168,789	$ 1,488,879	$ 823,757	13,450,857	7,992,546
Changes of assumptions	29,003,170	108,486,205	334,376	1,220,780	29,337,546	109,706,985
Benefit payments subsequent to measurement date	7,691,125	-	685,500	-	8,376,625	-
Total	$ 48,656,273	$115,654,994	$ 2,508,755	$ 2,044,537	$ 51,165,028	$117,699,531

11. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

The BOCES recognized $8,376,625 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of June 30, 2025, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2026.

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
2027	$ (12,730,210)	$ (89,682)	$ (12,819,892)
2028	(11,637,394)	(89,682)	(11,727,076)
2029	(13,527,868)	(86,426)	(13,614,294)
2030	(14,918,832)	(46,195)	(14,965,027)
2031	(10,060,027)	46,433	(10,013,594)
Thereafter	(11,815,515)	44,270	(11,771,245)
	$ (74,689,846)	$ (221,282)	$ (74,911,128)

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 indicates these actions are either fully covered by insurance or not substantial enough to materially affect the financial position of the BOCES.

15. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

During the year ended June 30, 2026, the BOCES implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. Among other changes, the Statement modifies certain Management's Discussion and Analysis (MD&A) requirements, updates presentation requirements for unusual or infrequent items, and makes certain changes to budgetary comparison information and statistical section reporting.

The adoption of this statement did not have a material effect on the BOCES' financial position or results of operations.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

ORANGE ULSTER BOCES

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2026

	Adopted Budget	Final Budget	Variance with Original Budget Over (Under) Final Budget	Actual	Final Budget Variance with Budgetary Actual
REVENUE					
Administration (001-002)	$ 21,994,162	$ 21,610,962	$ (383,200)	$ 17,471,764	$ (4,139,198)
Occupational instruction (100-199)	27,847,648	27,847,648	-	30,293,159	2,445,511
Instruction for special education (200-299)	94,412,375	94,412,375	-	127,015,971	32,603,596
Itinerant services (300-399)	3,743,270	3,743,270	-	5,475,130	1,731,860
General instruction (400-499)	5,788,057	5,788,057	-	5,612,152	(175,905)
Instruction support (500-599)	27,704,540	27,704,540	-	31,790,406	4,085,866
Other services (600-699)	11,868,236	11,868,236	-	27,040,873	15,172,637
Transfers from other funds	383,200	383,200	-	-	(383,200)
Total revenues	193,741,488	193,358,288	(383,200)	244,699,455	51,724,367
EXPENDITURES					Variance with Budgetary Actual and Encumbrances
Administration (001-002)	10,356,894	10,426,140	69,246	10,033,706	(392,434)
Occupational instruction (100-199)	27,947,401	29,800,913	1,853,512	30,900,793	1,099,880
Instruction for special education (200-299)	93,137,689	124,453,482	31,315,793	124,610,875	157,393
Itinerant services (300-399)	3,718,034	5,205,542	1,487,508	5,109,478	(96,064)
General instruction (400-499)	5,829,170	8,051,619	2,222,449	6,119,692	(1,931,927)
Instruction support (500-599)	27,319,400	35,903,217	8,583,817	31,496,699	(4,406,518)
Other services (600-699)	12,013,198	28,305,542	16,292,344	26,801,408	(1,504,134)
Other expenditures (700-799)	(215,441)	(216,444)	(1,003)	2,088,435	2,304,879
Debt service - principal	1,190,578	1,190,578	-	1,229,954	39,376
Debt service - interest	84,096	84,096	-	84,096	-
Return of surplus	-	-	-	6,796,658	6,796,658
Transfers to other funds	12,360,469	12,360,469	-	12,413,569	53,100
Total expenditures	193,741,488	255,565,154	61,823,666	257,685,363	2,120,209
Excess revenue over expenditures (expenditures over revenue)	$ -	$ (62,206,866)	$ (62,206,866)	$ (12,985,908)	$ 49,604,158

The accompanying notes are an integral part of this schedule.

Orange Ulster BOCES

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON INFORMATION - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2026

BUDGETARY BASIS OF ACCOUNTING

BOCES administration prepares a budget for the general fund. Appropriations are established by the adoption of the budget and establish a limit on expenditures (plus encumbrances) that may be incurred. Appropriations may be increased by encumbrances carried over from the previous year. Appropriations lapse at the end of the year unless expended or encumbered. The variance explanations are the view of management.

