



MANAGEMENT'S
DISCUSSION AND
ANALYSIS

AND

BASIC FINANCIAL
STATEMENTS

For the Year Ended
June 30, 2020

**OTSEGO NORTHERN CATSKILLS BOCES
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Independent Auditor's Report

Board of Cooperative Educational Services
Otsego Northern Catskills BOCES, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Otsego Northern Catskills BOCES, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Otsego Northern Catskills BOCES, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11, and other Required Supplementary Information as listed in the Table of Contents and shown on pages 44 through 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Otsego Northern Catskills BOCES' basic financial statements. The other supplementary information on pages 48 through 50 is presented for purposes of additional analysis as required by New York State Education Department and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2020, on our consideration of the Otsego Northern Catskills 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 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 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 Otsego Northern Catskills BOCES internal control over financial reporting and compliance.

D'Arcangelo + Co., LLP

Rome, New York

September 8, 2020

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

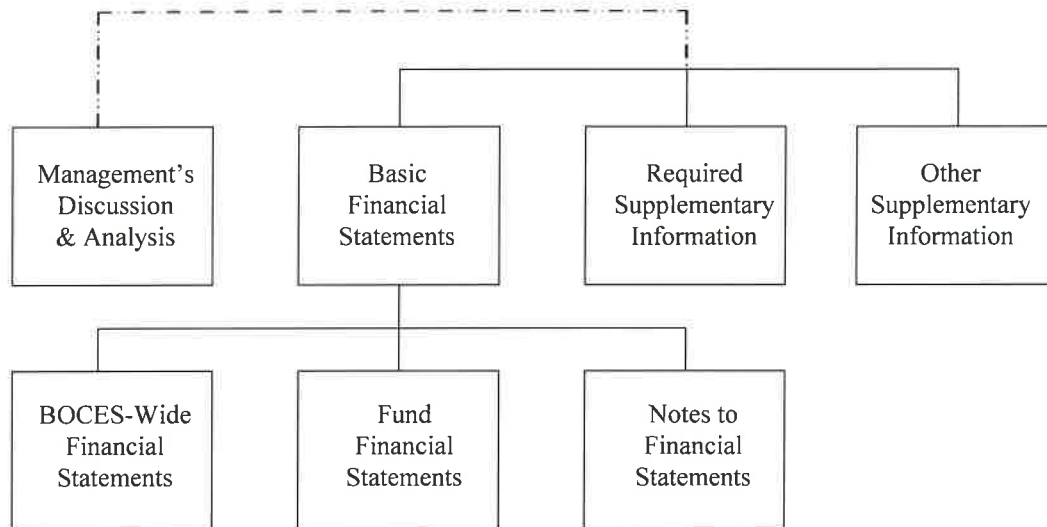
The following is a discussion and analysis of the BOCES' financial performance for the year ended June 30, 2020. This section is a summary of the BOCES' financial activities based on currently known facts, decisions and conditions. It is also based on both, the BOCES-wide and fund-based financial statements. This section should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

- The BOCES' total net position, as reflected in the BOCES-wide financial statements, decreased by \$4,683,797.
- During the year, the BOCES had expenses in excess of program and general revenues of \$4,683,797, mostly due to an OPEB expense in the amount of \$4,714,636.
- Program revenues included \$28,945,883 in Charges for Services and \$1,778,280 in Operating Grants and Contributions, which together comprise approximately 95% of total revenues.
- BOCES total General Fund revenue for 2020 was \$33,400,226. Approximately 96% of these revenues are from the billings for administration and other services to the component districts and non-component districts of the BOCES.
- The BOCES is required to return surplus billings in the subsequent year. During 2020-2021, the surplus of \$3,650,686 from 2019-2020 will be returned. During 2019-2020, the surplus of \$3,138,357 from the prior year was returned.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: MD&A (this section), the financial statements, required supplementary information, and other supplementary information. The basic financial statements consist of BOCES-wide financial statements, fund financial statements, and notes to the financial statements. A graphic display of the relationship of these statements is as follows:



**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

(Continued)

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

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

BOCES-Wide Statements

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

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

- Over time, increases or decreases in the BOCES' net positions are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the BOCES' overall health, consider additional nonfinancial factors such as changes in the BOCES' contracts with component school districts and the condition of BOCES' buildings and other facilities.

In the BOCES-wide financial statements, the BOCES' activities are shown as Governmental activities. All of the BOCES' basic services are included here, such as regular and special education, instructional support, and administration. Charges for Services finance most of these activities.

Fund Financial Statements

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

- Certain funds are required by State law and by bond covenants.
- The BOCES establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The BOCES has two types of funds:

- **Governmental Funds:** All of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that 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 allows the reader to 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 BOCES-wide statements, additional information can be found on pages 15 and 17, which reconciles the BOCES-wide financial statements to the fund financial statements

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

(Continued)

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

3. FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

A. Net Position

The BOCES' total net position, decreased by \$4,683,797 between fiscal year 2020 and 2019. A summary of the BOCES Statement of Net Position at June 30, 2020 and 2019, is as follows:

	2020	Restated 2019	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 20,506,865	\$ 19,066,680	\$ 1,440,185	7.6%
Capital Assets, (Net of Accumulated Depreciation)	<u>16,995,938</u>	<u>17,430,826</u>	<u>(434,888)</u>	(2.5%)
Total Assets	<u>37,502,803</u>	<u>36,497,506</u>	<u>1,005,297</u>	2.8%
Deferred Outflows of Resources				
Deferred Outflow - OPEB	13,105,912	1,087,002	12,018,910	1105.7%
Deferred Outflow - Pensions	<u>5,597,771</u>	<u>4,462,432</u>	<u>1,135,339</u>	25.4%
Total Deferred Outflows	<u>18,703,683</u>	<u>5,549,434</u>	<u>13,154,249</u>	237.0%
Total Assets and Deferred Outflows	<u>\$ 56,206,486</u>	<u>\$ 42,046,940</u>	<u>\$ 14,159,546</u>	33.7%
Non-Current Liabilities	\$ 74,699,649	\$ 58,388,402	\$ 16,311,247	27.9%
Other Liabilities	<u>15,511,254</u>	<u>14,139,975</u>	<u>1,371,279</u>	9.7%
Total Liabilities	<u>90,210,903</u>	<u>72,528,377</u>	<u>17,682,526</u>	24.4%
Deferred Inflows of Resources				
Deferred Inflow - OPEB	3,041,016	2,445,632	595,384	24.3%
Deferred Inflow - Pensions	<u>1,808,382</u>	<u>1,242,949</u>	<u>565,433</u>	45.5%
Total Deferred Inflows	<u>4,849,398</u>	<u>3,688,581</u>	<u>1,160,817</u>	31.5%
Net Position				
Net Investment in Capital Assets	18,489,949	18,406,594	83,355	0.5%
Restricted	6,394,653	4,847,581	1,547,072	31.9%
Unrestricted (Deficit)	<u>(63,738,417)</u>	<u>(57,424,193)</u>	<u>(6,314,224)</u>	(11.0%)
Total Net Position (Deficit)	<u>(38,853,815)</u>	<u>(34,170,018)</u>	<u>(4,683,797)</u>	(13.7%)
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 56,206,486</u>	<u>\$ 42,046,940</u>	<u>\$ 14,159,546</u>	33.7%

Current and other assets increased by \$1,440,185 as compared to the prior year. The increase is primarily due to an increase in the net pension asset in the amount of \$402,290 and an increase in restricted cash in the amount of \$793,066.

Capital assets decreased by \$434,888, as compared to the prior year. This decrease is mainly due to depreciation expense outpacing increases in fixed asset balances.

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

(Continued)

Non-current liabilities increased by \$16,311,247, as compared to the prior year. This increase is primarily the result of increases in the OPEB liability.

Other liabilities increased by \$1,371,279 as compared to the prior year. This increase is primarily the result of an increase in the net pension liability in the amount of \$2,190,399 offset by a large decrease in accounts payable.

Changes in deferred outflows and inflows of resources correlate primarily with the information reported to the BOCES by the retirement systems as well as the actuary regarding the OPEB liability.

The net position invested in capital assets is calculated by subtracting the amount of outstanding debt used for construction from the total cost of all asset acquisitions, net of accumulated depreciation. The total cost of these acquisitions includes expenditures to purchase land, construct and improve buildings and purchase vehicles, equipment and furniture to support BOCES operations.

The unrestricted net position at June 30, 2020, is a deficit of \$63,738,417, which represents the amount by which the BOCES assets other than capital assets were less than the BOCES liabilities, excluding debt related to capital construction and capital assets and restricted assets. This is primarily due to the recognition of the other postemployment benefit liability.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended June 30, 2020 and 2019 is as follows:

Revenues	2020	Restated 2019	Increase (Decrease)	Percentage Change
Program Revenues				
Charges for Services	\$ 28,945,883	\$ 29,068,245	\$ (122,362)	(0.4%)
Operating Grants	1,778,280	963,461	814,819	84.6%
General Revenues				
Interest and Earnings	37,443	53,482	(16,039)	(30.0%)
Refund of Prior Year's Expenditures	767,427	374,538	392,889	104.9%
Miscellaneous	915,308	713,484	201,824	28.3%
Sales of Property and Compensation for Loss	(31,404)	(28,632)	(2,772)	(9.7%)
Total Revenues	<u>32,412,937</u>	<u>31,144,578</u>	<u>1,268,359</u>	4.1%
Expenses				
Administration	3,531,300	3,002,033	529,267	17.6%
Administration- Capital	197,413	94,567	102,846	108.8%
Occupational Instruction	5,576,796	5,164,089	412,707	8.0%
Instruction for Special Needs	8,362,832	7,571,352	791,480	10.5%
Intinerant Services	2,776,009	2,509,504	266,505	10.6%
General Instruction	4,776,393	4,344,750	431,643	9.9%
Instructional Support	3,615,081	3,360,796	254,285	7.6%
Other Services	8,260,910	6,630,364	1,630,546	24.6%
Total Expenses	<u>37,096,734</u>	<u>32,677,455</u>	<u>4,419,279</u>	13.5%
Total Change in Net Position	<u>\$ (4,683,797)</u>	<u>\$ (1,532,877)</u>	<u>\$ (3,150,920)</u>	(205.6%)

The BOCES' revenues increased by \$1,268,359 in 2020, primarily due to an increase in operating grants and refunds of prior year's expenditures.

The BOCES' expenses for the year increased by \$4,419,279. This increase is primarily due to increased OPEB expenses and increased expenses recognized for the retirement systems.

