PRELIMINARY OFFICIAL STATEMENT DATED JULY 22, 2019

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequence related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "Tax Matters". The Notes will NOT be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF THE SOLE SUPERVISORY DISTRICT OF ORANGE AND ULSTER COUNTIES, NEW YORK

$17,000,000 REVENUE ANTICIPATION NOTES, 2019

[BOOK-ENTRY-ONLY NOTES]
(The "Notes")

Dated: August 15, 2019 **Maturity Date: July 22, 2020**

Security and Sources of Payment: The Notes will constitute unsecured obligations of the Board of Cooperative Educational Services of the Sole Supervisory District of Orange and Ulster Counties, New York (the "BOCES") and will contain a pledge for the payment of the principal of and interest on the Notes payable as to both principal and interest from any monies of the BOCES legally available therefore. The BOCES has no taxing authority. The Notes are issued in anticipation of the receipt of monies from contractual payments of the Component School Districts (as herein defined). The Notes do not constitute a debt or obligation of any Component School District of the BOCES nor shall the Notes be payable out of any funds other than those of the BOCES.

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

At the option of the purchaser(s), the Notes may either be registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC") as book-entry notes. Note certificates shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate.

Form and Denomination: The Notes to be issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee, which will act as the securities depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Individual purchases of the Notes to be issued in book-entry form may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Noteholders will not receive certificates representing their ownership interest in the Notes to be issued in book-entry form purchased. See "Book-Entry System" herein.

Payment: Payment of the principal of and interest on the Notes to be issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers registered in "street name." Payment will be the regulatory requirement as may be in effect from time to time. See "Book-Entry System" herein. Payment of the principal of and interest on the Notes issued in the certificated form registered to the purchaser(s) will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). Paying agent fees, if any, will be paid by the purchaser(s).

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of an approving legal opinion as to the validity of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Notes will be available for delivery in Jersey City, New Jersey or such other place as may be agreed upon with the purchaser(s) on or about August 15, 2019.

THE BOCES DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. IN ADDITION, THE BOCES WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. (SEE "DISCLOSURE UNDERTAKING," HEREIN).

BOARD OF COOPERATIVE EDUCATIONAL SERVICES
OF THE SOLE SUPERVISORY DISTRICT OF
ORANGE AND ULSTER COUNTIES, NEW YORK

53 Gibson Road
Goshen, New York 10934
Telephone: 845/291-0162

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* * *

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* * *

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No person has been authorized by the Board of Cooperative Educational Services of the Sole Supervisory District of Orange and Ulster Counties to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board of Cooperative Educational Services of the Sole Supervisory District of Orange and Ulster Counties since the date hereof.

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OFFICIAL STATEMENT

Relating to

BOARD OF COOPERATIVE EDUCATIONAL SERVICES OF THE SOLE SUPERVISORY DISTRICT OF ORANGE AND ULSTER COUNTIES, NEW YORK

$17,000,000

REVENUE ANTICIPATION NOTES, 2019

This Official Statement, including the cover page and appendices thereto, has been prepared by the Board of Cooperative Educational Services of the Sole Supervisory District of Orange and Ulster Counties, New York (the "BOCES") and presents certain information relating to the BOCES's $17,000,000 Revenue Anticipation Notes, 2019 (the "Notes"). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the "State") and acts and proceedings of the BOCES contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the BOCES relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

The financial condition of the BOCES as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the BOCES' control.

THE NOTES

Description of the Notes

The Notes will be dated August 15, 2019 and will mature, without right of redemption prior to maturity, on July 22, 2020, with interest payable at maturity.

At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at the office of the BOCES in Goshen, New York.

For those Notes issued as book-entry notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their respective interests in the Notes. Individual purchases of such registered Notes may be made in denominations of $5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the BOCES to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. See "Book-Entry System" herein.

The BOCES will act as Paying Agent for the Notes. The BOCES's contact information is as follows: Jacqueline Calarco, Treasurer, Board of Cooperative Educational Services of the Sole Supervisory District of Orange and Ulster Counties, 53 Gibson Road, Goshen, NY 10934, Phone (845) 291-0162, and email: jacqueline.calarco@ouboces.org.

Book-entry-only System

In the event that the Notes are issued in registered book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered Notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the BOCES as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the BOCES, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the BOCES, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the BOCES, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the BOCES. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the BOCES believes to be reliable, but the BOCES takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

THE BOCES CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE BOCES WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS, OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES;; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTIC TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE BOCES MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes in Certain Circumstances

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the BOCES and discharging its responsibilities with respect thereto under applicable law, or the BOCES may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the BOCES. The Notes will remain not subject to redemption prior to their stated final maturity date.

Disclosure Undertaking

This Official Statement is in a form "deemed final" by the BOCES for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the BOCES will provide an executed copy of its "Undertaking to Provide Notices of Events" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the BOCES for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto, timely notice not in excess of ten (10) business days after the of the occurrence of any of the following events with respect to the Notes:

> (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the BOCES; (xii) the consummation of a merger, consolidation, or acquisition involving the BOCES or the sale of all or substantially all of the assets of the BOCES, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (xiii) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a "financial obligation" (as defined in the Rule) of the Issuer, if material, or agreement to covenants, events of default,

remedies, priority rights, or other similar terms of a "financial obligation" of the Issuer, any of which affect bond holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the Issuer, any of which reflect financial difficulties.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (iv) the BOCES does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in (xii) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

The BOCES may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the BOCES does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

The BOCES's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the BOCES, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the BOCES to comply with the Undertaking will not constitute a default with respect to the Notes.

The BOCES reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

Authorization and Purpose for the Notes

The Notes are issued pursuant to the State Constitution and statutes of the State, including among others Section 25.00 of the Local Finance Law, in anticipation of revenues due the BOCES from the Component School Districts during the BOCES fiscal year commencing July 1, 2019 and ending June 30, 2020. In the event such monies are not received by July 22, 2020, the Notes may be renewed. Revenue anticipation renewal notes may again be renewed in the event such revenues have still not been received on the maturity date of such renewal notes. The final renewal of any such revenue anticipation renewal notes must mature not later than June 30, 2021. The Notes are further issued pursuant to a revenue anticipation note resolution adopted on July 11, 2019.

Whenever the principal amount of the Notes and any additional revenue anticipation notes issued by the BOCES in anticipation of the receipt of revenues from the Component School Districts equals the amount of such revenues remaining uncollected, all of such uncollected revenues, as thereafter collected must be set aside in a special bank account to be used only for the purpose of paying the Notes, unless provisions are made by budgetary appropriation for the redemption of the Notes.

Nature of Obligation

Each note when duly issued and paid for will constitute a contract between the BOCES and the holder thereof.

The Notes will be unsecured obligations of the BOCES and will contain a pledge of the BOCES for the payment of the principal thereof and the interest thereon from any moneys available therefore. The BOCES has no taxing power.

The Notes are issued in anticipation of the receipt of monies from contractual payments of the Component School Districts (as hereinafter defined) due in the 2018-2019 fiscal year. The BOCES has no taxing power and therefore the tax levy limit law, Chapter 97 of the Laws of 2011, does not directly apply to the BOCES, but see "Tax Levy Limit Law" herein. The Notes do not constitute a debt or obligation of any Component School District of the BOCES nor shall the Notes be payable out of any funds other than those of the BOCES.

Tax Limit

With respect to the component school districts of the BOCES (the Component School Districts"), the Constitution does not limit the amount that may be raised by the District–wide tax levy on real estate in any fiscal year. However, Chapter 97 of the Laws of 2011 imposes a statutory limit on the amount of real property taxes that Component School Districts may levy. (See "Tax Levy Limit Law" herein.) The BOCES has no taxing authority.

Tax Levy Limit Law

While the BOCES does not have the power to levy property taxes, the Component School Districts upon which it relies for payments do.

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor ("Chapter 97" or the "New Tax Levy Limit Law"). The Tax Levy Limit Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are affected indirectly by applicability to their respective City.)

Prior to the enactment of the Tax Levy Limit Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI"). Chapter 97 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020 unless extended; it was made permanent by recent legislation. Pursuant to the Tax Levy Limit Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exception for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy" and this is an exclusion from the tax levy limitation. It is not applicable to the Notes.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limit Law is unconstitutional as it applies to public school districts. The suit alleged that the Taw Levy Limit Law arbitrarily caps property tax levy increases and perpetuates funding inequities between affluent and low-wealth school districts. The suit further alleged that the tax cap unconstitutionally limits the ability of school districts and their taxpayers to address these inequities by exercising substantial local control. Among seven cause of action, the suit also alleges that the Tax Levy Limit Law unconstitutionally interferes with fundamental voting rights in violation of the principle of "one person, one vote." On May 5, 2016, the Appellate Division upheld a lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increase". NYSUT then appealed to the Count of Appeals. An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court Appeals.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts were eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government were eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction's compliance with the provisions of the Tax Levy Limit Law. School districts budgets must have complied in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have had their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must have been within the tax cap limits set by the Tax Levy Limit Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions included counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which were indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit were set forth in Chapter 59 in order for the tax cap to qualify as one which would have provided the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount was increased in the second year if compliance occurred in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrated "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts were required to provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they did provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limit Law.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015, which generally extends the provisions of the program through 2019 and includes continued tax cap compliance.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

State Aid Intercept for School Districts

In the event of a default in the payment of the principal of and/or interest on the obligations of a "school district," the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the school district and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Notes. **The Local Finance Law defines a BOCES as a "school district" for purposes of the Notes but Section 99-b of the State Finance Law does not apply to a BOCES by its terms.** The covenant between the State of New York and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any note issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such note an alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificated setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding notes of such school districts issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such notes of the school district found to be in default and the amount of principal and interest there past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such notes of such notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on notes shall be forwarded promptly to the paying agent or agents for the notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such notes. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of default notes pursuant to said Section 99-b.

General Municipal Law Contract Creditors' Provision

The Notes when duly issued and paid for will constitute a contract between the BOCES and the holder thereof. Under current law, provision is made for contract creditors of the BOCES to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the BOCES upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes. While BOCES are not directly included in the definition of "school district" therein a court could hold that is applicable.

Execution/Attachment of Municipal Property

As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the BOCES may not be enforced by levy and execution against property owned by the BOCES.

Authority to File For Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as counties, city, town or school district, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to BOCES, there can be no assurance that it will not be made so applicable in the future.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Notes should the BOCES be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Notes to receive interest and principal from the BOCES could be adversely affected by the restructuring of the BOCES's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the BOCES (including the Notes) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the BOCES under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

At the Extraordinary Session of the State Legislature held in November 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such city of its faith and credit for the payment of obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature, as described below, authorizing any county, city, town or school district with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the BOCES.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or school district. (The provision does not by its terms apply to school districts, BOCES or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or school district upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a "material change in circumstances" the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict , subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and school districts so as to prevent abuses in taxation and assessment and in contracting indebtedness by them. In 2013, the State established a new state advisory board to assist counties, cities, towns and school district in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to $5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The BOCES is not working with the FRB. School districts, BOCES and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes, including the Notes; and the Constitutional provision does not, in any event, apply to BOCES by its terms. Similarly, section 99-b of the State Finance Law regarding the State aid intercept remedy for school district debt obligation does not apply to BOCES by its terms.

Default Litigation

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders and noteholders, such courts might hold that future events including financial crisises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See "*Nature of Obligation*" and "*State Debt Moratorium Law*" herein.

No Past Due Debt

No principal of or interest on BOCES indebtedness is past due. The BOCES has never defaulted in the payment of the principal of and interest on any indebtedness.

BOARD OF COOPERATIVE EDUCATIONAL SERVICES

There follows in this Official statement a brief description of the BOCES, together with certain information concerning its organization, finances indebtedness and economy.

General Information

BOCES programs and services assist local school districts in providing high-quality and varied educational opportunities that are also efficient and cost-effective. BOCES is an acronym for Board of Cooperative Educational Services, a regional public education service organization. Established in 1948 by the state legislature, BOCES provides high-quality, cost-effective educational services to school districts in New York State. Orange-Ulster BOCES provides special education, career and technical education, adult education, professional development, instructional services, educational technology support, library services and a number of management services for component school districts.

The main campus of Orange-Ulster BOCES is located on Gibson Road in Goshen, New York. The complex consists of four buildings housing Special Education, Career and Technical Education, Administrative Offices and the Carl P. Onken Conference Center. Instructional Support Services, Technology Services, School Library Services, Adult Education and High School Health Careers programs and Special Education programs are located in the Regional Education Center at Arden Hill located in Goshen. Adult educational programs are also offered in the Newburgh Adult Learning Center and in various locations throughout Orange County.

Orange-Ulster BOCES assists school districts save money by pooling resources and sharing costs. BOCES services are created when two or more school districts have similar needs that can be met by sharing staff, office space, equipment and time. Sharing eliminates duplication and allows schools to operate more efficiently and cost-effectively. BOCES also expands opportunities for students. Alone, school districts may not be able to afford the educational programs they desire without increasing the tax burden of residents. Together, through BOCES, districts can provide a rich variety of experiences for students of all interests and ability levels. BOCES opens door to innovative and exciting programs at a price that districts can afford. BOCES also writes, receives and administers grants, which help fund programs for students and staff in local school districts.

Orange-Ulster BOCES is administered by a Superintendent, who also serves as the District Superintendent of the supervisory district and as such is a representative of the Commissioner of Education and the State Education Department. The BOCES is governed by a 7-member Board of Education. Board members are residents of a local district within the BOCES area who are nominated by a component board of education and elected at the BOCES annual meeting.

Orange-Ulster BOCES serves 17 local school districts in Orange and Ulster Counties and one non-component district (Newburgh Enlarged City School District).

The BOCES Career and Technical Education Center (CTEC) is located on the main campus in Goshen and at the new location in Goshen at the Arden Hill Facility. Twelve career academies offer high school students a variety of vocational and technical programs. Practical Nursing/Health Career programs are offered at the new Education Center at Arden Hill in state-of-the-art classrooms and labs. Through a hands-on academic component in each vocational classroom, CTEC students are able to integrate academics into their vocational curriculum to meet their high school graduation requirements. Many of the career academies have been nationally accredited and feature the latest in technology, as well as instructors with the latest trade experience. Eligible eleventh and twelfth grade students spend half of each school date at the Career & Technical Education Center BOCES studying at the Center for Career Services, and the other half attending academic classes in their local high schools. Each year, more than sixty percent of these students go on to some form of higher education and the rest go directly in the job market.

Special Education is provided in the Emanuel Axelrod Education Center on the Orange-Ulster BOCES main campus in Goshen, the Chester Learning Center in Chester as well as in a number of satellite programs located in component school districts throughout Orange County. The Emanuel Axelrod Education Center is comprised of five special education programs including the John A. Flannery High School and Middle School, The Raymond C. Cramer Elementary and Secondary Schools, and the STRIVE Program for autistics students. These "schools" are located in an expansive facility that boasts a therapeutic pool, large auditorium, 2 gymnasiums and is surrounded by several playgrounds and athletic fields. Satellite programs are located in schools in the Chester, Cornwall, Goshen, Middletown, Minisink Valley, Newburgh and Warwick Valley School Districts. The Chester-Liberty Elementary Program is located in the Chester Learning Center. The new Marquerite A. Flood High School and Middle School as well as Alternative Programs opened in the fall of 2013in the Regional Education Center at Arden Hill. In addition, to Special Education the District moved several other divisions to the Regional Education Center including Adult Education, the Division of Instructional Services, the Licensed Practical Nurse Program and the Technical Services Division. This allowed the District to consolidate leased spaces.