	General Fund Over (Under)
BUDGETARY EXPENDITURES	
Differences - original budget to final budget	
Instruction for Special Education - The final budget in the General Fund for Instruction for Special Education expenditures increased due to increased enrollment in combination with additional service requests from the BOCES's component districts. Cross contracts with other BOCES are not included in the original budget.	$ 31,315,793
Itinerant Services - The final budget in the General Fund for Programs for Itinerant expenditures increased due to increased service requests from the BOCES's component districts.	$ 1,487,508
General Instruction - The final budget in the General Fund for General Instruction expenditures increased due to increased enrollment in combination with additional service requests from the BOCES's component districts.	$ 2,222,449
Instruction Support - The final budget in the General Fund for Instruction support expenditures increased due to increased service requests from the BOCES's component districts.	$ 8,583,817
Other services - The final budget in the General Fund for other services expenditures increased due to increased service requests from the BOCES's component districts.	$ 16,292,344
BUDGETARY EXPENDITURES	
Differences - final budget to actual	
General Instruction - The actual expenditures in the General Fund for General Instruction expenditures decreased due to volatility in specific service requests in combination with a decrease in supplies purchased during the year	$ (1,931,927)
Instructional Support - The actual expenditures in the General Fund for Instructional support expenditures decreased due to decreased service requests from what was expected in the budget for component districts.	$ (4,406,518)
Other Expenses - The actual expenditures in the General Fund for other expenses expenditures increased due to encumbrances at year end which made up a majority of the variance from final budget to actual.	$ 2,304,879
BUDGETARY REVENUES	
Differences - final budget to actual	
Administration - The actual Administration revenue in the General Fund did not meet the final budget due to amounts being reclassed from revenue to deferred revenue in relation to the DASNY debt payments.	$ (4,139,198)
Instruction for Special Education - The actual Instruction for Special Education revenue in the General Fund exceeded the final budget due to increased service requests from the BOCES's component districts.	$ 32,603,596
Itinerant Services - The actual Itinerant Services revenue in the General Fund exceeded the final budget due to increased service requests from the BOCES's component districts.	$ 1,731,860
Instruction Support - The actual Instruction support revenue in the General Fund exceeded the final budget due to increased service requests from the BOCES's component districts.	$ 4,085,866
Other Services - The actual Other Services revenue in the General Fund exceeded the final budget due to increased service requests from the BOCES's component districts.	$ 15,172,637

ORANGE ULSTER BOCES

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2026

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)									
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Proportion of the net pension liability (asset)	0.0730212%	0.0697167%	0.0663560%	0.0699533%	0.0710856%	0.0794646%	0.0766570%	0.0813729%	0.0791216%	0.0780812%
Proportionate share of the net pension liability (asset)	$ 4,119.67	$ 11,953.43	$ 9,770.29	$ 15,000.82	$ (5,810.95)	$ 79.13	$ 20,299.22	$ 5,765.52	$ 2,553.61	$ 7,336.69
Covered-employee payroll	$ 30,986.31	$ 27,204.46	$ 24,616.26	$ 22,938.99	$ 22,862.58	$ 23,225.73	$ 25,796.27	$ 24,782.13	$ 22,892.20	$ 21,663.40
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.30%	43.94%	39.69%	65.39%	-25.42%	0.34%	78.69%	23.26%	11.15%	33.87%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.78%	93.08%	93.88%	90.78%	103.65%	99.95%	99.95%	96.27%	98.24%	94.70%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)									
	2026	**2025**	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**
Proportion of the net pension liability (asset)	0.2426210%	0.2320540%	0.2297310%	0.2316730%	0.2409480%	0.2449990%	0.2393160%	0.2398370%	0.2365470%	0.2386630%
Proportionate share of the net pension liability (asset)	$ (14,365.75)	$ (6,923.60)	$ 2,627.17	$ 4,445.55	$ (41,753.90)	$ 6,769.98	$ (6,217.45)	$ (4,336.89)	$ (1,797.99)	$ 2,556.18
Covered-employee payroll	$ 50,418.40	$ 47,638.69	$ 44,307.41	$ 42,429.34	$ 41,041.50	$ 40,896.52	$ 46,167.58	$ 39,066.84	$ 37,484.90	$ 36,828.13
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-28.49%	-14.53%	5.93%	10.48%	-101.74%	16.55%	-13.47%	-11.10%	-4.80%	6.94%
Plan fiduciary net position as a percentage of the total pension liability (asset)	104.00%	102.10%	99.20%	98.60%	113.20%	97.80%	97.76%	101.53%	100.66%	99.01%