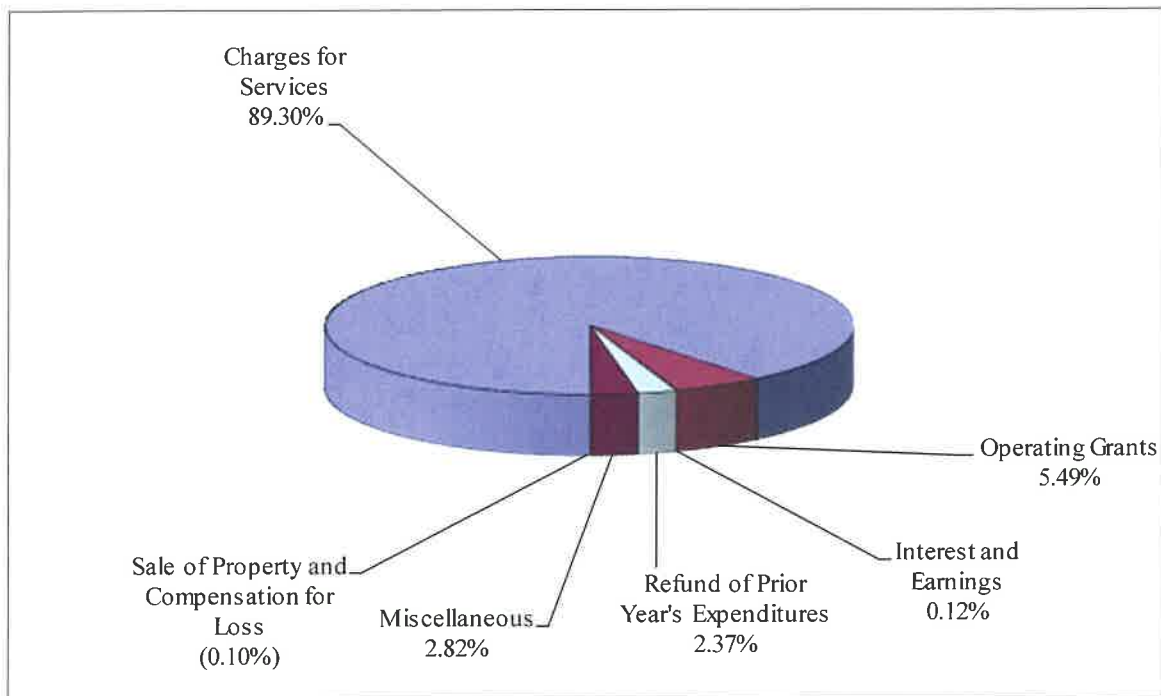
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**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

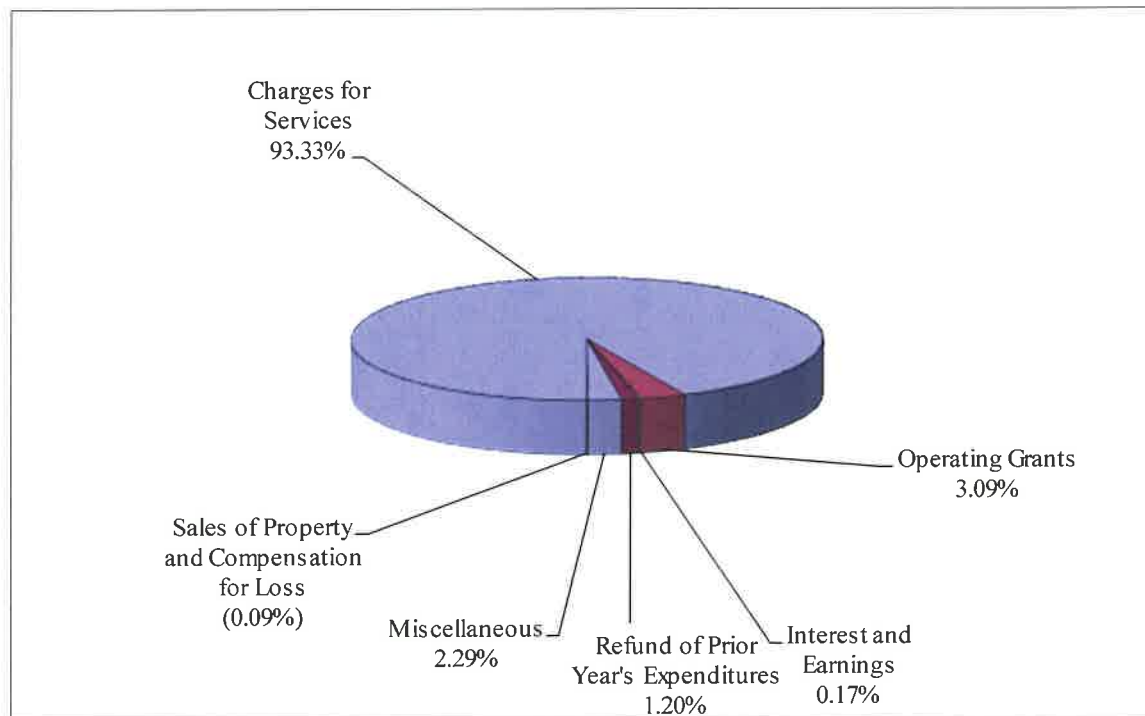
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A graphic display of the distribution of revenues for the two years follows:

For the Year Ended June 30, 2020



For the Year Ended June 30, 2019



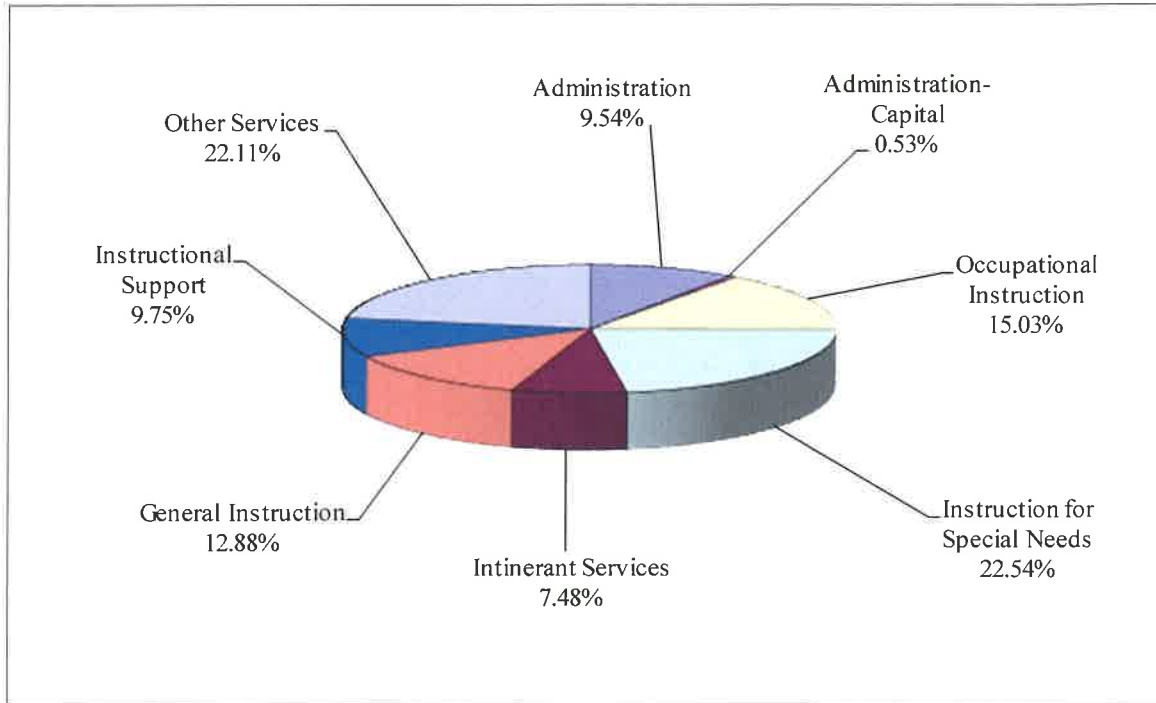
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**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

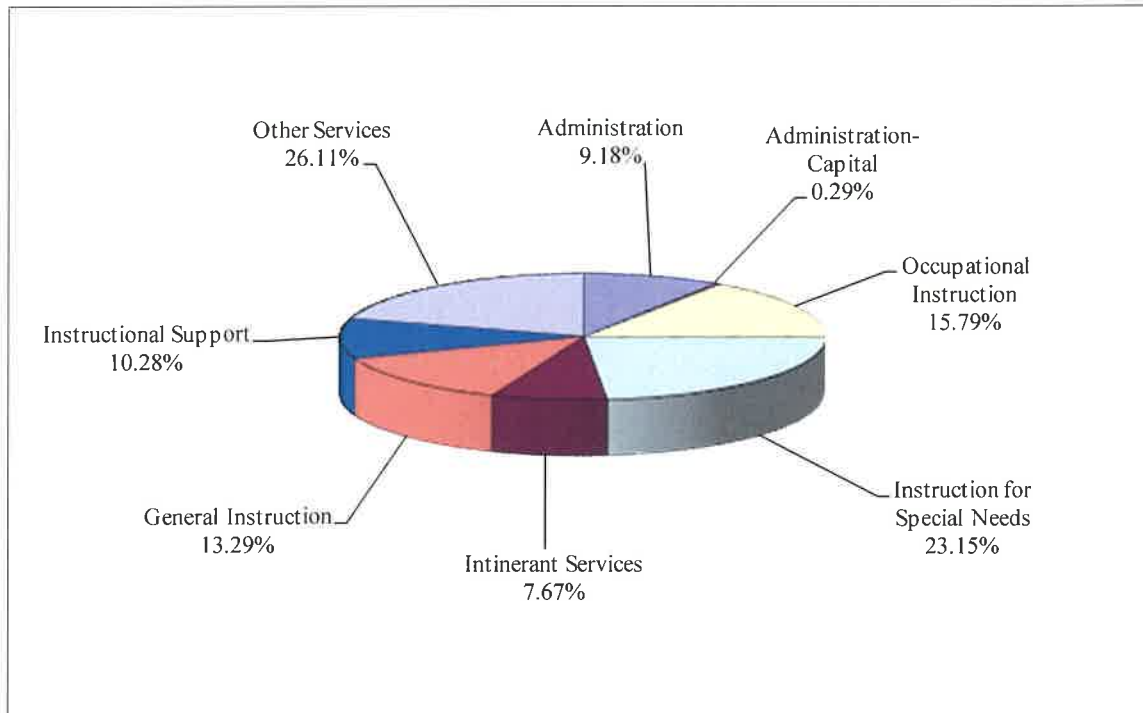
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A graphic display of the distribution of expenses for the two years follows:

For the Year Ended June 30, 2020



For the Year Ended June 30, 2019



See Independent Auditor's Report

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

(Continued)

4. FINANCIAL ANALYSIS OF THE BOCES' FUND BALANCES

At June 30, 2020, the BOCES governmental funds reported a combined fund balance of \$6,852,908 which is an increase of \$1,857,015 from the prior year. A summary of the change in fund balance by fund is as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
General Fund			
Restricted:			
Unemployment Insurance Reserve	\$ 569,201	\$ 37,925	\$ 531,276
Employee Benefit Accrued Liability Reserve	1,557,705	1,469,017	88,688
Liability Reserve		2,571	(2,571)
Career Educational Instructional Equipment Reserve	427,372	314,593	112,779
Retirement Contribution Reserve	<u>1,199,004</u>	<u>963,176</u>	<u>235,828</u>
Total	3,753,282	2,787,282	966,000
Assigned	<u>458,255</u>	<u>148,312</u>	<u>309,943</u>
Total	<u>4,211,537</u>	<u>2,935,594</u>	<u>1,275,943</u>
Capital Projects Fund			
Restricted	<u>2,641,371</u>	<u>2,060,299</u>	<u>581,072</u>
Total Fund Balance	<u>\$ 6,852,908</u>	<u>\$ 4,995,893</u>	<u>\$ 1,857,015</u>

5. GENERAL FUND BUDGETARY HIGHLIGHTS

- The difference between the original approved budget plus encumbrances of \$29,463,839 and the amended budget of \$33,236,742 is \$3,772,903, or 12.8%. The increase is due to encumbrances rolled over from the prior year and the request for additional services from component school districts during the year. The budgetary comparison information can be found on Page 44 which presents both original and amended budget totals compared with actual results for the General Fund for the year ended June 30, 2020.
- Actual expenditures were under the amended budget by \$4,763,145 (before encumbrances of \$458,254) or 14.3%, and actual revenues were over the amended budget by \$163,484, or .49%.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2020 and 2019, the BOCES had \$16,995,938 and \$17,430,826, respectively, invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. A summary of the BOCES capital assets, net of accumulated depreciation at June 30, 2020 and 2019, is as follows:

	<u>2020</u>	<u>Restated 2019</u>	<u>Increase (Decrease)</u>
Land	\$ 47,509	\$ 47,509	\$
Construction in Process	152,839	919,432	(766,593)
Buildings and Improvements	13,230,097	12,638,386	591,711
Furniture and Equipment	<u>3,565,493</u>	<u>3,825,499</u>	<u>(260,006)</u>
Capital Assets, Net	<u>\$ 16,995,938</u>	<u>\$ 17,430,826</u>	<u>\$ (434,888)</u>

The BOCES' Capital Assets, Net of Accumulated Depreciation is, for the purpose of this report, the assets owned and purchased by the BOCES less the accumulated depreciated value over the useful life of the item.

Depreciation expense for the BOCES totaled \$1,362,354 and \$1,292,872 for June 30, 2020 and 2019, respectively.

**OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

(Continued)

B. Long-Term Debt

At June 30 2020, the BOCES had total long-term debt of \$74,699,649. A summary of the long-term debt at June 30, 2020 and 2019, is as followed:

	2020	2019	Increase (Decrease)
Installment Purchase Agreements	\$ 480,875	\$ 345,215	\$ 135,660
Energy Performance Contract	666,485	\$ 717,748	(51,263)
Compensated Absences	1,557,705	1,469,017	88,688
OPEB Liability	71,994,584	55,856,422	16,138,162
Total Long Term Debt	<u>\$ 74,699,649</u>	<u>\$ 58,388,402</u>	<u>\$ 16,311,247</u>

7. FACTORS BEARING ON THE BOCES FUTURE

ONC BOCES is dedicated to both the leadership and support of our component schools. As our 19 component school enrollment continues to decline on a collective basis, we have been worried about the effect on the loss of some of our student base. Many of the schools in our southern region are now educating less than 300 students in a district. The school communities are also still very limited in the amount of revenue that can be obtained through the broken state funding system and under a tax cap formula. We believe that by continuing to focus on our mission and offering high quality, reasonably priced shared services, the BOCES will continue to be a strong organization.

During this year, the whole world was impacted by the COVID-19 pandemic. At a moment's notice in mid-March our buildings were closed. All education and business operations were moved to virtual connections. We are proud of our staff and students on making this very quick pivot. Unfortunately, the pandemic also shut down much of the economy and created a challenging budget development process for schools throughout the state. In our area, communities supported our component districts even with the unprecedented process of mail-in ballots.

The financial impact of the pandemic is two fold. Not only did the Executive Budget contain a school aid reduction called Pandemic Adjustment, but the Governor also included the ability for the Division of Budget to reduce school aid, including BOCES aid, throughout the year if state revenues are lower than expected. Our component districts along with the BOCES are also facing a wide range of increased expenditures due to the pandemic including but not limited to: PPE equipment, additional cleaning and sanitizing, modifications to meet social distancing, increased substitute costs and the cost for other personnel needs. The BOCES is responding to the financial crisis by supporting our component districts with an understanding their annual commitments may need to change which will may affect staffing. In anticipation of possible staff reductions, the BOCES Board of Education increased the funding of the Unemployment Reserve at the end of 2019-20.

The BOCES understands the challenges with reopening school during a pandemic and is adapting accordingly. In effort to be assistive to the districts, the BOCES Re-Opening Plan includes in-person learning, remote learning and then a hybrid of both. Safety Risk Management and Labor Relations have extended their services to help districts with their re-opening plans. The Instructional Technology Service is prioritizing district technology equipment purchases as districts need to support students with devices for remote learning. Human Resources are assisting districts with recruitment and anticipated substitute calling needs. CASEBP is offering free COVID testing for members even with a 0% premium increase. The Central Business Office is helping districts with the new CARES Act funding requirement, possible permanent aid cuts and of course, the Transparency Reporting which is in the final stage and now encompasses all districts.

During the shutdown of our buildings to student and staff, the BOCES was able to accomplish some much needed in house projects, such as cleaning, sanitizing, painting, building classrooms and offices in the Head Start space at NCOC and outside maintenance. Surprisingly, the parking lot reconstruction and entrance security project at OAOC was able to move forward. It not only came in under budget, but it is on target to be completed in September. A number of HVAC upgrades and the security at the entrance at NCOC will be addressed with the next capital project, hopefully to be completed this year. Then next year, the BOCES will address the metal roof at NCOC. By continuously planning and completing capital renovations, the BOCES can avoid the need for emergency projects and therefore keep this part of the budget stable for our component schools.

See Independent Auditor's Report

OTSEGO NORTHERN CATSKILLS BOCES
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020

(Continued)

Lastly, in October 2020, the BOCES welcomes a new District Superintendent, Dr. Catherine Huber. She replaces Mr. Nicholas Savin, who is retiring after serving the BOCES for the past eleven years. The BOCES will look to Dr. Huber's leadership and experience during these unprecedented times of providing education during a pandemic. Moving forward to which might be a new normal, the BOCES will continue to focus on long range planning, the use of data in decision making, and communication of those goals all through the use of technology. The Board of Education also is committed to ensuring members of the community understand what BOCES has to offer for both adult and school age students as they pursue their career goals.

8. CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide the BOCES' citizens, taxpayers, customers, investors, and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, at Otsego-Northern Catskill BOCES, 2020 Jump Brook Road, Grand Gorge, New York 12434.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF NET POSITION
June 30, 2020

Assets

Cash and Cash Equivalents	\$ 8,306,049
Restricted Cash and Cash Equivalents	5,790,550
Receivables	
State and Federal Aid	4,628,034
Due from Fiduciary Funds	271,387
Due from Components	372,032
Accounts Receivable	4,066
Prepaid Expenditures	7,762
Net Pension Asset - Proportionate Share	1,126,985
Capital Assets, Net of Accumulated Depreciation	<u>16,995,938</u>
Total Assets	<u>37,502,803</u>

Deferred Outflows of Resources

Deferred Outflow - OPEB	13,105,912
Deferred Outflow - Pensions	<u>5,597,771</u>
Total Deferred Outflows	<u>18,703,683</u>

Total Assets and Deferred Outflows \$ 56,206,486

Liabilities

Due to Components - Refund of Surplus	\$ 3,650,686
Due to Components - State Aid	3,659,067
Due to	
Teachers' Retirement System	768,287
Employees' Retirement System	124,359
Accounts Payable	802,761
Accrued Liabilities	337,064
Deferred Credits	
Overpayments and Collections in Advance	2,821,429
Unearned Revenues	363,319
Net Pension Liability - Proportionate Share	2,984,282
Noncurrent Liabilities	
Due Within One Year	282,510
Due in More Than One Year	<u>74,417,139</u>
Total Liabilities	<u>90,210,903</u>

Deferred Inflows of Resources

Deferred Inflow - OPEB	3,041,016
Deferred Inflow - Pensions	<u>1,808,382</u>
Total Deferred Inflows	<u>4,849,398</u>

Total Liabilities and Deferred Inflows 95,060,301

Net Position

Net Investment in Capital Assets	18,489,949
Restricted	6,394,653
Unrestricted (Deficit)	<u>(63,738,417)</u>
Total Net Position (Deficit)	<u>(38,853,815)</u>