The Orange-Ulster BOCES Division of Instructional Support Services provides top-quality professional development for teachers and administrators as they work to prepare students to successfully meet the New York State Learning Standards. These professional development opportunities include workshops, seminars, technical support an on-site consultations. BOCES provides a strong foundation and opportunity for educators to support the latest national and statewide initiatives including RTTT and Common Core Standards.

The Technical Services Divisions provides leadership for school districts to plan, implement, upgrade and maintain technology in the schools. This includes technical assistance with budget planning, hardware and software procurement as well as staff development and training. Consortium purchasing for school districts includes Internet, computers, networking hardware, computer software, audio/video products, instructional aids such as interactive white boards, etc. The BOCES Technical Services Division also provides network design and installation services for component districts, disaster recovery services, video-conferencing services, voice over IP, paging systems, video streaming and computer and video repair. Additionally school district benefit from shared computer technicians who provide skill and expertise on-site across the region. OU BOCES also supplements and strengthens instructions through its e-Media Library Service, which offers curriculum-related multimedia in support of NYS Standards and digital literacy. The Instructional Technology Service provides cost-saving support in comprehensive district-wide technology planning as well as regional planning and interfacing with the Mid-Hudson Regional Information Center.

BOCES' Adult Education Programs provide vocational/occupational, literacy and business & industry training to the adult population in the Mid-Hudson region. The comprehensive occupational and technical classes are geared to adults who want to upgrade their skills, acquire new entry-level skills for a career-change or enhance their personal capabilities. A broad spectrum of occupational and technical training programs reflects the job opportunities in surrounding region. Literacy classes are offered day and night in locations throughout Orange County and include High School Equivalency (GED) and English as a Second Language. These programs are flexible and can be accommodated to fit into a demanding routine. The Incarcerated Youth Program at the Orange County Jail serves students under age 21 who want to earn high school equivalency diplomas (GD) and learn job skills.

The Division of Management Services provides support services for infrastructure operations of school districts within the Orange-Ulster Supervisory District. Management Services enables component school districts to pool their resources – such as equipment staff and facilities – and receive high quality services that are cost-effective.

Management Services includes cooperative bidding/purchasing; shared school lunch managers; a shared attendance officer; health, safety and risk management; interscholastic athletics coordination; transportation services; health plan coordination; teach certification; records management and contract analysis. By combining resources, districts can target more of their time and resources towards instructional programs that directly impact their students.

Grant-funded programs including the Special Education Technical Assistance Support Center (SETASC) provide instructional support services through training and technical assistance for general and special educators, ancillary staff, administrators, members of Boards of Education, Committees on Special Education and parents of children with disabilities between birth and 21 years of age. The School Library System is a non-charge service funded by the New York State Education Department. All school libraries, public and non-public, may be members. The School Library System (SLS) provides services to member schools through each district's library media specialist. Workshops related to library and information skills as well as literacy are coordinate through the School Library System.

Component and Non-Component School Districts in the Orange-Ulster Supervisory Region

Component Schools

Chester Union Free	Enlarged City School District of Middletown
Cornwall Central	Minisink Valley Central
Florida Union Free	Monroe-Woodbury Central
Goshen Central	Pine Bush Central
Greenwood Lake Union Free	Port Jervis City
Highland Falls – Fort Montgomery	Tuxedo Union Free
Kiryas Joel Village Union Free	Valley Central
Marlboro Central	Warwick Valley Central
	Washingtonville Central

Non-Component Schools

Non-Component School District (referred to herein as "Non-Component School District") may purchase BOCES services, but pay a surcharge and do not receive BOCES State aid. There is one participating Non-Component School District:

Newburgh Enlarged City

Contractual Agreement

Upon adoption of the budget for the ensuing fiscal year, contracts are drafted and executed by the BOCES and the respective Component and Non-Component School Districts. Said contracts are based on the budget estimates.

The Contracts, along with the State required Cooperative Services Form ("COSER") which specifies program content of the proposed services to be performed by the BOCES, must be forwarded to the State Commissioner of Education by August 1. During the month of August, the State Commissioner of Education notifies the BOCES of any programs or services he deems ineligible for State aid. With the knowledge of approved program contents for State aid, the BOCES and Component and Non-Component School Districts may modify the aforementioned contracts during the month of August. All contracts must be approved by the Commissioner's office by September 1st. Such approval is then usually routinely granted; however, the contracts are not valid and binding until such approval is obtained. Each Component and Non-Component School District is billed pursuant to its contract, and remits to the Treasurer of the BOCES a portion of its total liability in each of the twelve months with slight modifications as necessary to reflect changes in actual service levels.

It is expected that all contracts and COSER forms for the 2019-2020 fiscal year will be approved by the component and Non-Component School Districts and submitted to the State Commissioner of Education.

Percentage of Contractual Liability

The estimated percentage of contractual liability of the School Districts for the 2019-20 fiscal year is as follows:

School Districts	Original Contracts	Estimated % of Liability
Components:		
Chester	4,185,717	3.13
Cornwall	4,255,356	3.18
Florida	2,639,451	1.97
Goshen	6,550,502	4.90
Greenwood Lake	2,689,410	2.01
Highland Falls	3,808,978	2.85
Kiryas Joel	419,498	0.31
Marlboro	4,718,374	3.53
Middletown	21,535,815	16.10
Minisink Valley	11,146,374	8.33
Monroe-Woodbury	12,753,732	9.54
Pine Bush	11,089,820	8.29
Port Jervis	10,257,548	7.67
Tuxedo	1,729,195	1.29
Valley	6,894,509	5.16
Warwick	9,591,590	7.17
Washingtonville	10,472,637	7.83
Newburgh[a]	9,017,241	6.74
Total Components[b]	133,755,747	100.00

a. Adjust to actual per (7)
b. Approximates budgeted Revenues per (7)

School Enrollment Trends

Year	Adult & Career Services	Special Education Services	Career & Technical Services	Total Enrollment
Enrollment History:				
2014-2015	3,080	1,021	1,749	5,850
2015-2016	2,816	1,027	1,615	5,458
2016-2017	2,474	989	1,557	5,020
2017-2018	2,830	998	1,600	5,428
2018-2019	3,233	1,021	1,688	5,942
Enrollment Projections:				
2019-2020	3,400	1,068	1,742	6,210

BOCES Facilities

The BOCES currently operates the following facilities:

Name of Facility	Facility Status	Lease Expiration[a]
Chester Academy	Leased Classroom Space	06/30/2019
Chester Learning Center	Leased Classroom Space	06/30/2019
Sandfordville Elementary	Leased Classroom Space	06/30/2020
Regional Education Center at Arden Hill	Leased Classroom Space	06/30/2021
Minisink High School	Leased Classroom Space	06/30/2021
Minisink Middle School	Leased Classroom Space	06/30/2021
Cornwall High school	Leased Classroom Space	06/30/2019
CJ Hooker Middle School	Leased Classroom Space	06/30/2019
Otisville Elementary School	Leased Classroom Space	06/30/2023
129 West Main, Goshen	Leased Classroom Space	06/30/2021
Truman Moon Elementary	Leased Classroom Space	06/30/2021
Goshen Main Street	Leased Classroom Space	06/30/2021
Orange County	Leased Classroom Space	06/30/2032

a. Expired leases are currently in negotiations.

Employees

The total number of full-time persons employed by the BOCES is approximately 1,257. The collective bargaining agents which represents them and the dates of expiration of the various bargaining agreements are as follows:

# of Employees	Representation	Expiration Date of Contract[a]
Union:		
20	BOCES Administrators Association	06/30/2022
392	BOCES Teachers Association	06/30/2020
16	BOCES FT Teachers of Adults Association	06/30/2020
65	BOCES Assistant Teachers Association	06/30/2021
49	BOCES PT Teachers of Adults Association	06/30/2019
539	UPSEU-Para-Educator Unit	06/30/2022
76	UPSEU-Clerical & Technical Unit	06/30/2020
57	UPSEU-Custodial Unit	06/30/2021
Non-Union		
3	Cabinet-terms & Conditions	06/30/2019
6	Directors-Terms & Conditions	06/30/2019
15	Civil Service Administrators-Terms & Conditions	06/30/2019
19	Civil Service Mangers-Terms & Conditions	06/30/2019

a. Expired contracts are currently in negotiations.

Source: BOCES Officials.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics.

	2000	2010	2017	% Change 2000-10	% Change 2010-17
County	341,367	372,813	378,174	9.2%	1.4%
State	18,976,457	19,378,102	19,798,228	2.1	2.1

Source: U.S. Bureau of the Census.

Income Data

Income Data is not available for the BOCES as such. The smallest areas for which such statistics are available (which include the BOCES) are the County of Orange and the State. The information set forth below with respect to such County and State is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the BOCES is necessarily representative of the County or State, or vice versa.

	Per Capita Money Income 2010	2017[a]	% Change
County	$28,944	$32,616	11.3
State	30,948	35,752	13.4

	Median Household Income 2010	2017[a]	% Change
County	$69,523	$75,146	8.09
State	55,603	62,765	12.88

Source: United States Bureau of the Census
a. Based on American Community Survey 1-Year Estimate (2017)

Average Employed Civilian Labor
2000-2015

	2000	2010	2015	% Change 2000-10	% Change 2010-15
County	155,800	166,800	169,900	7.1%	1.9%
State	8,718,700	8,769,700	9,166,200	0.6	4.5

Unemployment Rate Statistics

Unemployment statistics are not available for the BOCES as such. The smallest area for which such statistics are available (which includes the BOCES) is Orange County. The information set forth below with respect to such County of Orange is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the BOCES is necessarily representative of the Town, County, or State or vice versa.

Annual Averages:	Orange County (%)	New York State (%)	United States (%)
2014	5.5	6.3	6.2
2015	4.7	5.3	5.3
2016	4.3	4.8	4.9
2017	4.6	4.7	4.1
2018	3.9	4.1	3.9
2019 (4 Month Average)	3.7	4.2	3.8

Source: Department of Labor, State of New York

BOCES INDEBTEDNESS

Revenue Anticipation Notes

The BOCES has generally found it necessary to borrow from time to time in anticipation of taxes and revenues, which borrowing is necessitated by the schedule of real property tax and State aid revenue payments. The following is a history of such tax and revenue anticipation note borrowings for the five most recent fiscal years:

Amount Issued	Type	Date Issued	Maturity Date
$ 3,000,000	RAN	08/07/2014	01/30/2015
11,000,000	RAN	08/07/2014	07/31/2015
5,000,000	RAN	08/01/2015	01/28/2016
11,000,000	RAN	08/20/2015	07/28/2016
5,000,000	RAN	08/31/2016	01/31/2017
11,000,000	RAN	08/31/2016	07/31/2017
13,000,000	RAN	09/07/2017	07/25/2018
18,000,000	RAN	08/15/2018	07/24/2019

Energy Performance Contract Lease Purchase

The BOCES entered into an energy performance contract lease in September 2013 of $3,522,654. A semi-annual principal payment of $194,198 is due on March 13 and September 13 of each year commencing March 13, 2014 through final maturity on September 13, 2023. The amount outstanding on this lease as of July 2019 is $1,167,699.

Installment Purchase Debt

The BOCES has entered into various installment purchase agreements to finance the cost of computers and other equipment. The unpaid balance at June 30, 2019 was $2,441,335. The terms of the agreements provide the repayment between 30 to 60 months including interest at rates between 1.40% and 3.02%.

Fiscal Year Ending June 30:	Principal	Interest	Total
2020	$1,256,087	$62,582	$1,318,669
2021	725,339	32,656	757,995
2022	316,434	13,405	329,839
2023	143,475	4,274	147,749
	$2,441,335	$112,917	$2,554,252

FINANCES OF THE BOCES

Independent Audit

The financial statements of the BOCES are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2018. A copy of such report is included herein as Appendix D.

Investment Policy

Pursuant to Section 39 of the State's General Municipal Law, the BOCES has an investment policy applicable to the investment of all moneys and financial resources of the BOCES. The responsibility for the investment program has been delegated by the Board of Education to the Deputy Superintendent who was required to establish written operating procedure consistent with the BOCES' investment policy guidelines. According to the investment policy of the BOCES, all investments must conform to the applicable requirements of law and provide for: the safety of the principal; sufficient liquidity; and a reasonable rate of return.

Authorized Investments. The BOCES has designated nine banks or trust companies, which are located and authorized to conduct business in the State to receive deposits of money. The BOCES is permitted to invest in special time deposits or certificates of deposit. In addition, the BOCES has authorized pooled investments with Cutwater Asset Management and brokered certificate of deposit accounts.

In addition to bank deposits, the BOCES is permitted to invest moneys in direct obligations of the United States of America, obligations guaranteed by agencies of the United States where the payment of principal and interest are further guaranteed by the United States of America and obligations of the State. Other eligible investments for the BOCES include: revenue and tax anticipation notes issued by any municipality, school district or district corporation other than the BOCES (investment subject to approval of the State Comptroller); obligations of certain public authorities or agencies; obligations issued pursuant to Section 109(b) of the General Municipal Law (certificates of participation) and certain obligations of the BOCES but only with respect to moneys of a reserve fund established pursuant to Section 6 of the General Municipal Law. The BOCES may also utilize repurchase agreements to the extent such agreements are based upon direct or guaranteed obligations of the United States of America. Repurchase agreements are subject to the following restrictions, among others: all repurchase agreements are subject to a master repurchase agreement; trading partners are limited to banks or trust companies authorized to conduct business in the State or primary reporting dealers as designated by the Federal Reserve Bank of New York; securities may not be substituted; and the custodian for the repurchase security must be a party other than the trading partner. All purchased obligations, unless registered or inscribed in the name of the BOCES, must be purchased through, delivered to and held in the custody of a bank or trust company located and authorized to conduct business in the State.

Collateral Requirements. All BOCES deposits in excess of the applicable insurance coverage provide by the Federal Deposit Insurance Act must be secured in accordance with the provisions of and subject to the limitations of Section 10 of the General Municipal Law of the State. Such collateral must consist of the "eligible securities," "eligible surety bonds" or "eligible letter of credit" as described in the law.

Eligible securities pledged to secure deposits must be held by the depository or third party bank or trust company pursuant to written security and custodial agreements. THE BOCES' security agreements provide that the aggregate market value of pledged securities must equal or exceed the principal amount of deposit, the agreed upon interest, if any, and any costs or expenses arising from the collection such deposits in the event of a default. Securities not registered or inscribed in the name of the BOCES must be delivered, in a form suitable for transfer or with an assignment in blank, to the BOCES or its designated custodial bank. The custodial agreements used by the BOCES provide that pledged securities must be kept separate and apart from the general assets of the custodian and will not under any circumstances, be commingled with or become part of the backing for any other deposit or liability. The custodial agreement must also provide that the custodian shall confirm the receipt, substitution or release of the collateral, the frequency of revaluation of eligible securities and the substitution of collateral when a change in the rating of a security may cause ineligibility.

An eligible irrevocable letter of credit may be issued, in favor of the BOCES, by a qualified bank other than the depository bank. Such letters may have a term not to exceed 90 days and must have an aggregate value equal to 100% of the deposit obligations and the agreed upon interest. Qualified banks include those with commercial paper or other unsecured or short-term debt ratings within one of the three highest categories assigned by at least one nationally recognized statistical rating organization or a bank that is in compliance with applicable Federal minimum risk-based capital requirements.