ORANGE ULSTER BOCES

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2026

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 4,183.34	$ 3,539.37	$ 2,839.81	$ 2,491.84	$ 3,519.72	$ 3,552.46	$ 3,385.60	$ 3,459.98	$ 3,306.66	$ 3,162.85
Contributions in relation to the contractually required contribution	4,183.34	3,539.37	2,839.81	2,491.84	3,519.72	3,552.46	3,385.60	3,459.98	3,306.66	3,162.85
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 30,986.31	$ 27,204.46	$ 27,204.46	$ 24,616.26	$ 22,938.99	$ 22,862.58	$ 25,796.27	$ 23,796.29	$ 22,029.68	$ 21,663.40
Contributions as a percentage of covered-employee payroll	13.50%	13.01%	10.44%	10.12%	15.34%	15.54%	13.12%	14.54%	15.01%	15.02%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 4,816.27	$ 4,324.40	$ 4,365.98	$ 4,022.07	$ 3,897.44	$ 3,684.35	$ 4,242.24	$ 3,828.55	$ 4,393.23	$ 4,883.41
Contributions in relation to the contractually required contribution	4,816.27	4,324.40	4,365.98	4,022.07	3,897.44	3,684.35	4,242.24	3,828.55	4,393.23	4,883.41
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 50,418.40	$ 47,638.69	$ 47,638.69	$ 44,307.41	$ 42,429.34	$ 41,041.50	$ 46,167.58	$ 39,066.84	$ 37,484.90	$ 36,828.13
Contributions as a percentage of covered-employee payroll	9.55%	9.08%	9.16%	9.08%	9.19%	8.98%	9.19%	9.80%	11.72%	13.26%

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, 2026

	Last Ten Fiscal Years*								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability - Post-Retirement Health Care Plan									
Service cost	$ 15,234,222	$ 11,984,208	$ 11,884,038	$ 20,644,372	$ 18,437,022	$ 15,067,191	$ 13,100,169	$ 12,726,267	$ 15,391,826
Interest	14,436,013	11,664,389	10,941,813	8,007,873	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	(250,800)	12,813,922	(211,542)	4,978,441	1,021,067	(21,770,487)	(43,284)	(3,848,618)	-
Changes in assumptions	(72,157,101)	15,037,441	(5,655,551)	(80,269,032)	11,195,581	35,929,880	(4,351,298)	(18,486,771)	(39,214,894)
Benefit payments	(7,251,313)	(6,745,534)	(6,413,919)	(6,100,098)	(5,622,472)	(4,960,029)	17,879,094	(3,888,986)	(4,122,868)
Total change in total OPEB liability	(49,988,979)	44,754,426	10,544,839	(52,738,444)	32,463,470	34,506,299	36,663,558	(4,035,271)	(19,776,481)
OPEB Plan Fiduciary Net Position						-	-		
Total OPEB liability - beginning	355,685,066	310,930,640	300,385,801	353,124,245	320,660,775	286,154,476	249,490,918	253,526,189	273,302,670
Total OPEB liability - ending	$ 305,696,087	$ 355,685,066	$ 310,930,640	$ 300,385,801	$ 353,124,245	$ 320,660,775	$ 286,154,476	$ 249,490,918	$ 253,526,189
Covered-employee payroll	$ 71,183,588	$ 66,831,358	$ 65,276,431	$ 52,024,339	$ 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	429.4%	532.2%	476.3%	577.4%	556.2%	506.3%	420.4%	424.5%	449.9%

Notes to schedule:

Change in significant assumptions:

	Last Ten Fiscal Years*								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Discount rate	5.20%	3.65%	3.54%	3.54%	2.16%	2.21%	3.51%	3.87%	3.58%
Healthcare trend rate:									
Initial rate	7.98%	8.45%	7.44%	7.00%	7.35%	7.69%	7.14%	7.51%	7.51%
Decreasing per year	0.47%	0.47%	0.41%	0.35%	0.34%	0.35%	0.37%	0.37%	0.43%
Ultimate rate	4.5	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
Ultimate rate year	2033	2033	2031	2031	2029	2027	2027	2.02	2.02
Mortality rate	MP-2021	MP 2021	MP 2021	MP 2021	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, 2026

	Last Ten Fiscal Years*								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability - Retirement Incentive Plan									
Service cost	$ 367,819	$ 347,512	$ 339,367	$ 496,923	$ 463,763	$ 414,046	$ 379,371	$ 380,903	$ 413,868
Interest	255,884	204,343	203,941	150,969	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	-	914,089	-	(463,809)	-	(841,315)	221,756	(312,133)	-
Changes in assumptions	(457,683)	(90,462)	(33,809)	(426,897)	(1,326,500)	487,071	(604,750)	(994,345)	(386,852)
Benefit payments	(431,000)	(534,750)	(823,353)	(835,035)	75,502	(672,500)	125,162	(348,350)	(379,327)
Total change in total Retirement incentive liability	(264,980)	840,732	(313,854)	(1,077,849)	454,379	(96,344)	364,012	(1,008,906)	(136,937)
OPEB Plan Fiduciary Net Position									
Total liability - beginning	6,356,662	5,515,930	5,829,784	6,907,633	6,453,254	6,549,598	6,185,586	7,194,492	7,331,429
Total liability - ending	$ 6,091,682	$ 6,356,662	$ 5,515,930	$ 5,829,784	$ 6,907,633	$ 6,453,254	$ 6,549,598	$ 6,185,586	$ 7,194,492
Covered-employee payroll	$ 71,183,588	$ 64,119,777	$ 65,276,431	$ 52,024,339	$ 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	8.56%	9.91%	8.45%	11.21%	10.88%	10.19%	9.62%	10.52%	12.77%