Total Liabilities, Deferred Inflows, and Net Position \$ 56,206,486

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
Administration	\$ 3,531,300	\$ 2,536,607	\$	\$ (994,693)
Administration - Capital	197,413	653,484		456,071
Occupational Instruction	5,576,796	4,626,066		(950,730)
Instruction for Special Needs	8,362,832	7,310,352		(1,052,480)
Itinerant Services	2,776,009	2,353,136		(422,873)
General Instruction	4,776,393	2,582,517	1,588,410	(605,466)
Instruction Support	3,615,081	2,973,446		(641,635)
Other Services	8,260,910	5,910,275	189,870	(2,160,765)
Total Functions/Programs	<u>\$ 37,096,734</u>	<u>\$ 28,945,883</u>	<u>\$ 1,778,280</u>	<u>(6,372,571)</u>
General Revenues				
Interest and Earnings				37,443
Loss on Sales of Property				(31,404)
Refund of Prior Year's Expenditures				767,427
Miscellaneous				<u>915,308</u>
Total General Revenues				<u>1,688,774</u>
Change in Net Position				<u>(4,683,797)</u>
Net Position (Deficit), Beginning of Year				(34,191,586)
Prior Period Adjustment				<u>21,568</u>
Net Position (Deficit), Beginning of Year (Restated)				<u>(34,170,018)</u>
Net Position (Deficit), End of Year				<u>\$ (38,853,815)</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General	Special Aid	Capital	Total
Assets				
Cash and Cash Equivalents	\$ 8,260,208	\$ 45,841	\$	\$ 8,306,049
Restricted Cash and Cash Equivalents	3,753,282		2,037,268	5,790,550
Receivables				
State and Federal Aid	3,659,067	968,967		4,628,034
Due from Components	372,032			372,032
Due from Other Funds	342,394		608,728	951,122
Accounts Receivable	4,066			4,066
Prepaid Expenditures	7,762			7,762
Total Assets	<u>\$ 16,398,811</u>	<u>\$ 1,014,808</u>	<u>\$ 2,645,996</u>	<u>\$ 20,059,615</u>
Liabilities				
Due to Components - Refund of Surplus	\$ 3,650,686	\$	\$	\$ 3,650,686
Due to Components - State Aid	3,659,067			3,659,067
Due To				
Other Funds		679,735		679,735
Teachers' Retirement System	768,287			768,287
Employees' Retirement System	124,359			124,359
Accounts Payable	792,201	5,935	4,625	802,761
Accrued Liabilities	332,191	4,873		337,064
Overpayments and Collections in Advance	2,821,429			2,821,429
Unearned Revenue	39,054	324,265		363,319
Total Liabilities	<u>12,187,274</u>	<u>1,014,808</u>	<u>4,625</u>	<u>13,206,707</u>
Fund Balances				
Restricted	3,753,282		2,641,371	6,394,653
Assigned	458,255			458,255
Total Fund Balances	<u>4,211,537</u>		<u>2,641,371</u>	<u>6,852,908</u>
Total Liabilities and Fund Balances	<u>\$ 16,398,811</u>	<u>\$ 1,014,808</u>	<u>\$ 2,645,996</u>	<u>\$ 20,059,615</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES
TO THE BOCES-WIDE NET POSITION
June 30, 2020

Total Governmental Fund Balances	\$ 6,852,908
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Amounts reported for governmental activities in the Statement of Net Position differ as follows:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those capital assets among the assets of the BOCES as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	33,291,135
Accumulated Depreciation	<u>(16,295,197)</u>
	<u>16,995,938</u>

The BOCES' proportion of the collective net pension asset is reported as an asset on the Statement of Net Position, but is not reported on the fund statements as the amount is not available for use in the current period. The difference between the BOCES' contributions and its proportionate share of the net pension asset is recorded on the BOCES-wide Statement of Net Position as a deferred outflow.

Net Pension Asset- Proportionate Share	1,126,985
Deferred Outflows- Pensions	<u>5,597,771</u>
	<u>6,724,756</u>

Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Installment Purchase Agreements	(480,875)
Energy Performance Contract	(666,485)
Other Post Employment Liabilities	(71,994,584)
Deferred Outflows- OPEB	13,105,912
Deferred Inflows- OPEB	(3,041,016)
Compensated Absences Payable	<u>(1,557,705)</u>
	<u>(64,634,753)</u>

The BOCES' proportion of the collective net pension liability is reported as a liability on the Statement of Net Position, but is not reported on the fund statements as the amount is not payable in the current period. The difference between the BOCES' contributions and its proportionate share of the net pension liability is recorded on the Statement of Net Position as a deferred inflow. Pension accruals made subsequent to the measurement date are not expensed in the Statement of Activities, and are therefore not reported on the Statement of Net Position.

Net Pension Liability- Proportionate Share	(2,984,282)
Deferred Inflows- Pensions	<u>(1,808,382)</u>
	<u>(4,792,664)</u>

Total Net Position	<u>\$ (38,853,815)</u>
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The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020

	General	Special Aid	Capital	Total
Revenues				
Charges for Services	\$	\$ 640,250	\$	\$ 640,250
Charges to Components - Administration	3,190,408			3,190,408
Charges to Components - Service Programs	25,956,514			25,956,514
Charges to Non-Components and Other BOCES	2,809,398			2,809,398
Interest and Earnings	8,896		28,547	37,443
Miscellaneous	667,583		247,725	915,308
Refund of Prior Year's Expenditures	767,427			767,427
Interfund Revenues			561,003	561,003
State and Local Sources		842,228		842,228
Federal Sources		936,052		936,052
Total Revenues	<u>33,400,226</u>	<u>2,418,530</u>	<u>837,275</u>	<u>36,656,031</u>
Expenditures				
Administration	2,885,234			2,885,234
Administration - Capital	653,801			653,801
Occupational Instruction	4,668,624			4,668,624
Instruction for Special Needs	7,163,011			7,163,011
Itinerant Services	2,351,509			2,351,509
General Instruction	2,138,317	2,184,176		4,322,493
Instructional Support	2,988,764			2,988,764
Other Services	5,624,337	189,870	383,069	6,197,276
General Support		44,484		44,484
Capital Outlay			256,203	256,203
Total Expenditures	<u>28,473,597</u>	<u>2,418,530</u>	<u>639,272</u>	<u>31,531,399</u>
Excess (Deficit) Revenues Over Expenditures	<u>4,926,629</u>		<u>198,003</u>	<u>5,124,632</u>
Other Financing Sources (Uses)				
Proceeds on Installment Purchase Agreements			383,069	383,069
Return of Surplus	(3,650,686)			(3,650,686)
Total Other Financing Sources (Uses)	<u>(3,650,686)</u>		<u>383,069</u>	<u>(3,267,617)</u>
Excess Revenues Over Expenditures and Other Financing Sources	1,275,943		581,072	1,857,015
Fund Balances, Beginning of Year	<u>2,935,594</u>		<u>2,060,299</u>	<u>4,995,893</u>
Fund Balances, End of Year	<u>\$ 4,211,537</u>	<u>\$</u>	<u>\$ 2,641,371</u>	<u>\$ 6,852,908</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

Net Changes in Fund Balances - Total Governmental Funds \$ 1,857,015

Capital Related Differences

Capital Outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays in the period, net of related losses on the disposal of capital assets.

Depreciation Expense	(1,362,354)	
Loss on Disposal	(31,404)	
Capital Outlays	<u>958,870</u>	(434,888)

Long-Term Liability Transaction Differences

Certain expenses in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in Installment Purchase Agreements	(135,659)	
Additional Accrual of Other Post Employment Liabilities	(4,714,636)	
Change in Energy Performance Contract	51,263	
Change in Compensated Absences	<u>(88,688)</u>	(4,887,720)

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

Teachers' Retirement System	(691,491)	
Employees' Retirement System	<u>(526,713)</u>	<u>(1,218,204)</u>

Change in Net Position Governmental Activities \$ (4,683,797)

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2020

	Private Purpose Trusts	Agency
Assets		
Cash and Cash Equivalents - Unrestricted	\$	\$ 347,055
Cash and Cash Equivalents - Restricted	7,573	
Due from Other Funds	50	
Total Assets	<u>\$ 7,623</u>	<u>\$ 347,055</u>
Liabilities		
Accrued Liabilities	\$	\$ 3,587
Accounts Payable		13,150
Due to Other Funds		271,437
Extraclassroom Activity Balances		<u>58,881</u>
Total Liabilities		<u>\$ 347,055</u>
Net Position		
Restricted for Scholarships	<u>7,623</u>	
Total Liabilities and Net Position	<u>\$ 7,623</u>	

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2020

	Private Purpose Trusts
Additions	
Interest Income	\$ 2
Gifts and Contributions	<u>50</u>
Total Additions	<u>52</u>
Deductions	
Scholarships and Awards	<u>800</u>
Change in Net Position	(748)
Net Position, Beginning of Year	<u>8,371</u>
Net Position, End of Year	<u>\$ 7,623</u>

The Accompanying Notes are an Integral Part of These Financial Statements.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Otsego Northern Catskills BOCES (BOCES) have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) that apply 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.

Certain significant accounting principles and policies utilized by the BOCES are described below:

Financial 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 nine 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 education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal members.

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 basic 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 certain entities included in the BOCES' reporting entity.

(a) *Extraclassroom Activity Funds*

The Extraclassroom Activity Funds of BOCES represent funds of the students of BOCES. These funds are included in the combined basic financial statements in the Fiduciary Funds as agency funds because the Board of Cooperative Educational Services exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of BOCES with respect to its financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the BOCES' office.

Joint Ventures

(a) *BOCES Program*

There are nineteen participating schools in the Otsego Northern Catskills BOCES. The BOCES is a joint venture in which the participating Districts have an ongoing financial responsibility, no equity interest, and no single participant controls the financial or operating policies of the BOCES. The BOCES was formed under State law for the purpose of providing shared educational programs and instruction in subjects approved by the State Education Commissioner. The BOCES' governing board is elected based on the vote of members of the participating Districts' governing boards. The BOCES charges Districts for program costs based on participation and for administrative costs. During the year ended June 30, 2020, the BOCES billed its component Districts and non-components \$29,146,922 for administrative and program costs.

(b) *Insurance Consortium*

The BOCES is the sponsoring agency for the Otsego Northern Catskills BOCES Health Benefit, Dental and Workers Compensation Plans Consortiums. The Consortiums are municipal corporations operating in the Otsego Northern Catskill area to provide cooperative programs for health benefits, dental benefits and workers' compensation benefits, respectively, to municipal employees by entering into intermunicipal agreements pursuant to Article 5-G of the General Municipal Law.

Separate audited financial statements of the Otsego Northern Catskills BOCES Health Consortium and the Otsego Northern Catskills Workers' Compensation Plan can be found at the BOCES' business office at 2020 Jump Brook Road, Grand Gorge, New York 12434.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Basis of Presentation

(a) BOCES-Wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the BOCES' governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through charges to components, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary grants.

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

(b) Fund Financial Statements

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

General Fund: This is the BOCES' primary operating fund. This fund accounts for all financial resources not accounted for and reported in another fund.

Special Revenue Funds – Special Aid Fund: This fund accounts for and reports the proceeds of specific revenue sources, such as federal and state grants, that are restricted or committed to expenditures for specified purposes other than debt service and capital projects.