An eligible surety bond must be underwritten by an insurance company authorized to do business in the State which has claims paying ability rated in the highest rating category for claims paying ability by at least two nationally recognized statistical rating organizations. The surety bond must be payable to the BOCES in an amount equal to 100% of the aggregate deposits and the agreed interest thereon.

Basis of Accounting

Beginning with the fiscal year ending June 30, 2003, the BOCES is required and has issued its financial statements in accordance with The Government Accounting Standards Board (GASB) Statement No. 34. This Official Statement includes reporting of all assets including infrastructure and depreciation in the Government Wide Statement of Activities, as well as Management's Discussion and Analysis.

The BOCES' governmental funds are accounted for on a modified accrual basis whereby revenues, other than those susceptible ("measureable" and "available" to finance current operations) to accrual, are recorded when received in cash. "Measureable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual include charges for services, intergovernmental revenues and operating transfers. If expenditures are the primary factor for determining reimbursement under the terms of a grant, revenue is recognized when the expenditure is incurred. Expenditures are generally recognized when the related fund liability is incurred.

Budget Process

Budgetary Procedure

Pursuant to the Education Law, the BOCES annually prepares, prior to the annual meetings of the Boards of Education of the Component School Districts, a tentative budget for the BOCES program.

Prior to February 1st, requests for services are filed by the Component School Districts with the BOCES. The BOCES submits its program to the New York State Education Department for approval not later than February 15th. The BOCES notifies each Component School District on or before March 10th as to the services which have been approved by the Commissioner of Education, after which each Component School District notifies the BOCESs on or before May 1st of its intention to participate in such shared services. A meeting of the component boards of education is held between April 1st and April 15th at which time the tentative budget is available for inspection by said boards of education. The administrative portion of the budget is voted on by the component boards of education on a day designated by the BOCES President between April 16th and April 30th. After such annual meeting, the BOCES adopts the budget for the ensuing year no later than May 15th.

Such budget, when so adopted, after deducting applicable State aid grants and other revenues to be received in such fiscal year, is charged against all of the Component School Districts in accordance with the Education Law. The School authorities of each Component School District are required to add such amount to the budget of such Component School District, levy and collect the same at the same time and in the same manner as such district collects other taxes for its own use and pay such amounts to the Treasurer of the BOCES. In the event the tentative budget of a Component School District is not approved by a majority of the voters, such charge from the BOCES may be raised by such Component School Districts as an ordinary contingent expense in a like manner as if the same had been voted by the voters. However, such Component School District budgets are subject to tax limitations imposed by Chapter 97 of the Laws of 2011. See "Tax Ley Limitation Law" herein.

Fund Structure and Accounts

The General Fund is the general operating fund for the BOCES which is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for substantially all revenues and expenditures of the BOCES.

The BOCES also maintains Special Revenue Funds which are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes. Special Revenue Funds include the Special Aid Fund (Federal and State) and the School Lunch Fund. Agency funds are custodial in nature and do not involve measurement or results of operation.

State Aid

The BOCES is not eligible to receive State aid directly. The BOCES applies for BOCES State aid on behalf of the Component School Districts for those aidable services the Component School Districts purchase from the BOCES. Approximately 55% of such State aid is received by the BOCES from the State for payment to the Component School Districts during the current fiscal year. The remaining 45% aid applicable to the current fiscal year is received by the BOCES and paid to the component School Districts in September of the following fiscal year.

State aid received by the BOCES for distribution to the Component School Districts for the 2018-19 fiscal year was $28,098,456. The BOCES estimates it will receive $27,697,400 State aid for distribution to the Component School Districts for the 2019-20 fiscal year.

BOCES costs are paid, and aided by the State, in the following manner:

***BOCES Services Aid**:* When a school district decides to subscribe to one of the BOCES programs, it agrees to pay a tuition or service fee. The aggregate amount of fees equals the BOCES' costs of providing the service. Each participating school district pays its pro-rata share of the program's costs.

The participating school district pays its fee in installments during the school year in which the BOCES provides the service, enabling the BOCES to meet payroll and other expenses. These payments are made on an estimated basis during the year. At the end of the school year, the exact cost is determined by audit.

The audited cost then becomes the basis on which State aid is calculated. These moneys are then paid to the BOCES in the school year following the school year in which the service was provided. The BOCES, in turn, allocates and pays this money to the component school districts as a reimbursement in the same school year that the BOCES receives it from the State. Therefore, in any given year, a school district will be paying to the BOCES its share of the estimated cost of the program it is currently participating in and will also be receiving moneys from the BOCES from State aid intended to partially reimburse such school districts for its share of audited educational costs paid by it to the BOCES in the prior year.

The amount of State aid paid to each BOCES is the sum of the amounts determined for each component school district by applying a State aid formula, which is prescribed by statute. Since this formula includes in its calculation the tax rate and actual valuation of taxable property of the various component school districts, the amount of the aid actually paid to each BOCES varies depending upon these tax rates and property valuations. In all cases, the amount of State aid is less than the total costs of each BOCES program services. Each school district is therefore directly responsible to its BOCES for its share of the cost of educational programs in which it participates, with State aid reimbursing a portion of the school district's share.

BOCES Administrative Aid: BOCES administrative and capital expenses, including the Rentals due to the Authority under an applicable agreement, are charged against all component school districts based upon attendance or enrollment formulas or property values and regardless of their participation in any BOCES educational program. Rentals due to the Authority are aided by the State in the same manner as administrative expenses with two exceptions. First, certain BOCES administrative expenses cannot exceed in the aggregate, for purposes of State aid payments, 10% of the total BOCES expenses, including the program operating expenses. However, the entire amount of BOCES payments to the Authority, as well as certain other BOCES expenses, are not subject to the 10% limit in calculating State aid. Second, unlike State aid for BOCES program operating expenses which is received by each BOCES (and therefore by its component school districts) in the school year following the school year of expenditure, State aid for BOCES payments to the Authority may be received by each BOCES in the current school year in which such payment is made. The State appropriations for this aid are made on an estimated basis and are paid to each BOCES. In all cases, the amount of State aid for administrative expenses is less than the actual amount of these administrative expenses. Each school district is therefore directly responsible to its BOCES for its share of administrative expenses, with State aid reimbursing a portion of the school district's share.

BOCES Facilities Aid: BOCES' facilities expenses are capital expenses and are charged against all component school districts based upon attendance or enrollment formulas or property values and regardless of their participation in any BOCES educational program.

BOCES' facilities aid may be claimed for approved expenditures for facility construction, purchase or lease incurred for approved projects. The amount of aid payable on account of approved expenses is determined by multiplying the approved expenses by the aid ratio established by the State Education Law. Approved expenses are those incurred by the component school district during the current school year for approved debt service payments on debt instruments used to finance BOCES construction, for expenditures in support of BOCES construction and for expenditures for lease of BOCES facilities. In all cases, the amount of State aid for facilities expenses is less than the actual amount of these facilities expenses. Each school district is therefore directly responsible to its BOCES for its share of facilities expenses, with State aid reimbursing a portion of the school district's share of the costs of approved projects.

Recent Events Affecting State Aid to New York School Districts

Following a state budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increased established in more recent years.

School district fiscal year (2013-2014): The State Legislature adopted the State budget on March 29, 2013. The budget included an increase of $936.6 million in State aid for school districts.

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The State's 2014-2015 Budget included a $1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the State aid increase. The State's 2014-2015 Budget restored $602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The State's 2014-2015 Budget invested $1.5 billion over five years to support the phase-in of a Statewide universal full-day pre-kindergarten program.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. Said budget included an increase of $1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

School district fiscal year (2016-2017): The State's 2016-2017 Budget included a school aid increase of $991 million over 2015-2016, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the State's 2016-2017 Budget included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment (the "GEA"). The majority of the remaining increase ($100 million) related to Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. Such funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

School district fiscal year (2017-2018): The State's 2017-2018 Budget provided for school aid of approximately $25.8 billion, an increase of $1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State's 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans.

School district fiscal year (2018-2019): The State's 2018-2019 Budget provides for school aid of approximately $26.7 billion, an increase of approximately $1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018¬2019 Budget continues to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

School district fiscal year (2019-2020): The State's 2019-2020 school year, the State's Enacted Budget include a total of $27.9 billion for School Aid, a year-to-year funding increase of approximately $1.2 billion. The majority of the increases had been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue in full, as is the State's usual practice. Transportation aid will increase by approximately 4.5% and building aid will increase by approximately 3.7%. The State 2019¬2020 Enacted Budget continues to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

The State provides annual State aid to school districts in the State, including the BOCES, on the basis of various formulas. Due to the State's own budgetary crisis in 2009 and to assist the State in mitigating the impacts of its own revenue shortfall, the State reduced the allocation of State aid to school districts as part of a program known as the Gap Elimination Adjustment ("GEA"). The GEA was a negative number (funds that were deducted from the State aid originally due to the BOCES under State aid formulas). The BOCES's State aid was reduced as a result of the GEA program starting in 2009. Subsequent State budgets decreased the amount of the GEA deduction and the State's 2016-2017 Budget eliminated the remaining balance of the GEA.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The BOCES's estimated allocation of funds is $1.1 million.

The BOCES cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. The BOCES believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing.

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released November 4, 2016. The purpose of such audit was to review controls over fixed assets for the period July 1, 2014 through January 13, 2016. The complete report, along with the BOCES's response, may be found on the OSC's official website. The BOCES is not currently being audited by the OSC, nor is an audit pending release.

Reference to this website implies no warranty of accuracy of information therein.

Employee Pension System

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension payments to the TRS are generally deducted from State aid payments when there are enough funds available for the State to do so. All non-NYS certified/civil service employees of the BOCES eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. New ERS employees will now contribute 3% of their salaries and new TRS employees will contribute 3.5% of their salaries. There is no provision for these employee contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. The new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at $15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of $75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the BOCES to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the BOCES is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, legislation was enacted that permitted school districts to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that choose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases. The BOCES has not amortized any of its employer pension payments pursuant to this legislation and expects to continue to pay all payments in full when due.

In addition, in Spring 2013, the State and TRS approved a Stable Contribution Option ("SCO") that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates ("ARCs"). ERS followed suit and modified its existing ERS SCO. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts.

Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five 21 years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

As of June 30, 2017, SCO is effectively terminated. Each employer who elected to participate in the plan has opted out. Employers who participated in the SCO will resume paying the Employer Contribution Rate ("ECR") as well as any outstanding deferred contributions plus interest.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the budgeted amount for the fiscal year 2019.

Fiscal Year Ending June 30:	ERS	TRS
2014	$4,018,049	$6,035,571
2015	3,728,856	6,155,647
2016	3,165,269	4,883,405
2017	3,254,270	4,393,227
2018	3,355,364	3,828,550
2019 (Budgeted)	4,308,592	4,378,789

Source: Audited financial statements 2014 through 2018 and budgeted amount for 2019. Table itself not audited.

Other Post-Employment Benefits

The BOCES provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the BOCES adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The following table shows the components of the BOCES's annual OPEB cost for the year 2018, the amount actually contributed to the plan, and changes in the BOCES's net OPEB obligation.

	Post-Retirement Health Care	Retirement Incentive	Total
Balance at June 30, 2017, as restated	$273,302,670	$7,331,429	$280,634,099
Charges for the Year:			
Service Cost	15,391,826	413,868	15,805,694
Interest	8,169,455	215,374	8,384,829
Changes of Benefit Terms	0	0	0
Differences Between Expected and Actual Experience	0	0	0
Changes in Assumptions or Other Inputs	(39,214,894)	(386,852)	(39,601,746)
Benefit Payments	(4,122,868)	(379,327)	(4,502,195)
Net Changes	(19,776,481)	(136,937)	(19,913,418)
Balance at June 30, 2018, as restated	$253,526,189	$7,194,492	$260,720,681

The OSC has in the recent past proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The BOCES cannot predict at this time whether such proposed legislation will be reintroduced and then enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. The BOCES continues funding the expenditure on a pay-as-you-go basis.

Should the BOCES be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the BOCES's finances and could force the BOCES to reduce services, raise taxes or both.

LITIGATION

The BOCES is subject to a number of lawsuits in the ordinary conduct of its affairs. The BOCES does not believe, however, that such suits, individually or in the aggregate, will have a material adverse effect on the financial condition of the BOCES.

There is no action suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the BOCES, threatened against or affecting the BOCES to restrain or enjoin the issuance, sale or delivery of the Notes or the collection of monies to pay same or in any way contesting or affecting the validity of the Notes or any proceeding or authority of the BOCES taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the BOCES.

MARKET FACTORS

The financial and economic condition of the BOCES as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the BOCES's control. There can be no assurance that adverse events in the State and in other jurisdictions, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the BOCES to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes could be adversely affected.

There can be no assurance that the State appropriation for State aid to school districts or BOCES aid will be continued in future years either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the BOCES can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the BOCES can be paid only if the State has such monies available therefor. (See "State aid" and "Events Affecting New York School Districts" herein.)

Should the BOCES fail to receive monies expected from the State in the amounts and at the times expected, the BOCES is permitted to issue revenue anticipation notes in anticipation of the receipt of delayed State Aid.

If and when a holder of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to the U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes, and other debt issued by the BOCES. Any such future legislation could have an adverse effect on the market value of the Notes (See "Tax Matters" herein).

CYBERSECURITY

The BOCES, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the BOCES faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the BOCES invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage BOCES digital networks and systems and the costs of remedying any such damage could be substantial.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The BOCES has covenanted to comply with certain restrictions designed to insure that interest on the Notes will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Notes possibly being included in gross income for federal income tax purposes as well as for purposes of personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to the in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted upon.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from income taxes imposed by the State of New York or political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect a Owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Owners or the Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Certain Legislative proposal(s) in recent years generally would limit the exclusion from gross income of interest on obligations like the Notes to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes, Prospective purchasers of the Notes should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix C.

RATING

The BOCES has not applied for a rating for the Notes.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the BOCES on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the BOCES and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the BOCES or the information set forth in this Official Statement or any other information available to the BOCES with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

OTHER MATTERS

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Notes are to be issued is the Education Law and the Local Finance Law.

There is no bond or note principal or interest past due.

The fiscal year of the BOCES is July 1 to June 30.

ADDITIONAL INFORMATION

Additional information may be obtained from the office of the Treasurer, Jacqueline Calarco, Board of Cooperative Educational Services of the Sole Supervisory District of Orange and Ulster Counties, 53 Gibson Road, Goshen, NY 10934, Phone (845) 291-0162, and email: jacqueline.calarco@ouboces.org or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: www.munistat.com.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the BOCES nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the BOCES disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the BOCES also assumes no liability or responsibility for any errors or omissions, unauthorized editing or for any updates to dated website information.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Notes is to be construed as a contract with the holders of the Notes.

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the BOCES management's beliefs as well as assumptions made by, and information currently available to, the BOCES's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of facts, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the BOCES's files with the repositories. When used in BOCES documents or oral presentation, the works "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements. Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the BOCES for use in connection with the offer and sale of the Notes, including this Official Statement.

The preparation and distribution of this Official Statement have been approved by the President of the Board of Education of the BOCES pursuant to the power delegated to him by the authorizing tax anticipation resolution to sell and deliver the Notes.

This Official Statement has been duly executed and delivered by the President of the Board of Education of the Board of Cooperative Educational Services of the Sole Supervisory District of Orange and Ulster Counties.