Notes to schedule:

Change in significant assumptions:

	Last Ten Fiscal Years*								
	2026	2025	2024	2023	2022	2021	2020	2019	2018
Discount rate	5.20%	3.65%	3.54%	3.54%	2.21%	2.21%	3.51%	3.87%	3.87%
Mortality rate	Pub -2016	Pub -2016	Pub -2010 `	Pub -2010 `	Pub -2010 `	Pub-2010	Pub-2010	Pub-2010	Pub-2010

Plan Assets. No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:
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* 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, 2026

July 1, 2025 - Debit (Credit) balance of account A431	$ 13,187,338
Debits:	
Billings to school districts	241,522,218
Refund of balances due school districts	11,096,895
Encumbrances - June 30, 2026	12,000,736
Other Adjustments	102,139
Total debits	264,721,988
Credits:	
Collections from school districts	236,756,922
Encumbrances - June 30, 2025	13,839,451
Adjustment - credits to school districts - revenue in excess of expenditures	10,841,580
Other Adjustments	(4,906,144)
Total credits	256,531,809
June 30, 2026 - Debit (Credit) balance of account A431	$ 21,377,517

ORANGE ULSTER BOCES

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2026

Project Title	Original Budget	Revised Budget	Expenditures Prior Years	Expenditures Current Year	Expenditures Total	Unexpended Balance
Waste Water Infrastructure	$ 2,067,345	$ 2,067,345	$ 225,392	$ -	$ 225,392	$ 1,841,953
Arden Hill - Phase III	1,456,633	1,456,633	-	-	-	1,456,633
Chiller/Cooling Tower - Arden	1,988,556	1,988,556	1,969,240	-	1,969,240	19,316
Electrical System/Equip. Upgrades - CTE	796,142	796,142	-	-	-	796,142
Arden Hill 3rd Floor Reno	2,528,988	2,528,988	3,613,808	218,373	3,832,181	(1,303,193)
Arden Hill Sitework	1,238,685	1,238,685	-	-	-	1,238,685
Arden Hill Bldg 2 Demo	180,264	180,264	191,970	-	191,970	(11,706)
Arden Hill Bldg 3 Demo	180,264	180,264	207,185	-	207,185	(26,921)
Arden Hill North Wing	12,250,700	12,250,700	11,400,731	1,634,844	13,035,575	(784,875)
Axelrod A&A	53,995,112	53,995,112	5,550,335	22,394,040	27,944,375	26,050,737
Arden Hill Gym	13,844,845	13,844,845	-	9,890,703	9,890,703	3,954,142
CTE	63,366,904	63,366,904	-	2,130,560	2,130,560	61,236,344
Capital Project Expenditures not Capitalized	-	-	-	8,149,825	8,149,825	(8,149,825)
Total	$ 153,894,438	$ 153,894,438	$ 23,158,661	$ 44,418,345	$ 67,577,006	$ 86,317,432

ORANGE ULSTER BOCES

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2026

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	$ 193,741,488
Add: Prior year's encumbrances	13,839,451
Original budget	207,580,939
Budget revision: Board resolutions to accept changes in service contracts	47,984,215
Final budget	$ 255,565,154

ORANGE ULSTER BOCES

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2026

Capital assets, net		$ 100,260,914
Add:		
Cash with fiscal agent (unspent bond proceeds)		95,468,757
Deduct:		
Short-term portion of bonds payable	4,940,000	
Long-term portion of bonds payable	137,505,000	
Short-term portion of installment purchase debt	1,065,572	
Long-term portion of installment purchase debt	1,417,540	
Short-term portion of lease liability	798,847	
Long-term portion of lease liability	1,248,759	
Short-term portion of SBITAs	38,221	147,013,939
Net investment in capital assets		$ 48,715,732

REQUIRED REPORTS UNDER THE GOVERNMENT AUDITING STANDARDS

Bonadio & Co., LLP
Accounting, Consulting & More

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 15, 2026

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, 2026, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated October 15, 2026.

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 were not identified.

(Continued)

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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.

Bonadio & Co. LLP