Capital Projects Fund: This fund is used to account for and report financial resources that are restricted or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

(c) Fiduciary Funds

This fund is used to account for and report fiduciary activities. Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the BOCES-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There are two classes of fiduciary funds:

Private Purpose Trust Funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.

Agency Funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Measurement Focus and Basis of Accounting

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Postretirement health insurance costs are recognized as an expenditure when funded. The unfunded portion has not been actuarially determined and is not recorded as a long-term liability.

Estimates

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

Budgetary Procedures and Budgetary Accounting

The BOCES' administration submits a tentative budget to the Board of Cooperative Educational Services for the fiscal year commencing the following July 1. The BOCES' administrative budget must be approved by a majority of the boards of each component BOCES in May. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.

Appropriations established by adoption of the budget constitute a limitation on expenditures that may be incurred. Appropriations lapse at the fiscal year end.

The Board of Cooperative Educational Services must approve all modifications of the budget. However, the BOCES Superintendent is authorized to transfer certain budgeted amounts within departments.

Cash and Cash Equivalents

The BOCES' cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. The BOCES' cash and investment policies are governed by state statutes and BOCES policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements, and obligations of New York State or its localities.

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

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Receivables

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Insurance

BOCES insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

Interfund Transactions and Transfers

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 expenditure and revenues to provide financing or other services.

The amounts reported on the Statement of Net Position for due to and due from other funds represents amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the interfund transactions for governmental funds throughout the year is shown in Note 9 to the financial statements.

Capital Assets

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

The BOCES uses capitalization thresholds of \$1,000 (the dollar value above which asset acquisitions are added to the capital assets accounts for grouped-like assets or individual assets).

Depreciation methods and estimated useful lives of capital assets reported in the BOCES-wide statements are as follows:

	<u>Lives</u>	<u>Depreciation Method</u>
Buildings and Improvements	20-40 Years	Straight Line
Furniture and Equipment	8-20 Years	Straight Line

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BOCES had two items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported on the BOCES-wide Statement of Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Vested Employee Benefits

Compensated absences consist of unpaid accumulated sick leave, vacation, and sabbatical time.

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

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

Consistent with GASB, an accrual for accumulated sick leave is included in the compensated absences liability at year end in the BOCES-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

Other Benefits

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

In addition to providing pension benefits, the BOCES provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if BOCES employees are eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the BOCES and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 5).

Accrued Liabilities and Long-Term Obligations

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

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

Unearned Revenue

Unearned revenues are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Unearned revenues also arise when resources are received by the BOCES before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for unearned revenues is removed and revenues are recorded.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has two items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension liability (ERS and TRS System) and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to other postemployment benefits (OPEB) reported on the BOCES-wide Statement of Net Position and represents the effect of differences between expected and actual experience and changes in assumptions during the year. These amounts are deferred and will be recognized in OPEB expense over the next several years.

Equity Classifications

(a) BOCES-wide Statements

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

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

Restricted Net Position – reports Net Position when constraints placed on the assets are either externally imposed by creditors (such as through debt covenants), grantors, contributors, 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.

(b) Fund Statements

The BOCES follows GASB's authoritative guidance under GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

The following classifications describe the relative strength of the spending constraints:

Restricted Fund Balances

This category 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. Generally, the BOCES' policy is to use restricted resources only when appropriated by the Board of Education. When an expense is incurred for purposes for which both restricted and unrestricted net positions are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements.

The BOCES has established the following restricted fund balances:

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

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NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

- **Retirement Contribution Reserve** – According to General Municipal Law §6-r, must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. The Board of the BOCES adopted a resolution to establish this sub-fund in May 2019. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, not to exceed a total of 10%. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal law §6-r.
- **Reserve for Employee Benefits Accrued Liability** – According to General Municipal Law §6-p, must be used for the payment of accrued employee benefit due 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. This reserve is accounted for in the General Fund.
- **Reserve for Career Educational Instructional Equipment** – This reserve is available only to BOCES for the replacement and purchase of advanced technology equipment used in instructional programs conducted by the BOCES. It may be established upon approval of the BOCES and of the school boards of a majority of the BOCES participating in the instructional programs of the BOCES. This reserve is accounted for in the General Fund.
- **Reserve for Endowments and Scholarships** – This reserve is used to account for various endowment and scholarship awards. This reserve is accounted for in the Fiduciary Fund.
- **Capital Project Fund** – This reserve is used to account for and report the financial resources that are restricted for acquisition, construction, or major repair of capital facilities. This reserve is accounted for in the Capital Fund.

Unrestricted Resources

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the BOCES considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the BOCES has provided otherwise in its commitment or assignment actions.

Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES' highest level of decision making authority; i.e. the Board of Education. The BOCES has no committed fund balances as of June 30, 2020.

Assigned - Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. All encumbrances other than in the Capital Fund are classified as Assigned Fund Balance in the respective fund.

Unassigned - Includes all other net positions that do not meet the definition of the above classifications and are deemed to be available for general use by the BOCES. In other Governmental Funds, if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned, then it may be necessary to report negative unassigned Fund Balances in the respective fund. The BOCES has no unassigned fund balances as of June 30, 2020.

Future Changes in Accounting Standards

- GASB Statement No. 84 – Fiduciary Activities Effective for the year ended June 30, 2021
- GASB Statement No. 87 – Leases Effective for the year ended June 30, 2022

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

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

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 BOCES-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 Compared To 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 Sheet.

Statement of Revenues, Expenditures, and Changes in Fund Balance Versus Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities fall into one of five broad categories:

(a) Long-Term Revenue/Expenditure Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available," whereas the Statement of Activities reports revenues 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 in the Statement of Activities.

(b) 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.

(c) 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.

(d) Pension Differences

Pension differences occur as a result of changes in the BOCES' proportion of the collective net pension asset/liability and differences between the BOCES' contributions and its proportionate share of the total contributions to the pension systems.

(e) OPEB Differences

OPEB differences occur as a result of changes in the BOCES' total OPEB liability and differences between the BOCES' contributions and OPEB expense.

3. DETAILED NOTES ON ALL FUNDS

(a) Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents of \$3,753,282 in the General Fund represents funds held in the Unemployment Insurance Reserve, Retirement Contribution Reserve, Employee Benefit Accrued Liability Reserve, and Career Educational Instructional Equipment Reserve established by BOCES.

Restricted cash and cash equivalents of \$2,037,268 in the Capital Fund represent funds held for current and future capital projects.

Restricted cash and cash equivalents of \$7,573 in the Fiduciary Fund represents various expendable trust funds held by the BOCES.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

3. DETAILED NOTES ON ALL FUNDS (Continued)

(b) *Custodial Credit Risk*

Custodial credit risk is the risk that in the event of a bank failure, the BOCES' deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the BOCES' name.

The BOCES' investment policies are governed by state statutes and BOCES policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities.

As of June 30, 2020, BOCES' bank balances of \$5,848,262 were fully collateralized by FDIC in the amount of \$500,000 and with securities held by an agent of the pledging financial institution in the BOCES' name of \$5,348,262.

(c) *Investment Pool*

The BOCES participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-o, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents.

The following amounts are included as restricted and unrestricted cash equivalents:

<u>Fund</u>	<u>Cost</u>	<u>Fair Value</u>
General Fund	\$ 7,312,013	\$ 7,312,013
Capital Fund	<u>1,997,200</u>	<u>1,997,200</u>
Total	<u>\$ 9,309,213</u>	<u>\$ 9,309,213</u>

The above amounts represent the cost of the investment pool shares, and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. The Investment Pool 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 NYLAF Administration, PMA Financial Network, 2135 City Gate Lane 7th FL, Naperville, IL 60563.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

3. DETAILED NOTES ON ALL FUNDS (Continued)

(d) *Capital Assets*

Capital asset activity for the year ended June 30, 2020, is as follows:

	Beginning Balance	Prior Period Adjustment	Additions	Deletions	Ending Balance
Capital Assets Not Being Depreciated					
Land	\$ 47,509	\$	\$	\$	\$ 47,509
Construction in Progress	919,432		256,203	1,022,796	152,839
Total	966,941		256,203	1,022,796	200,348
Capital Assets Being Depreciated					
Buildings and Improvements	20,443,495		1,022,796		21,466,291
Furniture and Equipment	10,928,765	214,005	702,666	220,942	11,624,494
Total	31,372,260	214,005	1,725,462	220,942	33,090,785
Accumulated Depreciation					
Buildings and Improvements	7,805,112		431,082		8,236,194
Furniture and Equipment	7,124,831	192,437	931,272	189,539	8,059,001
Total	14,929,943	192,437	1,362,354	189,539	16,295,195
Net Capital Assets Being Depreciated	16,442,317	21,568	363,108	31,403	16,795,590
Net Capital Assets	<u>\$ 17,409,258</u>	<u>\$ 21,568</u>	<u>\$ 619,311</u>	<u>\$ 1,054,199</u>	<u>\$ 16,995,938</u>

Depreciation expense of \$1,362,354 is charged as follows:

Function/Program

Administration	\$ 163,774
Occupational Instruction	216,046
Instruction for Students with Special Needs	331,477
Itinerant Services	108,819
General Instruction	98,953
Instructional Support	138,309
Other Services	304,976
Total Depreciation	<u>\$ 1,362,354</u>

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

3. DETAILED NOTES ON ALL FUNDS (Continued)

(e) Liabilities

Noncurrent Liabilities

Long-term liability balances and activity for the year ended June 30, 2020 is as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Installment Purchase Agreement	\$ 345,215	\$ 383,069	\$ 247,409	\$ 480,875	\$ 226,822
Energy Performance Contract	717,748		51,263	666,485	55,688
Total Governmental Activities	1,062,963	383,069	298,672	1,147,360	282,510
Other Liabilities					
Other Postemployment Benefits	55,856,422	19,027,506	2,889,344	71,994,584	
Compensated Absences	1,469,017	88,688		1,557,705	
Total Other Liabilities	57,325,439	19,116,194	2,889,344	73,552,289	
Total Noncurrent Liabilities	\$ 58,388,402	\$ 19,499,263	\$ 3,188,016	\$ 74,699,649	\$ 282,510

The General Fund has typically been used to liquidate noncurrent liabilities through budget appropriations.

Installment Purchase Agreements

The BOCES is obligated under certain installment purchase agreements at various incremental interest rates ranging from .8% to 3.65%. Assets purchased under the agreements totaled \$1,758,564 at June 30, 2020.