By: ________________________________

EUGENIA PAVEK
President of the Board of Education
Board of Cooperative Educational Services of the Sole
Supervisory District of Orange and Ulster Counties

Dated: August , 2019

APPENDIX A

FINANCIAL INFORMATION

ORANGE-ULSTER BOCES
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION
Fiscal Year Ended June 30:

	2014	2015	2016	2017	2018
ASSETS:					
Unrestricted Cash and Equivalents	$ 14,678,979	$ 18,685,550	$ 22,255,383	$ 15,500,144	$ 18,650,275
Restricted Cash and Equivalents	1,647,120	900,400	483,329	382,095	382,095
Investments	720,003	0	0	0	0
Due From Other Funds	1,445,937	1,377,522	1,367,495	1,007,927	858,286
Due From Fiduciary Funds	47,695	0	0	0	0
State and Federal Aid	9,391,438	10,222,896	9,745,098	9,725,778	12,195,444
Due From School Districts	16,471,306	11,780,315	7,162,950	12,328,476	11,815,640
Other Receivables	440,229	483,450	487,052	458,142	542,126
Prepaid Expenditures	41,626	41,626	41,626	41,626	41,626
Total Assets	$ 44,884,333	$ 43,491,759	$ 41,542,933	$ 39,444,188	$ 44,485,492
LIABILITIES:					
Accounts Payable	$ 2,429,987	$ 3,435,003	$ 2,222,108	$ 1,752,484	$ 2,939,222
Accrued Liabilities	436,801	8,700,185	8,862,293	7,707,832	7,856,855
State Aid Due to School Districts	9,384,083	10,228,215	10,498,715	10,479,395	12,195,444
Due to School Districts	3,865,231	0	0	0	0
Due to Fiduciary Funds	0	0	0	0	0
Due to Other Funds	685,524	0	0	0	0
Revenue Anticipation Notes	11,065,389	11,108,167	11,154,917	11,151,250	13,152,728
Due to Teacher's Retirement System	6,035,571	6,442,100	5,197,124	4,705,097	4,157,570
Due to Employee's Retirement System	1,004,512	932,214	791,317	813,567	838,841
Compensated Absences	5,771,506	0	0	0	0
Unearned Revenue	0	294,023	483,343	480,005	390,262
Due to Other Governments	0	0	0	193,469	0
Retiree's Health Liability	0	0	0	0	0
Retirement Incentive Liability	609,039	0	0	0	0
Total Liabilities	$ 41,287,643	$ 41,139,907	$ 39,209,817	$ 37,283,099	$ 41,530,922
FUND EQUITY:					
Nonspendable Fund Equity	41,626	41,626	41,626	41,626	41,626
Restricted	1,063,329	713,329	483,329	382,095	382,095
Assigned	1,949,566	1,638,523	1,849,787	1,778,994	2,572,475
Unassigned	(41,626)	(41,626)	(41,626)	(41,626)	(41,626)
Total Fund Equity	3,012,895	2,351,852	2,333,116	2,161,089	2,954,570
Total Liabilities and Fund Equity	$ 44,300,538	$ 43,491,759	$ 41,542,933	$ 39,444,188	$ 44,485,492

Source: Audited Annual Financial Reports of the District.
Note: This Schedule NOT audited.

ORANGE-ULSTER BOCES
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION

Fiscal Year Ended June 30:

	2014	2015	2016	2017	2018
Revenues:					
Charges for Services	$ 1,898,077	$ 1,796,423	$ 1,800,912	$ 1,841,177	$ 1,765,845
Charges for Components	113,929,479	121,293,315	128,994,111	128,449,251	138,743,149
Charges To Other BOCES	14,726,079	18,762,997	11,216,936	12,781,629	15,019,535
Charges To Non Components	0	0	8,815,112	8,611,164	9,004,791
Interest and earnings	0	23,641	96,650	93,939	126,155
Sale of Property & Compensation for Loss	0	56,307	73,878	65,192	70,955
Use of Money and Property	22,882	0	0	0	0
Miscellaneous	1,159,612	1,569,855	1,618,841	1,596,689	1,669,644
State Sources	0	0	15,000	0	0
Total Revenues	131,736,129	143,502,538	152,631,440	153,439,041	166,400,074
Expenditures:					
Administration	7,851,914	6,704,231	6,734,917	7,223,158	7,239,043
Occupational Instruction	17,095,929	17,442,750	17,189,452	17,353,000	18,470,831
Instruction for Special Education	70,601,374	74,325,028	76,720,446	79,517,439	86,224,220
Itinerant Services	3,033,464	3,324,227	3,122,862	3,201,092	3,238,299
General Instruction	2,767,394	2,539,861	2,526,308	3,067,010	3,269,584
Instructional Support	14,524,917	17,292,892	19,034,970	18,746,374	19,733,362
Other Expenditures	0	0	0	(182,857)	(202,385)
Other Services	12,165,276	12,632,363	13,610,718	14,215,585	16,372,110
Total Expenditures	128,040,268	134,261,352	138,939,673	143,140,801	154,345,064
Excess (Deficiency) of Revenues	3,695,861	9,241,186	13,691,767	10,298,240	12,055,010
Other Financing Sources (Uses):					
Premium of RAN	0	38,024	0	0	0
Operating Transfers In	0	0	0	0	0
Refund of Surplus	(3,865,231)	(8,887,314)	(12,770,263)	(9,611,406)	(10,433,173)
Operating Transfers Out	0	(1,052,939)	(940,240)	(858,861)	(828,356)
Total Other Financing Sources	(3,865,231)	(9,902,229)	(13,710,503)	(10,470,267)	(11,261,529)
Excess (Deficiency) of Revenues and Other Sources	(169,370)	(661,043)	(18,736)	(172,027)	793,481
Fund Balance Beg. of Fiscal Year	3,182,265	3,012,895	2,351,852	2,333,116	2,161,089
Fund Balance End of Fiscal Year	$ 3,012,895	$ 2,351,852	$ 2,333,116	$ 2,161,089	$ 2,954,570

Sources: Audited Annual Financial Reports of the District.
Note: This Schedule NOT Audited.

ORANGE-ULSTER BOCES
STATEMENT OF BUDGETED REVENUES AND EXPENDITURES
GENERAL FUND

Fiscal Year Ended June 30:

	2018-2019	2019-2020
Revenues:		
Component Districts	$ 124,433,469	$ 124,738,506
Non-Component Districts	7,310,246	9,017,241
Other BOCES	5,068,252	13,525,862
Other (State, Federal, Agencies, & Misc.)	3,220,752	3,005,747
Total	$ 140,032,719	$ 150,287,356
Expenditures:		
Administration	$ 9,025,021	$ 9,396,325
Career & Technical Education Center	18,315,005	20,092,199
Special Education	80,683,617	84,722,290
Technology	13,583,447	15,396,083
Instructional Support Services	5,469,300	6,227,281
Management Services	10,949,230	12,328,786
Adult Education	2,007,099	2,124,392
Total	$ 140,032,719	$ 150,287,356

COMPONENT AND NON-COMPONENT SCHOOL DISTRICTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
UNAUDITED PRESENTATION
Fiscal Year Ended June 30, 2018:

	Chester	Cornwall	Florida	Goshen	Greenwood Lake
Revenues:					
Real Property Taxes	$ 15,246,067	$ 42,784,234	$ 13,121,720	$ 46,298,736	$ 14,605,982
Other Tax Items	2,025,704	4,258,219	1,588,093	4,114,220	1,713,800
Charges For Services	952,613	389,743	62,824	335,862	1,522
Use of Money and Property	494,008	304,214	51,430	186,978	48,972
Sale of Property & Compensation for Loss	8,047	0	7,345	121,515	13,426
Interfund Revenues	0	0	0	0	0
State Aid	7,466,517	19,590,908	5,645,086	16,571,316	7,001,456
Federal Aid	32,341		18,589	0	7,701
Miscellaneous	320,145	492,494	160,830	962,199	213,301
Total Revenues	26,545,442	67,819,812	20,655,917	68,590,826	23,606,160
Expenditures:					
General Support	2,859,838	6,480,030	2,154,828	6,164,577	2,454,118
Instruction	14,512,482	37,429,938	11,541,649	37,469,255	13,431,267
Pupil Transportation	1,845,141	3,577,731	1,086,985	3,326,108	1,927,644
Community Services	0	32,102	0	0	7,606
Employee Benefits	4,832,475	14,456,971	4,628,404	16,294,652	4,430,720
Capital Outlay	0	0	0	383,435	0
Debt Service	1,852,875	3,630,251	1,028,926	2,745,313	396,283
Total Expenditures	25,902,811	65,607,023	20,440,792	66,383,340	22,647,638
Excess (Deficiency) of Revenues	642,631	2,212,789	215,125	2,207,486	958,522
Other Financing Sources (Uses):					
Insurance Recoveries	0	0	0	0	0
Transfers - In	0	0	0	186,490	17,266
Transfers - Out	(285,000)	(533,790)	(85,000)	(4,470,768)	(3,659,210)
Other Financing Sources (Uses)	0	0	0	0	0
Total Other Financing Sources	(285,000)	(533,790)	(85,000)	(4,284,278)	(3,641,944)
Excess (Deficiency) of Revenues and Other Sources	357,631	1,678,999	130,125	(2,076,792)	(2,683,422)
Fund Balance Beg. of Fiscal Year	5,446,528	6,799,933	5,173,777	17,971,512	13,385,950
Fund Balance End of Fiscal Year	$ 5,804,159	$ 8,478,932	$ 5,303,902	$ 15,894,720	$ 10,702,528

Sources: Audited Annual Financial Reports of the District.
Note: This Schedule NOT Audited.

COMPONENT AND NON-COMPONENT SCHOOL DISTRICTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
UNAUDITED PRESENTATION
Fiscal Year Ended June 30, 2018:

	Highland Falls-Fort Montgomery	Kiryas Joel*	Marlboro	Enlarged CSD of Middletown	Minisink Valley
Revenues:					
Real Property Taxes	$ 9,654,175	$ 9,546,828	$ 30,117,191	$ 67,233,682	$ 38,848,230
Other Tax Items	940,575	526,600	3,800,363	9,822,464	5,722,153
Charges For Services	5,825,560	6,876,867	124,519	621,967	87,972
Use of Money and Property	48,071	4,442	392,894	417,624	65,710
Sale of Property & Compensation for Loss	3,175	0	28,645	182,856	498,553
Interfund Revenues	0	0	0	18,786	0
State Aid	9,693,882	4,820,629	14,987,119	92,950,598	41,412,683
Federal Aid	2,400,101	618,127	28,641	572,034	187,555
Miscellaneous	424,151	216,721	587,510	1,762,525	1,270,188
Total Revenues	28,989,690	22,610,214	50,066,882	173,582,536	88,093,044
Expenditures:					
General Support	3,332,908	3,182,658	4,946,409	15,810,450	7,967,553
Instruction	16,008,084	9,677,243	25,694,440	92,936,982	50,886,205
Pupil Transportation	2,532,708	3,765,707	3,381,991	8,466,482	6,180,545
Community Services	0	0	0	17,700	10,375
Employee Benefits	5,716,545	3,576,723	11,764,350	28,223,770	20,347,607
Capital Outlay	0	0	0	0	0
Debt Service	1,104,413	0	5,587,306	16,780,265	7,226,277
Total Expenditures	28,694,658	20,202,331	51,374,496	162,235,649	92,618,562
Excess (Deficiency) of Revenues	295,032	2,407,883	(1,307,614)	11,346,887	-4,525,518
Other Financing Sources (Uses):					
Insurance Recoveries	0	0	0	0	0
Transfers - In	73,452	272,890	118	190,625	50,000
Transfers - Out	(4,562,007)	(664,462)	(260,605)	(3,365,506)	(266,429)
Other Financing Sources (Uses)	0	0	0	0	0
Total Other Financing Sources	(4,488,555)	(391,572)	(260,487)	(3,174,881)	(216,429)
Excess (Deficiency) of Revenues and Other Sources	(4,193,523)	2,016,311	(1,568,101)	8,172,006	(4,741,947)
Fund Balance Beg. of Fiscal Year	12,946,977	5,794,117	13,531,004	58,696,106	32,210,186
Fund Balance End of Fiscal Year	$ 8,753,454	$ 7,810,428	$ 11,962,903	$ 66,868,112	$ 27,468,239

Sources: Audited Annual Financial Reports of the District.
Note: This Schedule NOT Audited.
*Reflects most recent available Audit of the School District (FYE 2017).

COMPONENT AND NON-COMPONENT SCHOOL DISTRICTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
UNAUDITED PRESENTATION
Fiscal Year Ended June 30, 2018:

	Monroe-Woodbury	Pine Bush	Port Jervis	Tuxedo	Valley Central
Revenues:					
Real Property Taxes	$ 107,198,948	$ 51,026,275	$ 23,658,681	$ 11,233,947	$ 53,047,811
Other Tax Items	9,502,890	6,177,149	4,876,654	693,830	8,144,289
Charges For Services	639,189	611,430	430,591	181,482	1,062,248
Use of Money and Property	1,563,427	333,698	349,069	8,749	267,822
Sale of Property & Compensation for Loss	722,028	13,848	926	0	82,647
Interfund Revenues	0	0	0	0	0
State Aid	50,736,192	56,512,380	39,885,744	1,016,081	37,157,414
Federal Aid	301,667	46,502	106,785	50,200	45,997
Miscellaneous	988,184	1,115,115	988,243	151,687	559,679
Total Revenues	171,652,525	115,836,397	70,296,693	13,335,976	100,367,907
Expenditures:					
General Support	17,257,603	10,425,498	5,986,423	1,637,664	8,324,642
Instruction	89,672,797	62,282,929	39,782,058	6,333,440	57,721,558
Pupil Transportation	10,183,535	7,687,355	3,726,878	655,866	5,334,844
Community Services	147,414	0	0	0	0
Employee Benefits	42,964,062	25,740,269	13,921,648	3,174,786	24,317,971
Capital Outlay	0	481,743	0	0	0
Debt Service	5,793,371	4,830,072	3,509,820	597,390	3,175,275
Total Expenditures	166,018,782	111,447,866	66,926,827	12,399,146	98,874,290
Excess (Deficiency) of Revenues	5,633,743	4,388,531	3,369,866	936,830	1,493,617
Other Financing Sources (Uses):					
Insurance Recoveries	0	0	0	0	0
Transfers - In	0	0	0	0	268,114
Transfers - Out	(2,114,333)	(393,319)	(491,950)	(213,834)	(257,132)
Other Financing Sources (Uses)	0	0	0	0	0
Total Other Financing Sources	(2,114,333)	(393,319)	(419,950)	(213,834)	10,982
Excess (Deficiency) of Revenues and Other Sources	3,519,410	3,995,212	2,949,916	722,996	1,504,599
Fund Balance Beg. of Fiscal Year	23,195,431	13,932,000	24,051,307	3,077,536	16,700,830
Fund Balance End of Fiscal Year	$ 26,714,841	$ 17,927,212	$ 27,001,223	$ 3,800,532	$ 18,205,429

Sources: Audited Annual Financial Reports of the District.
Note: This Schedule NOT Audited.