Principal and interest payments due on the installment obligation debt are as follows:

For the Year Ending June 30,	Installment Purchase Agreement		
	Principal	Interest	Total
2021	\$ 226,822	\$ 14,488	\$ 241,310
2022	145,699	7,136	152,835
2023	90,448	2,785	93,233
2024	17,906	372	18,278
Total	\$ 480,875	\$ 24,781	\$ 505,656

Interest expense on installment purchase debt for the year ended June 30, 2020, was \$13,760 and is reported in program expenditures.

Energy Performance Contract

The BOCES entered into an energy performance contract to provide energy improvement installations to various BOCES buildings. This contract was executed through the John W. Danforth Company. The financing agreement provides for an interest rate of 3.04%. This amount includes a penalty amount for early payment which starts at 2.5% at the inception of the contract and decreases over time. The original issue was dated March 1, 2017 in the amount of \$852,055. The outstanding balance at June 30, 2020 was \$666,485.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

3. DETAILED NOTES ON ALL FUNDS (Continued)

Principal and interest payments due on the energy performance contract are as follows:

For the Year Ending June 30,	Energy Performance Contract		
	Principal	Interest	Total
2021	\$ 55,688	\$ 19,290	\$ 74,978
2022	58,212	17,619	75,831
2023	60,792	15,882	76,674
2024	58,976	15,882	74,858
2025	57,766	12,300	70,066
2026-2030	316,591	47,792	364,383
2031	58,460	789	59,249
Total	<u>\$ 666,485</u>	<u>\$ 129,554</u>	<u>\$ 796,039</u>

4. PENSION PLANS

A. New York State and Local Employees' Retirement System (ERS)

(a) *Plan Description*

The BOCES participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018, he was elected for a new term commencing January 1, 2019. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System maintains records and accounts, and prepares financial statements using the accrual basis of accounting. Contributions are recognized when due and payable. Investments are recognized at fair value. 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.

(b) *Contributions*

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 and prior to April 1, 2012, are required to contribute 3% of their annual salary for their entire working career. Those who joined on or after April 1, 2012 contribute at a rate ranging from 3% to 6% based on their total annualized salary. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2020, were paid.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

4. PENSION PLANS (Continued)

The required contributions for the current year and two preceding years were:

	<u>Amount</u>
2018	\$ 421,367
2019	\$ 405,682
2020	\$ 435,591

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

At June 30, 2020, the BOCES reported a liability of \$2,984,282 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOCES proportion of the net pension liability was based on a projection of the BOCES long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, and 2019, the BOCES proportion was .0112697% and .0112046%, respectively.

For the year ended June 30, 2020, the BOCES recognized pension expense of \$526,713. At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 175,637	\$
Change of assumptions	60,089	51,889
Net difference between projected and actual earnings on Pensions plan investments	1,529,888	
Changes in proportion and differences between contributions and proportionate share of contributions	10,578	44,324
Contributions subsequent to the measurement date	124,359	
Total	<u>\$ 1,900,551</u>	<u>\$ 96,213</u>

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

For the year ended June 30:

2021	\$ 267,400
2022	\$ 420,241
2023	\$ 547,837
2024	\$ 444,501

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

4. PENSION PLANS (Continued)

(d) Actuarial Assumptions

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

Significant actuarial assumptions used in the April 1, 2019 valuation were as follows:

Investment rate of return (net of investment expense, including inflation)	6.80%
Salary scale	4.20%
Inflation rate	2.50%
Cost of Living Adjustment	1.30%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' MP-2018.

The actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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 returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2020 are summarized below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	36%	4.05%
International Equity	14%	6.15%
Private Equity	10%	6.75%
Real Estate	10%	4.95%
Absolute Return Strategies	2%	3.25%
Opportunistic Portfolio	3%	4.65%
Real Assets	3%	5.95%
Bonds and Mortgages	17%	0.75%
Cash	1%	0.00%
Inflation-Indexed Bonds	4%	0.50%
	<u>100%</u>	

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

4. PENSION PLANS (Continued)

(e) Discount Rate

The discount rate used to calculate the total pension asset/liability was 6.8%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System'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 asset/liability.

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

The following presents the BOCES' proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the BOCES's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
Proportionate share of the net pension liability (assets)	\$ 5,476,999	\$ 2,984,282	\$ 688,478

(g) Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued ERS financial report.

(h) Payables to the Pension Plan

The BOCES has recorded an amount due to ERS in the General Fund of \$124,359 at June 30, 2020. This amount represents the three months of the BOCES's fiscal year that will be paid in the ERS 2020-2021 billing cycle and has been accrued as an expenditure in the current year.

B. New York State Teachers' Retirement System (TRS)

(a) Plan Description

The BOCES participates in the New York Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The system provides retirement benefits as well as death and disability benefits.

The TRS was created and exists pursuant to Article 11 of the New York State Education Law. TRS is administered by the system and governed by a ten member board to provide these benefits to teachers employed by participating employers in the State of New York, excluding New York City. The System provides benefits to plan members and beneficiaries as authorized by the New York State Law and may be amended only by the Legislature with the Governor's approval. Benefit provisions vary depending on date of membership and membership class (6 tiers). The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable. Investments are recognized at fair value. TRS issues a publicly available financial report that contains basic financial statements and required supplementary information for the System. For additional plan information please refer to the NYSTRS Comprehensive Annual Financial Report which can be found on the TRS website located at www.nystrs.org.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

4. PENSION PLANS (Continued)

(b) Contributions

Pursuant to Article 11 of the New York State Education Law, employers are required to contribute at an actuarially determined rate adopted annually by the Retirement Board. Tier 3 and Tier 4 members who have less than 10 years of service or membership are required by law to contribute 3% of salary to the System. Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a schedule based upon salary earned. Pursuant to Article 14 and Article 15 of the Retirement and Social Security Law, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the Retirement and Social Security Law. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

The required employer contributions for the current year and two preceding years were:

	Amount
2018	\$ 639,751
2019	\$ 768,824
2020	\$ 691,033

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

At June 30, 2020, the BOCES reported an asset of \$1,126,985 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2018. The BOCES proportion of the net pension asset was based on a projection of the BOCES long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019, the BOCES proportionate share was .043379%, which was a decrease of .040077% from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the BOCES recognized a pension expense of \$613,699. At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 763,729	\$ 83,805
Changes of assumptions	2,129,026	519,117
Net difference between projected and actual earnings on Pensions plan investments		903,784
Changes in proportion and differences between contributions and proportionate share of contributions	113,432	205,463
Contributions subsequent to the measurement date	691,033	
Total	\$ 3,697,220	\$ 1,712,169

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

4. PENSION PLANS (Continued)

Amounts reported as deferred outflows/inflows of resources related to pensions resulting from BOCES contributions subsequent to the measurement date, if any, will be recognized as a reduction of the net pension asset. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 499,672
2021	\$ 22,160
2022	\$ 497,824
2023	\$ 327,556
2024	\$ 19,711
Thereafter	\$ (72,905)

(d) *Actuarial Assumptions*

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

Significant actuarial assumptions used in the June 30, 2018 valuation were as follows:

Investment Rate of Return	7.10 % compounded annually, net of pension plan investment expense, including inflation.
Salary scale	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually.
Inflation rate	2.20%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP 2018, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

4. PENSION PLANS (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Domestic Equity	33.0%	6.3%
International Equity	16.0%	7.8%
Global Equity	4.0%	7.2%
Real Estate	11.0%	4.6%
Private Equities	8.0%	9.9%
Domestic Fixed Income Securities	16.0%	1.3%
Global Fixed Income Securities	2.0%	0.9%
Private Debt	1.0%	3.6%
High-Yield Fixed Income Securities	1.0%	6.5%
Real Estate Debt	7.0%	2.9%
Short-Term	1.0%	0.3%
	100%	

* Real rates of return are net of the long-term inflation assumption of 2.2% for 2019.

(e) *Discount Rate*

The discount rate used to measure the pension liability (asset) was 7.10%. 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 BOCES will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System'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.

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

The following presents BOCES's proportionate share of the net pension asset calculated using the discount rate of 7.10 percent, as well as what the BOCES's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Proportionate share of the net pension liability (assets)	\$ 5,087,093	\$ (1,126,985)	\$ (6,339,896)

(g) *Pension Plan Fiduciary Net Position*

Detailed information about the Plan's fiduciary net position is available in the separately issued TRS financial report.

(h) *Payables to the Pension Plan*

The BOCES has recorded an amount due to TRS of \$768,287 which includes \$77,254 in employee contributions, in the General Fund at June 30, 2020. This amount represents contribution for the 2019-2020 fiscal year that will be made in 2020-2021 and has been accrued as an expenditure in the current year.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

5. POSTRETIREMENT HEALTH CARE BENEFITS

(a) Plan Description and Benefits Provided

The BOCES provides medical and prescription drug benefits to its eligible retirees. The benefits are provided through an insurance arrangement with the Catskill Area School Employees Benefit Plan (CASEBP) Consortium, with Excellus as third party administrator. Benefit provisions are established and amended through negotiations between the BOCES and the respective unions as follows:

Eligibility: Employees are required to reach age 55 and to have the following years of service to qualify for OPEB:

- Support Staff - 10 years (last 5 years continuous)
- Teachers - 10 years (last 5 years continuous)
- Administrators – 7 years

Benefit Cost Sharing:

- Individual - The BOCES pays 50% to 75% of the retiree's premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.
- Spouse - The BOCES pays 25% to 50% of the retiree's qualified dependents premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.
- Surviving Spouse - Following the death of the retiree, the BOCES pays 35% to 51% of the surviving spouse's premiums for medical and prescription drug benefits. The BOCES reimburses for the entire cost of Medicare Part B.

Annual Medical Premiums for Retirees (Includes Medical and Prescription Drug) are as follows:

	CASEBP			MEDIGAP			MVP Family
	Plan D	Plan L	Plan U	Plan D	Plan L	Plan U	
Individual	\$10,703	\$10,190	\$9,726	\$5,987	\$5,905	\$5,627	\$11,860
Family	\$26,629	\$25,592	\$24,445				\$27,872

The annual cost for retirees for Medicare Part B is \$1,462 .

(b) Employees Covered by Benefit Terms

	Total
Inactive employees currently receiving benefit payments	146
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	186
Total	332

(c) Total OPEB Liability

The BOCES' total OPEB liability of \$71,994,584 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2018.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

5. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)

(d) *Changes in the Total OPEB Liability*

Changes in the BOCES' total OPEB liability were as follows:

	<u>Total OPEB Liability</u>
Balances, June 30, 2019	\$ 55,856,422
Changes recongnized for the year:	
Service cost	2,327,478
Interest on Total OPEB Liability	2,016,453
Difference between expected and actual experience	(1,406,342)
Changes of Assumptions or Other Inputs	14,683,575
Benefit payments	(1,483,002)
Net changes	<u>16,138,162</u>
Balances, June 30, 2020	<u>\$ 71,994,584</u>

Changes of assumptions and other inputs reflect changes in assumptions regarding inflation, healthcare cost trends, salary changes, ad hoc postemployment benefit changes (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees.

(e) *Sensitivity of the total OPEB liability to changes in the discount rate*

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current discount rate:

	1% Decrease (1.21%)	Current Assumption (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 87,012,643	\$ 71,994,584	\$ 60,301,321

(f) *Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates*

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.40 percent) or 1 percentage point higher (6.40 percent) than the current healthcare cost trend rate:

	1% Decrease (4.40%)	Current Assumption (5.40%)	1% Increase (6.40%)
Total OPEB liability	\$ 52,289,806	\$ 71,994,584	\$ 90,217,857

Sensitivity analysis for healthcare cost inflation (trend) rate is illustrated as of end of year.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

5. POSTRETIREMENT HEALTH CARE BENEFITS (Continued)

(g) *OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB*

For the year ended June 30, 2020, the BOCES recognized OPEB expense of \$4,714,636. At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 869,600	\$ 1,171,952
Changes of assumptions or other inputs	12,236,312	1,869,064
Total	<u>\$ 13,105,912</u>	<u>\$ 3,041,016</u>

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

Year ended June 30:	<u>Amount</u>
2021	1,853,706
2022	1,853,706
2023	1,853,706
2024	2,290,910
2025	2,212,868

(h) *Actuarial Methods and Assumptions*

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018 rolled forward to June 30, 2020, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation rate	2.20%
Healthcare Cost Trend Rates	5.40% for 2020 decreasing to an ultimate rate of 3.84% by 2076
Discount Rate	2.21%
Retirees' Share of Benefit-Related Costs	5.40% for 2020 decreasing to an ultimate rate of 3.84% by 2076

The selected discount rate of 2.21% was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on April 1, 2010-March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial study for the period of April 1, 2010-March 31, 2015.

6. BUDGET REVISIONS

The General Fund budget was increased by \$3,772,903 to provide for encumbrances and for changes in program services by the component districts of the BOCES. The increases were approved by the Board during the year.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

7. OPERATING LEASES

Short-term operating leases of a one year duration have been negotiated for the use of certain classrooms and facilities. All lease payments are expensed when paid and totaled \$92,798 for the year.

8. RISK FINANCING AND RELATED INSURANCE

The Otsego-Northern Catskill BOCES is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. BOCES administers and participates in the Catskill Area Schools Employee Benefit Plan (CASEBP) consisting of 18 other governmental entities for their health and dental insurance coverage, as well as, in the Catskill Area Schools Workers' Compensation Plan (CASWCP) consisting of 23 other municipalities for its workers' compensation insurance coverage.

Entities joining the plans must remain members for a minimum of one year; a member may withdraw from the plans after that time by submitting a notice of withdrawal 30 days prior to the plans' year end. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plans' assets were to be exhausted, members would be responsible for the plan's liabilities. The plans use a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks reinsured.

The plans establish a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claims costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. The Consortiums are shared-risk public entity risk pools whereby each entity pays annual premiums as follows: Health Consortium - Monthly premium from individual members based on the type of coverage selected. Workers' Compensation - Premiums are computed based upon an established rate of covered payroll.

Premiums paid to the Health, Dental, and Workers' Compensation Consortiums totaled \$4,967,933; \$301,864; and \$89,914, respectively, for the year ended June 30, 2020. Paid claims are accounted for in the aggregate with individual entity activity not being tracked separately.

BOCES continues to carry commercial insurance for all other risks of loss such as general liability insurance.

9. INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS

Interfund receivables and payables at June 30, 2020 were as follows:

Fund	Interfund	
	Receivables	Payables
General	\$ 342,394	\$
Special Aid		679,735
Capital Fund	608,728	
Expendable Trust	50	
Trust and Agency		271,437
Total	<u>\$ 951,172</u>	<u>\$ 951,172</u>

The BOCES typically transfers from the General Fund to the Special Aid Fund to cover fund expenses until the revenue is received.

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

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

10. FUND BALANCE

The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet:

	<u>General</u>	<u>Capital</u>	<u>Total</u>
Restricted			
Unemployment Insurance Reserve	\$ 569,201	\$	\$ 569,201
Retirement Contribution Reserve	1,199,004		1,199,004
Employee Benefit Accrued Liability Reserve	1,557,705		1,557,705
Career Educational Instructional Equipment Reserve	427,372		427,372
Capital Project		2,641,371	2,641,371
Total Restricted	<u>3,753,282</u>	<u>2,641,371</u>	<u>6,394,653</u>
Assigned			
Administration	45,594		45,594
Occupational Instruction	8,636		8,636
Instruction for Special Needs	185,076		185,076
Itinerant Services	4,749		4,749
General Instruction	5,570		5,570
Instructional Support	46,882		46,882
Other Services	<u>161,748</u>		<u>161,748</u>
Total Assigned	<u>458,255</u>		<u>458,255</u>
Total Fund Balance	<u>\$ 4,211,537</u>	<u>\$ 2,641,371</u>	<u>\$ 6,852,908</u>

The following is a summary of the change in selected General Fund restricted fund balance during the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Liability Reserve	\$ 2,571	\$	\$ 2,571	\$
Unemployment Insurance Reserve	37,925	531,276		569,201
Retirement Contribution Reserve	963,176	235,828		1,199,004
Employee Benefit Accrued Liability	1,469,017	88,688		1,557,705
Career Educational Instructional Equipment Reserve	<u>314,593</u>	<u>112,779</u>		<u>427,372</u>
	<u>\$ 2,787,282</u>	<u>\$ 968,571</u>	<u>\$ 2,571</u>	<u>\$ 3,753,282</u>

11. CONTINGENCIES AND COMMITMENTS

Potential Grantor Liability

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.

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2020

11. CONTINGENCIES AND COMMITMENTS (Continued)

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, Special Revenue Funds, and Capital Projects Funds. At June 30, 2020, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances are as follows:

Administration	\$ 45,594
Occupational Instruction	8,636
Instruction for Special Needs	185,076
Itinerant Services	4,749
General Instruction	5,570
Instructional Support	46,882
Other Services	<u>161,748</u>
Total Encumbrances	<u>\$ 458,255</u>

12. NET POSITION (DEFICIT)

Net Position (Deficit) – BOCES-Wide

The BOCES-wide net position had a deficit at June 30, 2020 of \$38,853,815. The deficit is the result of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires the recognition of an unfunded liability of \$71,994,584 at June 30, 2020. Since New York State Law provides no mechanism for funding the liability, any subsequent accruals are expected to increase the deficit.

13. SUBSEQUENT EVENTS

In July 2020, New York State Division of the Budget began approving General Support for Public Schools (GSPS) payments to school districts (including 3609-d BOCES Aid payments) at 80% of the otherwise scheduled amounts. All or a portion of these withholds are currently temporary, but may be converted to permanent reductions depending on the size and timing of new unrestricted Federal aid to be received, if any.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual		Final Budget Variance With Actual
Revenues					
Administration	\$ 3,373,839	\$ 3,374,136	\$ 2,919,105	\$	(455,031)
Administration - Capital	653,801	653,802	654,118		316
Occupational Instruction	5,105,157	5,231,435	5,190,112		(41,323)
Instruction for Special Needs	6,802,976	8,407,566	8,433,439		25,873
Itinerant Services	2,860,230	2,850,049	2,850,299		250
General Instruction	1,872,699	2,314,936	2,345,065		30,129
Instruction Support	2,637,277	3,402,435	3,382,552		(19,883)
Other Services and Internal Services	6,157,860	7,002,383	7,625,536		623,153
Total Revenues	<u>\$ 29,463,839</u>	<u>\$ 33,236,742</u>	<u>33,400,226</u>	<u>\$</u>	<u>163,484</u>
	Original Budget	Final Budget	Actual	Year-End Encumbrances	Final Budget Variance With Actual
Expenditures					
Administration	\$ 3,373,839	\$ 3,374,136	\$ 2,885,238	\$ 45,596	\$ 443,302
Administration - Capital	653,801	653,801	653,801		
Occupational Instruction	5,105,157	5,231,435	4,668,625	8,636	554,174
Instruction for Special Needs	6,802,976	8,407,566	7,163,007	185,073	1,059,486
Itinerant Services	2,860,230	2,850,049	2,351,509	4,749	493,791
General Instruction	1,872,699	2,314,936	2,138,315	5,570	171,051
Instruction Support	2,637,277	3,402,435	2,988,765	46,882	366,788
Other Services	6,157,860	7,002,384	5,624,337	161,748	1,216,299
Total Expenditures	<u>29,463,839</u>	<u>33,236,742</u>	<u>28,473,597</u>	<u>\$ 458,254</u>	<u>\$ 4,304,891</u>
Other Financing Uses					
Return of Surplus			3,650,686		
Total Expenditures and Other Financing Uses	<u>\$ 29,463,839</u>	<u>\$ 33,236,742</u>	<u>32,124,283</u>		
Net Change in Fund Balances			1,275,943		
Fund Balances - Beginning of Year			2,935,594		
Fund Balances - End of Year			<u>\$ 4,211,537</u>		

Notes to Required Supplementary Information:

The BOCES administration prepares a proposed budget for approval by the Board of Education for the General Fund, the only fund with a legally adopted budget.

The budget is adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

OTSEGO NORTHERN CATSKILL BOCES
SCHEDULES OF CHANGES IN THE BOCES
TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Service cost	\$ 2,327,478	\$ 1,301,248	\$ 1,349,056
Interest	2,016,453	2,088,885	1,914,363
Differences between expected and actual experience	(1,406,342)	1,304,403	
Changes in assumptions or other inputs	14,683,575	(766,171)	(2,704,902)
Expected benefit payments	<u>(1,483,002)</u>	<u>(1,480,078)</u>	<u>(1,248,413)</u>
Net change in total OPEB liability	16,138,162	2,448,287	(689,896)
Total OPEB liability - beginning of year	<u>55,856,422</u>	<u>53,408,135</u>	<u>54,098,031</u>
Total OPEB liability - ending of year	<u>\$ 71,994,584</u>	<u>\$ 55,856,422</u>	<u>\$ 53,408,135</u>
Covered employee payroll	<u>\$ 10,326,850</u>	<u>\$ 8,862,342</u>	<u>\$ 8,668,414</u>
Total OPEB liability as a percentage of covered payroll	<u>697.16%</u>	<u>630.27%</u>	<u>616.12%</u>

Notes to Required Supplementary Information:

Changes of Assumptions: Changes include assumptions regarding inflation, healthcare cost trends, salary changes, ad hoc postemployment benefit charges (including ad hoc COLAs), and the sharing of benefit-related costs with inactive employees.