COMPONENT AND NON-COMPONENT SCHOOL DISTRICTS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
UNAUDITED PRESENTATION
Fiscal Year Ended June 30, 2018:

	Warwick Valley	Washingtonville	Newburgh Enlarged
Revenues:			
Real Property Taxes	$ 54,196,337	$ 48,097,681	$ 98,589,111
Other Tax Items	5,546,836	6,278,400	17,502,473
Charges For Services	1,889,471	964,300	453,330
Use of Money and Property	816,949	499,321	566,882
Sale of Property & Compensation for Loss	449,159	160,688	161,293
Medicaid reimbursement	0	0	569,119
State Aid	26,912,153	32,431,884	152,548,308
Federal Aid	57,448	102,261	68,937
Miscellaneous	822,950	712,694	1,444,865
Total Revenues	90,691,303	89,247,229	271,904,318
Expenditures:			
General Support	8,448,155	7,363,779	22,549,639
Instruction	49,264,051	46,101,943	143,158,253
Pupil Transportation	3,829,802	5,199,448	13,593,629
Community Services	0	0	0
Employee Benefits	19,269,071	23,899,504	70,447,759
Capital Outlay	0	0	0
Debt Service	4,957,472	3,871,505	0
Total Expenditures	85,768,551	86,436,179	249,749,280
Excess (Deficiency) of Revenues	4,922,752	2,811,050	22,155,038
Other Financing Sources (Uses):			
Insurance Recoveries	0	0	0
Transfers - In	281,151	71,353	2,994,768
Transfers - Out	(4,906,630)	(3,596,362)	(15,317,632)
Other Financing Sources (Uses)	0	0	0
Total Other Financing Sources	(4,625,479)	(3,525,009)	(12,322,864)
Excess (Deficiency) of Revenues and Other Sources	297,273	(713,959)	9,832,174
Fund Balance Beg. of Fiscal Year	16,657,653	28,503,371	39,754,343
Fund Balance End of Fiscal Year	$ 16,954,926	$ 27,789,412	$ 49,586,517

Sources: Audited Annual Financial Reports of the District.
Note: This Schedule NOT Audited.

APPENDIX B

CASH FLOWS

ORANGE-ULSTER BOCES
CASH FLOW STATEMENT
Fiscal Year Ending June 30, 2019

	July [a]	August	September	October	November	December	January	February	March	April	May	(Estimated) June	Total
Balance (Beginning of Month)	18,932,370	12,185,667	25,380,395	15,546,402	16,714,499	19,793,584	6,905,081	13,079,089	12,948,190	16,764,581	21,170,139	22,064,063	18,932,370
RECEIPTS:													
School Billings	17,946,424	3,818,851		14,349,957	13,977,266	13,972,639	21,769,126	16,027,656	16,705,142	15,404,814	13,054,549	16,783,050	163,809,474
Interest	22,211	23,245	31,345	31,216	25,361	25,821	21,371	13,926	17,593	26,073	36,061	37,089	311,312
General	2,305,036	510,913	981,705	716,287	497,274	553,419	1,515,182	2,387,295	611,440	437,939	465,104	577,932	11,559,526
BOCES Aid			12,146,319					1,996,051				7,326,129	21,468,499
Receipts Due Other Funds	294,869	187,027	243,221	129,994	204,088	1,084,399	130,335	208,061	301,513	51,614	862,275	141,942	3,839,338
Paid Back Loans										2,000,000	2,000,000		4,000,000
RAN Proceeds		18,173,882											18,173,882
Subtotal	20,568,540	22,713,918	13,402,590	15,227,454	14,703,989	15,636,278	23,436,014	20,632,989	17,635,688	17,920,440	16,417,989	24,866,142	223,162,031
Total Receipts	39,500,910	34,899,585	38,782,985	30,773,856	31,418,488	35,429,862	30,341,095	33,712,078	30,583,878	34,685,021	37,588,128	46,930,205	242,094,401
DISBURSEMENTS:													
Payroll	1,257,559	1,890,302	5,296,358	5,289,411	5,267,761	5,608,298	7,988,371	5,320,944	5,343,655	5,353,191	5,331,775	13,064,980	67,012,605
General Accounts Payable	8,093,797	6,866,860	5,550,686	8,616,999	6,152,537	7,645,566	9,218,878	8,990,993	8,170,280	8,060,077	9,325,328	7,537,338	94,229,339
Surplus						10,422,830							10,422,830
ERS/TRS Payment						3,459,985							3,459,985
Districts			12,146,319					6,153,621				7,326,129	25,626,069
Interfund Loans	4,500,000					300,000							4,800,000
Interfund Transfers	311,158	762,027	243,221	152,947	204,607	1,088,102	54,757	298,331	305,363	101,614	866,962	141,942	4,531,031
RAN Payable	13,152,728												13,152,728
Total Disbursements	27,315,242	9,519,189	23,236,584	14,059,357	11,624,905	28,524,781	17,262,006	20,763,889	13,819,298	13,514,882	15,524,065	28,070,389	223,234,587
Balance (End of Month)	12,185,667	25,380,395	15,546,402	16,714,499	19,793,584	6,905,081	13,079,089	12,948,190	16,764,581	21,170,139	22,064,063	18,859,815	18,859,815

(a) Balance as of June 30, 2018.

ORANGE-ULSTER BOCES
CASH FLOW STATEMENT
Fiscal Year Ending June 30, 2020
ESTIMATED WITH RAN

	July [a]	August	September	October	November	December	January	February	March	April	May	June	Total
Balance (Beginning of Month)	18,859,815	6,280,617	18,538,994	8,225,429	9,068,215	11,913,999	1,292,007	7,060,493	6,606,279	10,144,476	14,295,378	12,780,194	18,859,815
RECEIPTS:													
School Billings	18,305,353	3,895,228		14,636,956	14,256,812	14,252,092	22,204,509	16,348,209	17,039,245	15,712,910	13,315,640	17,118,711	167,085,665
Interest	22,211	23,245	31,345	31,216	25,361	25,821	21,371	13,926	17,593	26,073	36,061	37,089	311,312
General	308,086	516,022	991,522	723,450	502,247	558,953	1,530,334	2,411,168	617,554	442,318	469,755	583,711	9,655,120
BOCES Aid								2,041,960				7,494,630	9,536,590
Receipts Due Other Funds	294,869	187,027	243,221	129,994	204,088	1,084,399	130,335	208,061	301,513	51,614	862,275	141,942	3,839,338
Paid Back Loans										2,000,000			2,000,000
RAN Proceeds		17,000,000											17,000,000
Subtotal	18,930,519	21,621,522	1,266,088	15,521,616	14,988,508	15,921,265	23,886,549	21,023,324	17,975,905	18,232,915	14,683,731	25,376,083	209,428,025
Total Receipts	37,790,334	27,902,139	19,805,082	23,747,045	24,056,723	27,835,264	25,178,556	28,083,817	24,582,184	28,377,391	28,979,109	38,156,277	228,287,840
DISBURSEMENTS:													
Payroll	1,307,862	1,965,914	5,508,212	5,500,988	5,478,471	5,832,630	8,307,906	5,533,781	5,557,401	5,567,318	5,545,046	13,064,980	69,170,509
General Accounts Payable	6,398,487	7,210,203	5,828,220	9,047,848	6,460,164	8,027,844	9,679,822	9,440,543	8,578,794	8,463,081	9,791,594	7,537,338	96,463,938
Surplus						8,000,000							8,000,000
ERS/TRS Payment						3,598,384							3,598,384
Districts								6,295,154				7,494,630	13,789,784
Interfund Loans	5,000,000												5,000,000
Interfund Transfers	294,869	187,027	243,221	129,994	204,088	1,084,399	130,335	208,061	301,513	51,614	862,275	141,942	3,839,338
RAN Payable	18,508,500												18,508,500
Total Disbursements	31,509,718	9,363,144	11,579,653	14,678,830	12,142,723	26,543,257	18,118,063	21,477,539	14,437,708	14,082,013	16,198,915	28,238,890	218,370,453
Balance (End of Month)	6,280,617	18,538,994	8,225,429	9,068,215	11,913,999	1,292,007	7,060,493	6,606,279	10,144,476	14,295,378	12,780,194	9,917,387	9,917,387

(a) Estimated Balance as of June 30, 2019.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

August 15, 2019

Board of Cooperative Educational Services of the Sole Supervisory District
of Orange and Ulster Counties,
State of New York

Re: Board of Cooperative Educational Services of the Sole Supervisory District
of Orange and Ulster Counties, New York
$17,000,000 Revenue Anticipation Notes, 2019

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of a $17,000,000 Revenue Anticipation Note, 2019 (the “Obligation”), of the Board of Cooperative Educational Services of the Sole Supervisory District of Orange and Ulster Counties, New York, New York (the “Obligor”), dated August 15, 2019, numbered , of the denomination of $, bearing interest at the rate of % per annum, payable at maturity, and maturing July 22, 2020.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986, including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder (collectively, the “Code”);

(3) an arbitrage certificate executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the Federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for Federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes (the “Arbitrage Certificate”); and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or resolution applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Arbitrage Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

(a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding unsecured obligation of the Obligor, payable as to both principal and interest from any revenues or monies of the Obligor legally available therefor; provided that the obligation does not constitute a debt or obligation of any participating component school district of the Obligor and no such district shall be liable therefore, nor is the Obligation payable out of funds other than those of the Obligor; provided however that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights.

(c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinions expressed herein. Such opinions are not intended and should not be construed to express or imply any conclusion that the amount of revenues or moneys of the Obligor legally available will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

/es

APPENDIX D

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED BY THE TOWN'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. .

ORANGE ULSTER BOCES

Financial Statements and Required Reports
Under the Uniform Guidance
As of and for the year ended June 30, 2018

Bonadio & Co., LLP
Certified Public Accountants

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 11, 2018

To the Board of Education of
Orange Ulster BOCES:

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Orange Ulster BOCES (BOCES) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

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

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

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

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

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(Continued)

INDEPENDENT AUDITOR'S REPORT
(Continued)

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Orange Ulster BOCES, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle
As discussed in Note 15 to the financial statements, in 2018 the BOCES adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2018 on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control over financial reporting and compliance.

The following is a discussion and analysis of the Orange Ulster BOCES' financial performance for the fiscal year ended June 30, 2018. The section is a summary of the BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

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

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2017-2018 fiscal year are as follows:

- For the year ended *June 30, 2018,* total net position was a deficit $230,785,600, a decrease of $15,864,336 from the restated deficit net position of $214,921,264 for the year ended June 30, 2017. This decrease is primarily the result of the GASB Statement 75, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions, estimated liability in the school year ended June 30, 2018. This required the BOCES to calculate and record a net other post-employment health care obligations of $260,720,681 at year end, a decrease of $19,913,418 from the prior year.

- The BOCES' governmental fund financial statements report a combined ending fund balance of $6,415,902. Of this amount, $3,448,644 is assigned to capital projects and $2,572,475 represents general fund reserve for encumbrances, or 54% and 40%, respectively.

- The BOCES issued $1,082,135 of installment purchase debt during the year. The proceeds were used to finance the cost of printers and copiers for the districts.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide* financial statements that provide both *short-term* and *long-term* information about the BOCES *overall* financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the BOCES, reporting the BOCES operations in *more detail* than the government-wide statements. The fund financial statements concentrate on the BOCES most significant funds with all other non-major funds listed in total in one column.

- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short-term,* as well as what remains for future spending.

- *Fiduciary funds statements* provide information about the financial relationships in which the BOCES acts solely as a *trustee* or *agent* for the benefit of others.

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

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

Figure A-1 Organization of the BOCES' Annual Financial Report

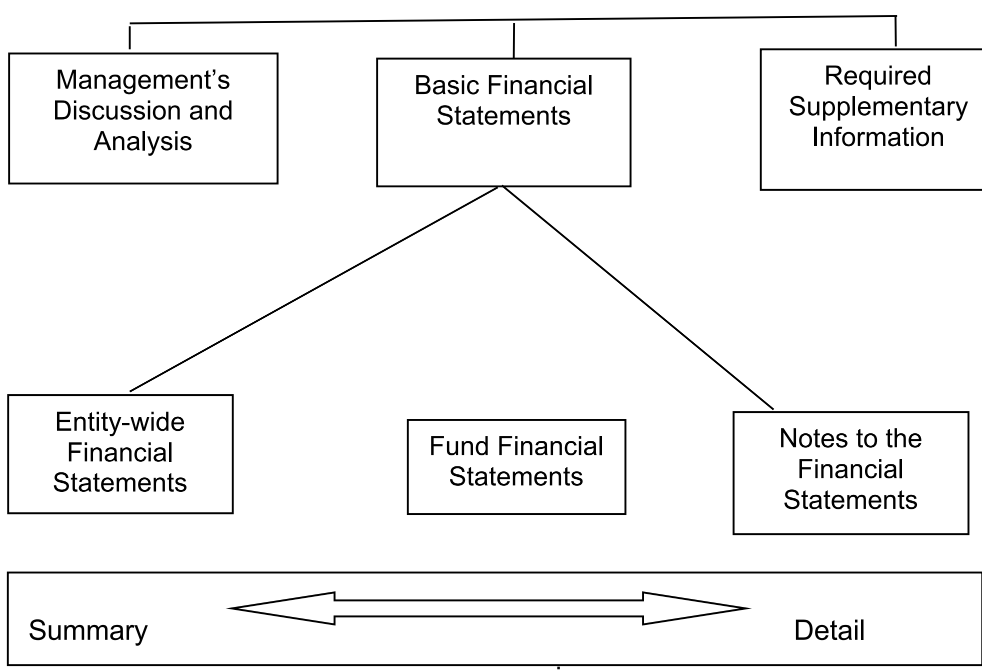


Figure A-2 summarizes the major features of the Orange Ulster BOCES' financial statements, including a portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

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

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire BOCES (except fiduciary funds)	The activities of the BOCES that are not proprietary or fiduciary, such as special education.	Instances in which the BOCES administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund equity	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset & deferred outflow/liability & deferred inflow information	All assets, deferred outflows, liabilities, and deferred inflows both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/out flow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Government-Wide Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Statements (Continued)

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

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

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

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

Fund Financial Statements

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

The BOCES has two kinds of funds:

- *Governmental Funds*: Most of the BOCES basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Fund Financial Statements (Continued)

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

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

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

	Fiscal Year 2018	Fiscal Year 2017 (As Restated)	Percent Change
Current and other assets	$ 48,573	$ 44,005	10.4%
Non current asset	40,228	38,543	4.4%
Total assets	88,801	82,548	7.6%
Deferred outflows of resources	35,904	34,533	4.0%
Current liabilities	36,948	32,492	13.7%
Long-term liabilities	270,159	297,259	-9.1%
Total liabilities	307,107	329,751	-6.9%
Deferred inflows of resources	48,384	2,252	2048.5%
Net position:			
Investment in capital assets	36,755	36,766	0.0%
Restricted	382	382	0.0%
Unrestricted	(267,923)	(252,070)	6.3%
Total net position	$ (230,786)	$ (214,922)	7.4%

Changes in Net Position

Net position decreased to $(230,785,600) for the year ended June 30, 2018, down from the $(214,921,264) balance for 2017. This resulted primarily from recording an expense for the other post-employment benefits liability of $15,469,499. In addition, BOCES returned surplus of $10,433,173 to its component school districts.