Actuarial Assumptions: The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 5 to the financial statements

Plan Assets: No assets are accumulated in a trust that meets all of the following criteria of GASB No. 75, paragraph 4, to pay benefits.

Information is presented only for the years available.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF BOCES CONTRIBUTIONS
For the Year Ended June 30, 2020

	ERS Pension Plan Last 10 Fiscal Years									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 435,591	\$ 405,682	\$ 421,367	\$ 405,926	\$ 396,783	\$ 574,784	\$ 437,898	\$ 510,603	\$ 465,904	\$ 332,024
Contributions in Relation to the Contractually Required Contribution	435,591	405,682	421,367	405,926	396,783	574,784	437,898	510,603	465,904	332,024
Contribution Deficiency (Excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
BOCES' Covered-ERS Employee Payroll	\$ 3,239,256	\$ 2,956,932	\$ 3,133,598	\$ 2,696,613	\$ 2,527,264	\$ 2,632,414	\$ 2,729,765	\$ 2,815,830	\$ 2,911,697	\$ 3,051,035
Contributions as a Percentage of Covered-Employee Payroll	13.45%	13.72%	13.45%	15.05%	15.70%	21.83%	16.04%	18.13%	16.00%	10.88%

	TRS Pension Plan Last 10 Fiscal Years									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 691,033	\$ 768,824	\$ 639,751	\$ 806,444	\$ 908,347	\$ 1,125,914	\$ 801,653	\$ 772,210	\$ 784,067	\$ 577,980
Contributions in Relation to the Contractually Required Contribution	691,033	768,824	639,751	806,444	908,347	1,125,914	801,653	772,210	784,067	577,980
Contribution Deficiency (Excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
BOCES' Covered-TRS Employee Payroll	\$ 7,799,470	\$ 7,239,397	\$ 6,528,071	\$ 6,880,922	\$ 6,850,279	\$ 6,477,654	\$ 6,455,839	\$ 6,683,110	\$ 6,796,439	\$ 7,581,438
Contributions as a Percentage of Covered-Employee Payroll	8.86%	10.62%	9.80%	11.72%	13.26%	17.38%	12.42%	11.55%	11.54%	7.62%

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF THE BOCES'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET
For the Year Ended June 30, 2020

ERS Pension Plan

	2020	2019	2018	2017	2016	2015	2014
BOCES' proportion of the net pension liability	0.011270%	0.011205%	0.010989%	0.010976%	0.011240%	0.001178%	0.001178%
BOCES' proportionate share of the net pension liability	\$ 2,984,282	\$ 793,883	\$ 354,656	\$ 1,031,305	\$ 1,804,060	\$ 397,987	\$ 532,362
BOCES' covered-employee payroll	\$ 3,239,256	\$ 2,956,932	\$ 3,133,598	\$ 2,696,613	\$ 2,527,264	\$ 2,632,414	\$ 2,729,765
BOCES' proportionate share of the net pension liability as a percentage of its covered-employee payroll	92%	27%	11%	38%	71.38%	15.12%	19.50%
Plan fiduciary net position as a percentage of total pension liability	86.39%	96.27%	98.24%	94.70%	90.7%	97.9%	97.2%

TRS Pension Plan

	2019	2018	2017	2016	2015	2014	2013
BOCES' Proportion of the net pension asset/liability	0.043379%	0.040077%	0.041221%	0.042228%	0.042215%	0.042914%	0.044109%
BOCES' proportionate share of the net pension (asset) liability	\$ (1,126,985)	\$ (724,695)	\$ (313,319)	\$ 452,283	\$ (4,384,828)	\$ (4,780,395)	\$ (290,346)
BOCES' covered-employee payroll	\$ 7,239,397	\$ 6,528,071	\$ 6,880,922	\$ 6,850,279	\$ 6,477,654	\$ 6,455,839	\$ 6,683,110
BOCES' proportionate share of the net pension asset/liability as a percentage of its covered-employee payroll	15.57%	11.10%	4.55%	6.60%	67.69%	74.05%	4.34%
Plan fiduciary net position as a percentage of total pension liability	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

Information is presented only for the years available.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULES OF A431 SCHOOL DISTRICT ACCOUNT
For the Year Ended June 30, 2020

Credit Balance, Beginning of Year	\$ (2,520,830)
Debits	
Billings	33,400,226
Refund Balances Due School Districts - June 30, 2019	3,138,357
Encumbrances - June 30, 2020	<u>458,254</u>
Total Debits	<u>36,996,837</u>
Subtotal	<u>34,476,007</u>
Credits	
Collections	(33,955,663)
Refund Balances Due School Districts - June 30, 2020	(3,650,687)
Encumbrances - June 30, 2019	<u>(148,312)</u>
Total Credits	<u>(37,754,662)</u>
Balance, End of Year	<u>\$ (3,278,655)</u>
<u>Summary:</u>	
A380 Accounts Receivable Components	\$ 372,032
A431 School District Accounts	<u>(3,650,687)</u>
Balance, End of Year	<u>\$ (3,278,655)</u>

See Independent Auditor's Report.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2020

	Original Authorization	Revised Authorization	Expenditures		Unexpended Balance	Fund Balance June 30, 2019	Methods of Financing		Fund Balance June 30, 2020
			Prior Years	Current Year			Proceeds of Obligations	State and Local Sources	
Installment Purchase Agreements	\$ 383,069	\$ 383,069		\$ 383,069	\$ 383,069	\$	\$ 383,069	\$	\$
Ventilation/Entrance-NCOC	400,000	400,000			400,000	400,000			400,000
Ventilation/Entrance-OAOC	651,228	651,228			651,228	651,228			651,228
OAOC Parking Lot	1,747,899	1,749,899		154,368	154,368	907,237		837,274	1,590,143
Mechanics	717,357	717,357	610,646	89,209	17,502	89,209			
Generator Project - OAOC	472,500	355,750	310,314	12,625	32,811	12,625			
Totals	\$ 4,372,053	\$ 4,257,303	\$ 920,960	\$ 639,271	\$ 1,560,231	\$ 2,060,299	\$ 383,069	\$ 837,274	\$ 2,641,371

OTSEGO NORTHERN CATSKILLS BOCES
NET INVESTMENT IN CAPITAL ASSETS
For the Year Ended June 30, 2020

Capital Assets, Net	\$ 16,995,938
Add:	
Fund Balance Capital	2,641,371
Deduct:	
Long-Term Debt Payable	<u>(1,147,360)</u>
Net Investment in Capital Assets	<u>\$ 18,489,949</u>

See Independent Auditor's Report.

D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

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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

Board of Cooperative Educational Services
Sole Supervisory District Otsego Northern Catskills, New York

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Otsego Northern Catskills BOCES, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Otsego Northern Catskills BOCES' basic financial statements, and have issued our report thereon dated September 8, 2020.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

D'Arcangelo & Co., LLP

September 8, 2020

Utica, New York



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D'Arcangelo & Co., LLP
Certified Public Accountants & Consultants

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Cooperative Educational Services
Sole Supervisory District of Otsego Northern Catskills, New York

Report on Compliance for Each Major Federal Program

We have audited the Board of Cooperative Educational Services Sole Supervisory District of Otsego Northern Catskills (BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of BOCES' major federal programs for the year ended June 30, 2020. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

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

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

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

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

D'Arcangelo + Co., LLP

September 8, 2020

Rome, New York

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Current Year Expenditures	Expenditures to Subrecipients
<u>U.S. Department of Agriculture</u>				
(Direct)				
Rural Utilities Service Distance Learning and Telemedicine	10.855	N/A	\$ 141,447	
<u>U.S. Department of Education</u>				
(Passed Through the State Education Department of the State of New York)				
Special Education - Grants to States (Special Education Cluster)	84.027	0310-39-9960	529,683	
Vocational Education - Basic Grants to States	84.048	8000-16-0029	75,052	
Twenty-First Century Community Learning Centers	84.287	0187-16-6116	189,870	
Total Pass-Through Grants			<u>794,605</u>	
(Direct)				
Federal Direct Student Loans (Direct Loan)	84.268	N/A	206,822	
Federal Pell Grant Program	84.063	N/A	142,049	
Total Student Financial Aid Cluster			<u>348,871</u>	
Total U.S. Department of Education			<u>1,143,476</u>	
<u>Total Federal Financial Assistance</u>			<u>\$ 1,284,923</u>	

OTSEGO NORTHERN CATSKILLS BOCES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Organization

The accompanying Schedule of Expenditures of Federal Awards represents all Federal awards administered by the Otsego Northern Catskills BOCES. The BOCES' organization is defined in Note 1 to the BOCES' basic financial statements.

Basis of Accounting

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the BOCES and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Expenditures are recognized following the cost principles contained in the *Uniform Guidance*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. CLUSTER PROGRAMS

The following programs are identified by "OMB Compliance Supplement" to be part of a cluster of programs:

U.S. Department of Education

Student Financial Aid Cluster

CFDA #84.268 Federal Direct Student Loans (Direct Loan)

CFDA #84.063 Federal Pell Grant Program

Special Education Cluster

CFDA #84.027 Special Education – Grants to States

3. STUDENT FINANCIAL AID CLUSTER

The Student Financial Aid Cluster revenue of \$348,871 is reported by the BOCES as Charges for Services since the amounts are for tuition paid by the program for qualifying students.

4. INDIRECT COST RATE

The BOCES has not elected to use the 10% de minimis indirect cost rate.

OTSEGO NORTHERN CATSKILLS BOCES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2020

Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major Federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies reported for major Federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	<u>U.S. Department of Education -</u> <u>Special Education – Grants to States</u> CFDA #84.027 – Regional Partnership Center
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

Findings – Financial Statement Audit

No findings noted.

Findings and Questioned Costs – Major Federal Award Programs Audit

No findings noted.

**OTSEGO NORTHERN CATSKILLS BOCES
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS – FEDERAL COMPLIANCE REQUIREMENTS
For the Year Ended June 30, 2020**

No findings noted.