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

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

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Revenue			
Program revenue:			
Charges for services	$ 168,619	$ 155,441	8.5%
Operating grants and contributions	4,773	1,089	338.3%
General revenue:			
Use of money and property	158	104	51.9%
Sale of property and compensation for loss	71	65	9.2%
Miscellaneous	1,565	5,058	-69.1%
Total revenue	175,186	161,757	8.3%
Expenses			
Administration	7,684	8,451	-9.1%
Occupational instruction	21,313	20,178	5.6%
Instruction for special needs	92,190	92,949	-0.8%
Itinerant services	3,801	3,745	1.5%
General instruction	14,668	12,490	17.4%
Instruction support	19,280	17,506	10.1%
Other services	16,786	16,524	1.6%
School lunch program	652	498	30.9%
Depreciation - unallocated	4,244	4,293	-1.1%
Return of surplus	10,433	9,611	8.6%
Total expenses	191,051	186,245	2.6%
Decrease in net position	$ (15,865)	$ (24,488)	-35.2%

The BOCES' 2018 revenue was $175,186,853 compared to the previous year of $161,757,236 (see Figure A-4).

The total cost of all programs and services totaled $191,051,189 for 2018, compared to $186,244,424 in the previous year. These expenses are predominantly for the education, supervision, and transportation of students (see Figure A-4).

FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE (Continued)

Figure A-5: Revenue Sources for 2018

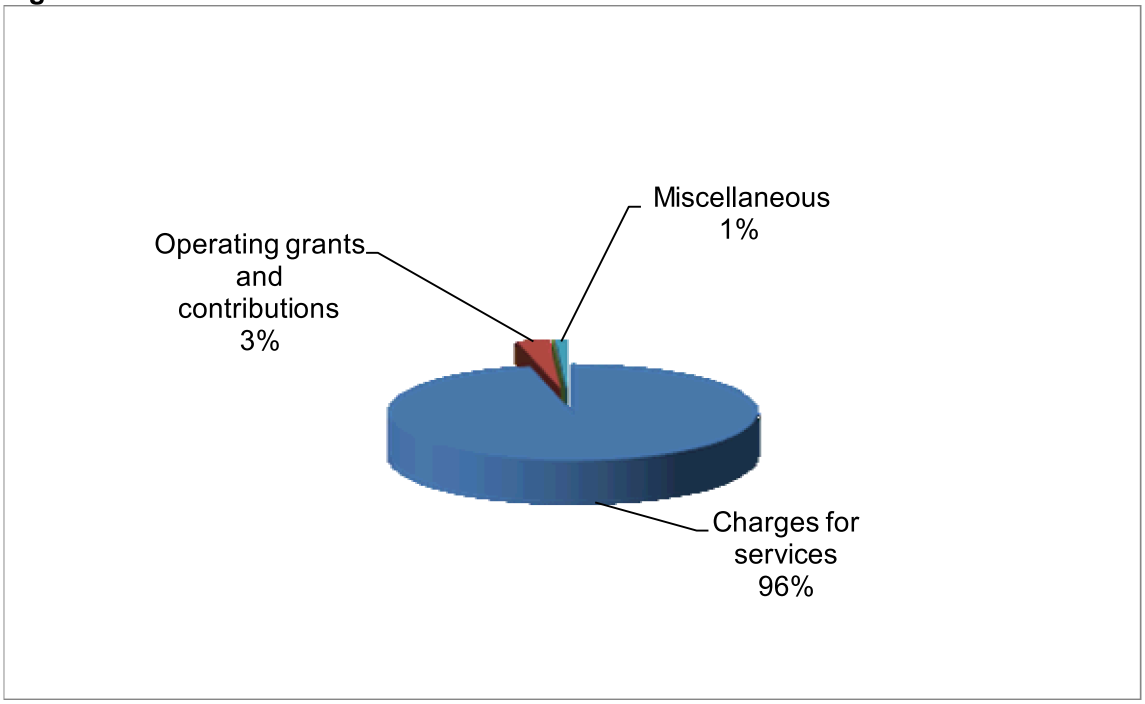
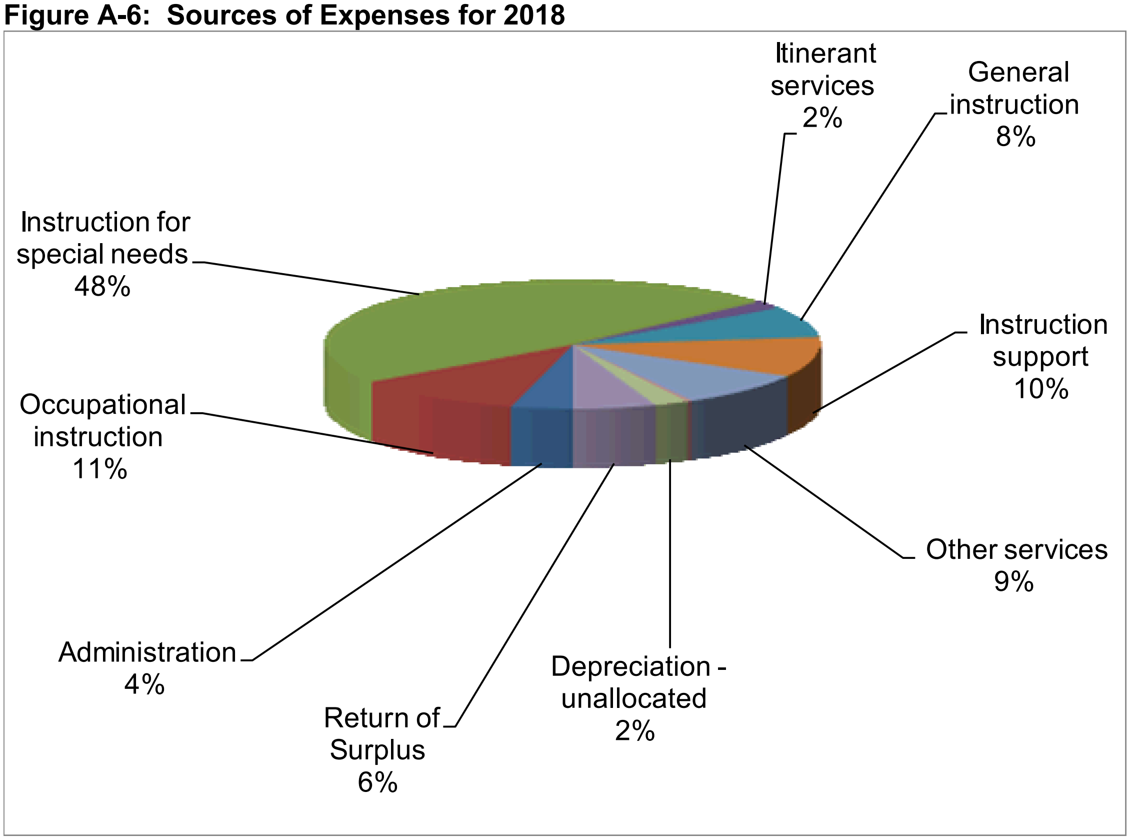


Figure A-6: Sources of Expenses for 2018



FINANCIAL ANALYSIS OF THE BOCES' FUNDS

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

The following is a brief description of the activity in the governmental funds for 2018 and 2017:

General Fund: Revenues exceeded expenditures, prior to surplus returns in the 2017-2018 year as a result of increased service requests, as well as effective cost management. As service requests are accepted, to the extent that fixed costs have already been covered, a small surplus could be generated. If this is the case, the surplus is refunded to participants the following year.

Special Aid: By the type of fund, special aid does not generate a fund balance other than certain rate based programs. Revenue received is generally all expended. Total revenues for the current year were $9,273,953, an increase of $492,317 from the prior year revenues of $8,781,636. This decrease in revenue was primarily attributable to a decrease in the summer special education program.

School Lunch: The school lunch fund ended 2017-2018 with a deficit in operating revenue of $198,103, which was offset by a budgeted interfund transfer from the general fund of $202,352. This resulted in a fund balance of $12,688 on hand as of June 30, 2018.

Capital Projects: The capital projects spending totaled $1,598,112 in 2017-2018. This left a Fund Balance of $3,448,644 on hand as of June 30, 2018.

General Fund Budgetary Highlights

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

Capital Assets

As of June 30, 2018, the BOCES had $38,430,505 invested in a broad range of capital assets including land, buildings, machinery, equipment and vehicles.

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

	Fiscal Year 2018	Fiscal Year 2017	Percent Change
Land	$ 318	$ 318	-0.1%
Construction in progress	1,700	341	398.4%
Buildings and improvements	30,052	31,687	-5.2%
Furniture and equipment	5,908	5,845	1.1%
Equipment and furniture	453	352	28.7%
Total	$ 38,431	$ 38,543	-0.3%

FINANCIAL ANALYSIS OF THE BOCES' FUNDS (Continued)

Long-Term Liabilities
As of June 30, 2018, the BOCES had $271.01 million in Long Term Liabilities outstanding. More detailed information about the BOCES' long-term liabilities is included in the notes to the financial statements.

	(In Thousands)	
Category	Fiscal Year 2018	Fiscal Year 2017 (As Restated)
Short term portion of installment purchase agreements	$ 929	$ 839
Compensated absences payable	6,138	5,794
Installment purchase agreements	747	937
Net pension liability	2,554	9,893
Other postemployment benefits	260,721	280,634
Total	$ 271,089	$ 298,097

During the year, BOCES issued $1,082,135 of installment purchase debt to finance the cost of printers and copiers for the districts.

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

FACTORS BEARING ON THE BOCES' FUTURE

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

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

CONTACTING THE BOCES' FINANCIAL MANAGEMENT

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

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

ORANGE ULSTER BOCES

STATEMENT OF NET POSITION
JUNE 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash - unrestricted	$ 22,554,684
Cash - restricted	382,095
Due from school districts	11,815,640
State and federal aid receivable	12,621,052
Accounts receivable	1,094,851
Due from fiduciary funds	50,000
Prepaid expenditures	41,626
Inventories	12,688
Total current assets	48,572,636
NONCURRENT ASSETS:	
Capital assets, net of accumulated depreciation	38,430,505
Net pension asset - TRS	1,797,990
Total non current assets	40,228,495
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - OPEB	4,237,336
Deferred outflows of resources - pensions ERS	7,478,684
Deferred outflows of resources - pensions TRS	24,187,650
Total deferred outflows of resources	35,903,670
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 124,704,801
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES:	
Accounts payable	$ 3,393,774
Accrued liabilities	1,766,014
Due to school districts	12,195,444
Due to other governments	119,497
Due to Teachers' Retirement System	4,157,570
Due To Employee Retirement System	838,841
Revenue anticipation note payable	13,152,728
Unearned revenue	395,262
Short term portion of installment purchase agreements	928,984
Total current liabilities	36,948,114
LONG-TERM LIABILITIES:	
Compensated absences payable	6,137,604
Installment purchase agreements	746,640
Net pension liability - ERS	2,553,607
Other postemployment benefits	260,720,681
Total long-term liabilities	270,158,532
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources - OPEB	35,118,057
Deferred inflows of resources - pensions ERS	8,081,782
Deferred inflows of resources - pensions TRS	5,183,916
Total deferred inflows of resources	48,383,755
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	355,490,401
NET POSITION	
Net investment in capital assets	36,754,881
Restricted	382,095
Unrestricted net position	(267,922,576)
TOTAL NET POSITION	$ (230,785,600)

The accompanying notes are an integral part of these statements.

ORANGE ULSTER BOCES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS:				
Administration	$ 7,683,765	$ 7,365,549	$ -	$ (318,216)
Occupational instruction	21,313,006	20,430,348	-	(882,658)
Instruction for special needs	92,189,537	88,371,595	-	(3,817,942)
Itinerant services	3,801,312	3,643,884	-	(157,428)
General instruction	14,668,462	14,060,982	4,385,886	3,778,406
Instruction support	19,279,545	18,481,101	-	(798,444)
Other services	16,786,299	16,091,110	-	(695,189)
School lunch program	651,637	174,636	387,180	(89,821)
Depreciation - unallocated	4,244,453	-	-	(4,244,453)
Return of Surplus	10,433,173	-	-	(10,433,173)
TOTAL FUNCTIONS AND PROGRAMS	$ 191,051,189	$ 168,619,205	$ 4,773,066	(17,658,918)
GENERAL REVENUE:				
Use of money and property				158,485
Sale of property and compensation for loss				70,955
Miscellaneous				1,565,142
TOTAL GENERAL REVENUE				1,794,582
CHANGE IN NET POSITION				(15,864,336)
TOTAL NET POSITION - beginning of year, as previously reported				(122,706,474)
PRIOR PERIOD ADJUSTMENT (Note 15)				(92,214,790)
NET POSITION - beginning of year, as restated				(214,921,264)
TOTAL NET POSITION - end of year				$ (230,785,600)

The accompanying notes are an integral part of these statements.

ORANGE ULSTER BOCES

BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION
JUNE 30, 2018

	Governmental Fund Types				
	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
ASSETS					
Cash - unrestricted	$ 18,650,275	$ 11,152	$ 1,167	$ 3,892,090	$ 22,554,684
Cash - restricted	382,095	-	-	-	382,095
Due from school districts	11,815,640	-	-	-	11,815,640
Due from other funds	858,286	-	-	-	858,286
State and federal aid	12,195,444	399,023	26,585	-	12,621,052
Accounts receivable	542,126	552,725	-	-	1,094,851
Prepaid expenditures	41,626	-	-	-	41,626
Inventory	-	-	12,688	-	12,688
TOTAL ASSETS	$ 44,485,492	$ 962,900	$ 40,440	$ 3,892,090	$ 49,380,922
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 2,939,222	$ 5,926	$ 5,180	$ 443,446	$ 3,393,774
Accrued liabilities	7,856,855	38,925	7,838	-	7,903,618
Due to other governments	-	119,112	385	-	119,497
State aid due to school districts	12,195,444	-	-	-	12,195,444
Due to other funds	-	793,937	14,349	-	808,286
Due to Teachers' Retirement System	4,157,570	-	-	-	4,157,570
Due to Employees' Retirement System	838,841	-	-	-	838,841
Revenue anticipation note payable	13,152,728	-	-	-	13,152,728
Unearned revenue	390,262	5,000	-	-	395,262
	41,530,922	962,900	27,752	443,446	42,965,020

(Continued)

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

ORANGE ULSTER BOCES

BALANCE SHEET - GOVERNMENTAL FUNDS AND RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION (Continued)
JUNE 30, 2018

	Governmental Fund Types				
	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
FUND BALANCES					
Nonspendable					
Prepaid expenditures	41,626	-	-	-	41,626
Inventory	-	-	12,688	-	12,688
Restricted	382,095	-	-	-	382,095
Assigned	2,572,475	-	-	3,448,644	6,021,119
Unassigned	(41,626)	-	-	-	(41,626)
TOTAL FUND BALANCES	2,954,570	-	12,688	3,448,644	6,415,902
TOTAL LIABILITIES AND FUND BALANCES	$ 44,485,492	$ 962,900	$ 40,440	$ 3,892,090	$ 49,380,922

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

Total governmental fund balances per above	$ 6,415,902
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	38,430,505
Deferred outflow of resources related to long-term pension and OPEB activity	35,903,670
Long term liabilities that are not due and payable in the current period are not reported in the funds	
Installment purchase agreements	(1,675,624)
Net pension liability - ERS	(2,553,607)
Net pension asset - TRS	1,797,990
Other post-employment benefits liability	(260,720,681)
Deferred Inflow of resources related to long-term pension and OPEB activity	(48,383,755)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ (230,785,600)

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

ORANGE ULSTER BOCES

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Fund Types				
	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
REVENUE:					
Charges for services	$ 1,765,845	$ 565,443	$ -	$ -	$ 2,331,288
Charges to components	138,743,149	3,946,950	-	-	142,690,099
Charges to other BOCES	15,019,535	480,991	-	-	15,500,526
Charges to non components	9,004,791	-	-	-	9,004,791
Interest and earnings	126,155	-	9	32,321	158,485
Sale of property and compensation for loss	70,955	-	-	-	70,955
Miscellaneous	1,669,644	(105,317)	783	-	1,565,110
State sources	-	1,505,318	11,125	-	1,516,443
Federal sources	-	2,880,568	376,055	-	3,256,623
Donated food	-	-	-	-	-
Sales - School lunch	-	-	174,636	-	174,636
Total revenue	166,400,074	9,273,953	562,608	32,321	176,268,956
EXPENDITURES:					
Administration	7,239,043	-	-	-	7,239,043
Occupational instruction	18,470,831	-	-	-	18,470,831
Instruction for special education	86,224,220	-	-	-	86,224,220
Itinerant services	3,238,299	-	-	-	3,238,299
General instruction	3,269,584	9,273,953	-	-	12,543,537
Instruction support	19,733,362	-	-	-	19,733,362
Other services	16,372,110	-	-	-	16,372,110
Other expenditures	(202,385)	-	-	-	(202,385)
Cost of sales	-	-	760,711	-	760,711
Capital outlay	-	-	-	1,598,112	1,598,112
Total expenditures	154,345,064	9,273,953	760,711	1,598,112	165,977,840
Due to school districts					
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	12,055,010	-	(198,103)	(1,565,791)	10,291,116
OTHER SOURCES AND (USES):					
Operating transfers in	-	-	202,352	626,004	828,356
Return of surplus	(10,433,173)	-	-	-	(10,433,173)
Operating transfers out	(828,356)	-	-	-	(828,356)
Total other sources (uses)	(11,261,529)	-	202,352	626,004	(10,433,173)
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	793,481	-	4,249	(939,787)	(142,057)
FUND BALANCES - beginning of year	2,161,089	-	8,439	4,388,431	6,557,959
FUND BALANCES - end of year	$ 2,954,570	$ -	$ 12,688	$ 3,448,644	$ 6,415,902

The accompanying notes are an integral part of these statements.

ORANGE ULSTER BOCES

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balance - Total governmental funds	$ (142,057)
Capital outlays, net, are expenditures in governmental funds, but are capitalized in the statement of net position.	4,132,306
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.	(4,244,453)
Pension income (expense) resulting from the long-term pension related actuary calculations are not recorded as an expenditure in the government funds but is recorded in the statement of activities.	(241,187)
Proceeds from the issuance of long-term debt are recorded as other sources in the governmental funds, but are recorded as additions to liabilities in the statement of net position.	(1,082,135)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.	1,182,689
Accrued post-employment benefits do not require the expenditure of current resources and, therefore are not reported as expenditures in the governmental funds.	(15,469,499)
Change in net position - governmental activities	$ (15,864,336)

The accompanying notes are an integral part of these statements.

ORANGE ULSTER BOCES

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2018

	Agency	Private Trusts
ASSETS:		
Cash - unrestricted	$ 50,000	$ -
Cash - restricted	16,874	50,653
Total assets	$ 66,874	$ 50,653
LIABILITIES:		
Extraclassroom activity balances	$ 16,874	$ -
Due to other funds	50,000	-
Other liabilities	-	-
Total liabilities	$ 66,874	-
NET POSITION:		
Restricted for private purposes		$ 50,653

ORANGE ULSTER BOCES

STATEMENT OF CHANGE IN NET POSITION - FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trusts
ADDITIONS:	
Donations	$ 24,594
DEDUCTIONS:	
Scholarships and other private purposes	26,725
NET DECREASE	(2,131)
NET POSITION - beginning of year	52,784
NET POSITION - end of year	$ 50,653

The accompanying notes are an integral part of these statements.

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Significant Accounting Policies

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

Reporting Entity

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

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

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

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

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

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

Extraclassroom Activity Funds

The extraclassroom activity funds of the BOCES represent funds of the students of the BOCES. The board of education exercises general oversight of these funds. The extraclassroom activity funds are independent of the BOCES with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES business office. The BOCES accounts for assets held as an agent for various student organizations in an agency fund.

Basis of Presentation

Government -Wide Statements

The statement of net position and the statement of activities present financial information about the BOCES governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column (if any) reflects capital-specific grants.

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

Fund Financial Statements

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

The BOCES reports the following major governmental funds:

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

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

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

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

Basis of Presentation (Continued)

Fund Financial Statements (Continued)
Capital Projects Funds: These funds are used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

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

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

Use of Estimates

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

Measurement Focus and Basis of Accounting

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

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

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

Measurement Focus and Basis of Accounting (Continued)
Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

Custodial credit risk is the risk that in the event of a bank failure, BOCES' deposits may not be returned to it. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either uncollateralized, collateralized by securities held by the pledging financial institution or collateralized by securities held by the pledging financial institution's trust department but not in BOCES' name. BOCES' aggregate bank balances that were not covered by depository insurance were not exposed to custodial credit risk at June 30, 2018.

Restricted Cash
Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $382,095 within the governmental funds.

Investment Pool - BOCES participates in the Cooperative Liquid Assets Securities System ("CLASS"), a cooperative investment pool, established pursuant to General Municipal Law that meets the definition of a 2a7-like pool. In accordance with the provisions of General Municipal Law, Article 3A, CLASS has designated Cutwater Asset Management, a wholly owned subsidiary of MBIA, Inc. as its registered investment advisor.

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

Cash (and Cash Equivalents)/Investments (Continued)

Investment Pool - MBIA, Inc. is registered with the Securities and Exchange Commission ("SEC"), and is subject to all of the rules and regulations of an investment advisor handling public funds. As such, the SEC provides regulatory oversight of CLASS.

The pool is authorized to invest in various securities issued by the United States and its agencies. The amount represents the amortized cost of the cooperative shares and is considered to approximate fair value. BOCES position in the pool is equal to the value of the pool shares. Additional information concerning the cooperative is presented in the annual report of CLASS, which may be obtained from MBIA Municipal Investors Service Corporation, 777 Westchester Ave, Suite 101, White Plains, NY 10604.

CLASS is rated AAAm by Standard & Poor's Ratings. Local government investment cooperatives in this rating category meet the highest standards for credit quality, conservative investment policies and safety of principal. The cooperative invests in a high quality portfolio of investments legally permissible for municipalities and school districts in the State.

BOCES was invested only in the above mentioned obligations and, accordingly, was not exposed to any interest rate or credit risk.

Accounts Receivable

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

Inventories and Prepaid Items

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

Prepaid items represent payments made by the BOCES for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

Interfund Transactions

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

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

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

Interfund Transactions (Continued)

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

Capital Assets

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

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

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

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then.

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

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

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

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

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

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

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

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

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

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. BOCES has reported unearned revenues of $390,262 for amounts received in advance in the General Fund. Such amounts have been deemed to be measurable but not "available" pursuant to generally accepted accounting principles.

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

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

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

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

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

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

Restricted Resources
When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these notes.

Equity Classifications
Government-Wide Statements
In the government-wide statements there are three classes of net position:

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

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

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

Funds Statements

Fund Balance – Reservations and Designations
In the fund basis statements there are five classifications of fund balance:

Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund and prepaid expenditures in the general fund.

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

Fund Balance – Reservations and Designations (Continued)

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The BOCES has available the following restricted fund balances.

Capital

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

Repair

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

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

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

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

Fund Balance – Reservations and Designations (Continued)

Insurance

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

Liability Claims and Property Loss

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

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

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

Assigned fund balance – Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as assigned fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year. All encumbrances of the general fund are classified as assigned fund balance in the general fund. Encumbrances reported in the general fund amounted to $2,572,475.

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

Fund Balance – Reservations and Designations (Continued)

As of June 30, 2018, the BOCES' encumbrances were classified as follows:

Assigned fund balance:	
Administration	$ 42,023
Occupational instruction	1,057,617
Instruction for special education	927,938
Itinerant services	3,045
General instruction	19,801
Instruction support	427,153
Other services	94,846
Other expenses	52
Total encumbrances	$ 2,572,475

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES.

Order of Fund Balance Spending Policy

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

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

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

Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities
Total fund balances of the BOCES governmental funds differs from "net position" of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

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

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

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

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

3. STEWARDSHIP AND COMPLIANCE

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

The BOCES administration prepares a proposed administrative capital and program budget, as applicable, for approval by members of the BOCES' board for the General Fund.

Appropriations for educational services are adopted at the program level.

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

3. **STEWARDSHIP AND COMPLIANCE (Continued)**

Budgets

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

Adopted budget	$133,277,142
Add: Prior year's encumbrances	1,778,994
Original budget	135,056,136
Budget revision: Board resolutions to accept changes in service contracts	29,467,186
Final budget	$164,523,322

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

4. **CASH AND CASH EQUIVALENTS**

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

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

	Bank Balance	Carrying Amount
Cash and cash equivalents, including trust funds	$ 25,312,755	$ 23,054,306
Collateralized with securities held by the pledging financial institution's trust department or agent in the BOCES' name	$ 24,812,602	
Covered by FDIC insurance	500,153	
Total	$ 25,312,755	

4. CASH AND CASH EQUIVALENTS (Continued)

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

General fund:	
Cash on deposit for reserves	
Unemployment	$ 382,095

Trust and agency fund:	
Cash on deposit for scholarships, private purpose trust funds, and extraclassroom activity funds	$ 67,527

5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

	July 1, 2017 Balance	Additions	Deletions	June 30, 2018 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 317,559	$ -	$ -	$ 317,559
Construction in progress	341,161	1,598,112	239,647	1,699,626
Total non-depreciable capital assets	658,720	1,598,112	239,647	2,017,185
Capital assets that are depreciated:				
Buildings and improvements	55,417,314	239,647	7,072	55,649,889
Furniture and equipment	19,468,728	2,371,401	4,950,737	16,889,392
Vehicles	1,154,999	174,315	204,083	1,125,231
Total depreciable capital assets	76,041,041	2,785,363	5,161,892	73,664,512
Less accumulated depreciation:				
Buildings and improvements	23,730,596	1,874,255	7,072	25,597,779
Furniture and equipment	13,623,248	2,297,094	4,939,215	10,981,127
Vehicles	803,265	73,104	204,083	672,286
Total accumulated depreciation	38,157,109	4,244,453	5,150,370	37,251,192
Total depreciable capital assets net	37,883,932	(1,459,090)	11,522	36,413,320
Total capital assets, net	$ 38,542,652	$ 139,022	$ 251,169	$ 38,430,505

6. SHORT-TERM DEBT

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

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

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
RAN	7/31/2017	1.50%	$ 11,151,250	$ -	$ 11,151,250	$ -
RAN	7/25/2018	1.33%	-	13,152,728	-	13,152,728
			$ 11,151,250	$ 13,152,728	$ 11,151,250	$ 13,152,728

7. LONG-TERM LIABILITIES

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

	(as restated) Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Installment purchase debt	$ 1,776,179	$ 1,082,135	$ 1,182,690	$ 1,675,624	$ 928,984
Other liabilities:					
Compensated absences	5,793,999	343,605	-	6,137,604	-
Net pension liability - ERS	7,336,685	-	4,783,078	2,553,607	-
Net pension asset - TRS	2,556,180	-	2,556,180	-	
Other postemployment benefits	280,634,099	-	19,913,418	260,720,681	-
Total other liabilities	296,320,963	343,605	27,252,676	269,411,892	-
Total long-term liabilities	$298,097,142	$ 1,425,740	$ 28,435,366	$271,087,516	$ 928,984

Compensated Absences

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

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

7. LONG-TERM LIABILITIES

Installment Purchase Debt Payable

BOCES has entered into various installment purchase agreements to finance the cost of computers and other equipment. The unpaid balance at June 30, 2018 was $1,675,624. The terms of the agreements provide for the repayment between 36 to 60 months including interest at rates between 1.6% and 2.4%.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	928,984	33,177	962,161
2020	647,309	14,676	661,985
2021	99,331	1,531	100,862
Totals	$ 1,675,624	$ 49,384	$ 1,725,008

8. INTERFUND BALANCES AND ACTIVITY

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	$ 858,286	$ -	$ -	$ 828,356
Special aid fund	-	793,937	-	-
School lunch fund	-	14,349	202,352	-
Capital fund	-	-	626,004	-
Fiduciary funds	-	50,000	-	-
Total governmental activities	$ 858,286	$ 858,286	$ 828,356	$ 828,356

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

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

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

9. PENSION PLANS

New York State and Local Employees Retirement System

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

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

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

2018	$ 3,355,364
2017	3,254,270
2016	3,165,269

9. PENSION PLANS (Continued)

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

At June 30, 2018, the BOCES reported a liability of $2,553,607 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. 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, 2018, and 2017, the BOCES' proportion was 0.0791216 percent and 0.0780812 percent, respectively as measured at March 31, 2018 and 2017, respectively.

For the year ended June 30, 2018, the BOCES recognized pension expense of $3,207,853. At June 30, 2018, 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	$ 910,789	$ 752,642
Changes of assumptions	1,693,253	-
Net difference between projected and actual earnings on pension plan investments	3,708,912	7,321,020
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	326,890	8,120
Contributions subsequent to the measurement date	838,840	-
	$ 7,478,684	$ 8,081,782

9. PENSION PLANS (Continued)

The amount of $838,940 reported as deferred outflows of resources related to pensions resulting from the BOCES' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ERS's Year Ended March 31:	
2019	$ 667,323
2020	488,503
2021	(1,786,268)
2022	(811,496)
2023	-
Thereafter	-
	$ (1,441,938)

Actuarial Assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Salary Scale	3.8 % ERS, indexed by service
Investment rate of return, including inflation	7% compounded annually, net of investment expenses,
Cost of Living Adjustments	1.3% annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The allocation and best estimates of arithmetic real rates of return for each major asset class as of March 31, 2018 are summarized below:

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

9. PENSION PLANS (Continued)

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

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

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

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

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 19,321,280	$ 2,553,607	$ (11,631,174)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the plan as of March 31, 2018, were as follows:

	Pension plan's fiduciary net position
Total pension liability	$183,400,590,000
Net position	(180,173,145,000)
Net pension liability (asset)	$ 3,227,445,000
Fiduciary net position as a percentage of total pension liability	98.24%

New York State Teacher Retirement System

The BOCES participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

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

9. PENSION PLANS (Continued)

Contributions

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

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

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

2018	$ 3,828,550
2017	4,393,227
2016	4,883,405

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

At June 30, 2018, the BOCES reported an asset of $1,797,990 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate the net pension asset was determined by the actuarial valuation as of June 30, 2016 with update procedures applied to roll forward the total pension asset to Jun e30, 2017. 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, 2018 and 2017 the BOCES' proportion was 0.236547 percent and 0.238663 percent, respectively as measured at June 30, 2017 and 2016, respectively.

For the year ended June 30, 2018, the BOCES recognized pension expense of $4,523,130. At June 30, 2018 the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,479,304	$ 701,016
Changes of assumptions	18,294,901	-
Net difference between projected and actual earnings on pension plan investments	-	4,234,787
Changes in proportion and differences between the BOCES' contributions and proportionate share of contributions	255,875	248,113
Contributions subsequent to the measurement date	4,157,570	-
	$ 24,187,650	$ 5,183,916

9. PENSION PLANS (Continued)

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

The amount of $4,157,570 reported as deferred outflows of resources related to pensions resulting from the BOCES' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TRS's Year Ended June 30:	
2018	$ 418,844
2019	4,843,038
2020	3,466,543
2021	862,649
2022	3,456,465
Thereafter	1,798,626
	$ 14,846,165

Actuarial Assumptions

The total pension liability at the June 30, 2017 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017.

These actuarial valuations used the following actuarial assumptions:

Inflation	2.5%
Projected Salary Increases	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	1.5% compounded annually
Investment Rate of Return	7.25% compounded annually, net of pension plan investment expense, including inflation.

9. PENSION PLANS (Continued)

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

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

The actuarial assumptions used in the June 30, 2017 actuarial valuation are based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

Asset Type	Target Allocations in %	Long-term expected real rate of return in %
Domestic Equity	35%	5.9
International Equity	18%	7.4
Real Estate	11%	4.3
Private Equity	8%	9.0
Domestic Fixed Income Securities	16%	1.6
Global Fixed Income Securities	2%	1.3
High-yield Fixed Income Securities	1%	3.9
Mortgages	8%	2.8
Short-term	1%	0.6
	100%	

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

9. PENSION PLANS (Continued)

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

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

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Employer's Proportionate Share of the Net Pension Liability (Asset)	$ 30,974,047	$ (1,797,990)	$ (29,242,945)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability (asset) of the plan as June 30, 2017, were as follows:

	Pension plan's fiduciary net position
Total pension liability	$114,708,261,032
Net position	(115,468,360,316)
Net pension liability (asset)	$ (760,099,284)
Fiduciary net position as a percentage of total pension liability	100.66%

10. TOTAL OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Plans Description

Post-Retirement Health Care

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

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

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Plans Description (Continued)

Post-Retirement Health Care (Continued)

In the governmental funds, the BOCES recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the general fund in the year paid. Total contributions to the plan to cover the BOCES share of insurance premiums for the year ended June 30, 2018 was $3,888,986.

Retirement Incentive

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

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

In the governmental funds, the BOCES recognizes the cost of providing retirement incentives by recording these payments as an expenditure or operating transfer to other funds in the general fund in the year paid. Total payment to the plan to cover the BOCES retirement incentive payments for the year ended June 30, 2018 was $348,350.

At July 1, 2016, the number of employees covered by BOCES's Post-Retirement Health Care Plan and the Retirement Incentive OPEB plans:

Inactive employees or beneficiaries currently receiving benefits	322
Active employees	1,087
Total participants	1,409

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

Total OPEB Liability

The BOCES total OPEB liability for both its Post-Retirement Health Care and Retirement Incentive Plan was $260,720,681 and were measured as of June 30, 2017, and were determined by an actuarial valuation as of July 1, 2016. The July 1, 2016 total OPEB liability for both Plans was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date. The changes in the OPEB liability are as follows:

	Post-Retirement Health Care	Retirement Incentive	Total
Balance at June 30, 2017, as restated	$ 273,302,670	$ 7,331,429	$ 280,634,099
Changes for the Year			
Service cost	15,391,826	413,868	15,805,694
Interest	8,169,455	215,374	8,384,829
Changes of benefit terms	-	-	-
Changes in assumptions or other inputs	(39,214,894)	(386,852)	(39,601,746)
Differences between expected and actual experience	-	-	-
Benefit payments	(4,122,868)	(379,327)	(4,502,195)
Net changes	(19,776,481)	(136,937)	(19,913,418)
Balance at June 30, 2018	$ 253,526,189	$ 7,194,492	$ 260,720,681

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2016 actuarial valuation for both the Post-Retirement Health Care and the Retirement Incentive Plans was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

The discount rate of 3.58% was based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were RP-2014 Headcount Weighted Mortality Table projected generationally with MP-2016 from the central year.

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

Year	Pre-65	Post-65
2017	7.51%	8.31%
2018	7.09%	7.79%
2019	6.67%	7.26%
2020	6.24%	6.72%
2021	5.81%	6.17%
2022	5.38%	5.62%
2023	4.94%	5.06%
2024+	4.50%	4.50%

Changes of assumptions and other inputs reflect a change in the discount rate from 2.85% at the July 1, 2016 valuation to 3.58% for the July 1, 2017 valuation.

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

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

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

	1% Decrease 2.58%	Current Discount 3.58%	1% Increase 4.58%
Total Post-Retirement Health Care Plan	$ 309,320,303	$ 253,526,189	$ 210,560,277
Total Retirement Incentive Plan	7,730,022	7,194,492	6,700,094
Total OPEB Liability	$ 317,050,325	$ 260,720,681	$ 217,260,371

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

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

	1% Decrease	Current Health Care Trend	1% Increase
Total Post-Retirement Health Care Plan	$ 204,620,710	$ 253,526,189	$ 319,302,998

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

For the year ended June 30, 2018, the BOCES recognized OPEB expense of ($19,110,101) for the Post-Retirement Health Care Plan and ($596,733) for the Retirement Incentive Plan. At June 30, 2018, the BOCES reported deferred outflows of resources and deferred inflows of resources related to the Post-Retirement Health Care Plan and the Retirement Incentive Plan from the following sources:

	Post-Retirement Health Care		Retirement Incentive		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	$ -	$ (34,763,714)	$ -	$ (354,343)	$ -	$ (35,118,057)
Benefit payments subsequent to measurement date	3,888,986	-	348,350	-	4,237,336	-
Total	$ 3,888,986	$ (34,763,714)	$ 348,350	$ (354,343)	$ 4,237,336	$ (35,118,057)

10. OTHER POSTEMPLOYMENT BENEFITS LIABILITY (Continued)

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

Fiscal Year Ending June	Post-Retirement Health Care Plan
2019	$ (4,451,180)
2020	(4,451,180)
2021	(4,451,180)
2022	(4,451,180)
2023	(4,451,180)
Thereafter	(12,507,814)
	$ (34,763,714)

The BOCES recognized $4,237,336 as a deferred outflow of resources resulting from the benefit payments made subsequent to the measurement date of June 30, 2017, which will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

11. RISK MANAGEMENT

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

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

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

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

12. FUND BALANCES

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

13. CONTINGENCIES AND COMMITMENTS

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

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

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

14. RELEVANT ACCOUNTING PRONOUNCEMENT ISSUED NOT YET IMPLEMENTED

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The BOCES is required to adopt the provisions of these Statements for the year ending June 30, 2019.

In January of 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of Statement No. 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The BOCES is required to adopt the provisions of these Statements for the year ending June 30, 2020.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87). GASB 87 establishes accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The BOCES is required to adopt the provisions of GASB 87 for the year ending June 30, 2021, but early implementation is encouraged.

The BOCES has not assessed the impact of these statements on its future financial statements.

15. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The BOCES adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Statement No. 75 established standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to certain postemployment benefits.

For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accordingly, Beginning Net Position and Other Postemployment Benefits on the Statement of Net Position were adjusted as noted in the following table:

	Government-Wide Statement of Net Position		
	Other Postemployment Benefits	Deferred Outflows of Resources - OPEB	Net Position
Balance at June 30, 2017, as previously reported	$ 183,917,113	$ -	$ (122,706,474)
Restatement of beginning balance - Adoption of GASB Statement No. 75			
Increase to liability and deferred outflows	96,716,986	4,502,196	(92,214,790)
Balance at June 30, 2017, as restated	$ 280,634,099	$ 4,502,196	$ (214,921,264)

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

ORANGE ULSTER BOCES

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual		Final Budget Variance with Budgetary Actual
REVENUE					
Administration (001-002)	$ 8,392,751	$ 8,392,751	$ 8,100,600		$ (292,151)
Occupational instruction (100-199)	18,876,568	18,876,568	19,606,096		729,528
Instruction for special education (200-299)	71,633,898	71,633,898	93,943,855		22,309,957
Itinerant services (300-399)	2,884,990	2,884,990	3,773,053		888,063
General instruction (400-499)	3,414,238	3,414,238	3,414,326		88
Instruction support (500-599)	19,321,495	19,321,495	20,263,463		941,968
Other services (600-699)	8,694,890	8,694,890	17,298,681		8,603,791
Other expenditures (700-799)	58,312	58,312	-		(58,312)
Total revenues	133,277,142	133,277,142	166,400,074		33,122,932
EXPENDITURES				Encumbrances	Variance with Budgetary Actual and Encumbrances
Administration (001-002)	7,766,748	7,767,365	7,239,043	42,023	486,299
Occupational instruction (100-199)	18,876,568	19,521,084	18,470,831	1,057,617	(7,364)
Instruction for special education (200-299)	71,688,564	88,331,407	86,224,220	927,938	1,179,249
Itinerant services (300-399)	2,884,989	3,587,223	3,238,299	3,045	345,879
General instruction (400-499)	3,414,238	3,774,748	3,269,584	19,801	485,363
Instruction support (500-599)	19,322,592	23,037,057	19,733,362	427,153	2,876,542
Other services (600-699)	8,694,889	16,712,631	16,372,110	94,846	245,675
Other expenditures (700-799)	(297,444)	865,803	(202,385)	52	1,068,136
Transfers to other funds	925,998	926,004	828,356	-	97,648
Total expenditures	133,277,142	164,523,322	155,173,420	2,572,475	6,777,427
Excess revenue over expenditures (expenditures over revenue)	$ -	$ (31,246,180)	$ 11,226,654	$ 2,572,475	$ 26,345,505

See the accompanying independent auditor's report

ORANGE ULSTER BOCES

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

Last 10 Fiscal Years (Dollar amounts displayed in thousands)*

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.0791216%	0.0780812%	0.0771370%	0.0778935%
Proportionate share of the net pension liability (asset)	$ 2,553.61	$ 7,336.69	$ 2,553.61	$ 2,631.40
Covered-employee payroll	$ 22,892.20	$ 21,663.40	$ 20,355.43	$ 21,795.10
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.15%	33.87%	12.55%	12.07%
Plan fiduciary net position as a percentage of the total pension liability (asset)	98.24%	94.70%	90.68%	97.95%

Last 10 Fiscal Years (Dollar amounts displayed in thousands)*

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.2365470%	0.2386630%	0.2337670%	0.2391020%
Proportionate share of the net pension liability (asset)	$ 1,797.99	$ 2,556.18	$ (24,280.90)	$ (26,634.50)
Covered-employee payroll	$ 39,066.80	$ 37,484.90	$ 36,828.10	$ 37,880.90
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	4.60%	6.82%	-65.93%	-70.31%
Plan fiduciary net position as a percentage of the total pension liability (asset)	-100.66%	-99.01%	-110.46%	-111.48%

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

ORANGE ULSTER BOCES

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)* 2018	2017	2016	2015
Contractually required contribution	$ 3,355.36	$ 3,254.27	$ 3,165.27	$ 3,728.86
Contributions in relation to the contractually required contribution	3,355.36	3,254.27	3,165.27	3,728.86
Contribution deficiency (excess)	-	-	-	-
Covered-employee payroll	$ 22,892.20	$ 21,663.40	$ 20,355.43	$ 21,795.10
Contributions as a percentage of covered-employee payroll	14.66%	15.02%	15.55%	17.11%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)* 2018	2017	2016	2015
Contractually required contribution	$ 3,828.55	$ 4,393.23	$ 4,883.41	$ 6,155.65
Contributions in relation to the contractually required contribution	3,828.55	4,393.23	4,883.41	6,155.65
Contribution deficiency (excess)	-	-	-	-
Covered-employee payroll	$ 39,066.80	$ 37,484.90	$ 36,828.10	$ 37,880.90
Contributions as a percentage of covered-employee payroll	9.80%	11.72%	13.26%	16.25%

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

ORANGE ULSTER BOCES

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (POST-RETIREMENT HEALTH CARE PLAN) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Last Ten Fiscal Years* 2018
Total OPEB Liability - Post-Retirement Health Care Plan	
Service cost	$ 15,391,826
Interest	8,169,455
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions	(39,214,894)
Benefit payments	(4,122,868)
Total change in total OPEB liability	(19,776,481)
OPEB Plan Fiduciary Net Position	-
Total OPEB liability - beginning	273,302,670
Total OPEB liability - ending	$ 253,526,189
Covered-employee payroll	$ 56,345,972
Total OPEB liability as a percentage of covered-employee payroll	449.9%

Notes to schedule:

Change in significant assumptions:

	2018
Discount rate	3.58%
Healthcare trend rate:	
Initial rate	7.51%
Decreasing per year	0.43%
Ultimate rate	4.50%
Ultimate rate year	2024

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

ORANGE ULSTER BOCES

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (RETIREMENT INCENTIVE) (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

	Last Ten Fiscal Years* 2018
Total OPEB Liability - Retirement Incentive Plan	
Service cost	$ 413,868
Interest	215,374
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions	(386,852)
Benefit payments	(379,327)
Total change in total Retirement incentive liability	(136,937)
OPEB Plan Fiduciary Net Position	-
Total liability - beginning	7,331,429
Total liability - ending	$ 7,194,492
Covered-employee payroll	$ 56,345,972
Total OPEB liability as a percentage of covered-employee payroll	12.8%

Notes to schedule:

Change in significant assumptions:

	2018
Discount rate	3.58%

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

OTHER INFORMATION (UNAUDITED)

ORANGE ULSTER BOCES

SCHEDULE OF ACCOUNT A431 - SCHOOL DISTRICTS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

July 1, 2017 - Debit (Credit) balance of account A431	$ 12,328,475
Debits:	
Billings to school districts	162,767,467
Refund of balances due school districts	9,251,888
Encumbrances - June 30, 2018	2,572,493
Total debits	174,591,848
Credits:	
Collections from school districts	162,095,572
Encumbrances - June 30, 2017	1,778,994
Other - use of reserves	3,463
Adjustment - credits to school districts - revenue in excess of expenditures	11,226,654
Total credits	175,104,683
June 30, 2018 - Debit (Credit) balance of account A431	$ 11,815,640

ORANGE ULSTER BOCES

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

			Expenditures			
Project Title	Original Budget	Revised Budget	Prior Years	Current Year	Total	Unexpended Balance
Roof Project	$ 22,020	$ -	$ -	$ -	$ -	$ -
Waste Water Infrastructure	638,316	1,188,316	36,684	51,495	88,179	1,136,821
Fire Alarm Upgrade Phase II - SP ED	7,855	-	137,145	-	137,145	-
Crack Repair - Axelrod	124,450	66,642	75,550	66,642	142,192	-
ISS Door Repalcement	1,173	-	73,827	-	73,827	-
Arden Hill - Pase IIA	3,131,707	3,305,429	168,928	1,382,520	1,551,448	1,922,909
CLC Projects	312,910	388,914	-	-	-	388,914
Interior Crack Repair	150,000	97,455	-	97,455	97,455	-
Total	$ 4,388,431	$ 5,046,756	$ 492,134	$ 1,598,112	$ 2,090,246	$ 3,448,644

See the accompanying independent auditor's report

ORANGE ULSTER BOCES

SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO REVISED BUDGET - GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	$ 133,277,142
Add: Prior year's encumbrances	1,778,994
Original budget	135,056,136
Budget revision: Board resolutions to accept changes in service contracts	29,467,186
Final budget	$ 164,523,322

ORANGE ULSTER BOCES

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	$ 38,430,505
Deduct:	
Bond anticipation notes	-
Short-term portion of installment purchase debt	928,984
Long-term portion of installment purchase debt	746,640
Short-term portion of bonds payable	-
Long-term portion of bonds payable	-
Plus: Unspent bond proceeds	-
Net investment in capital assets	$ 36,754,881

REQUIRED REPORTS UNDER THE UNIFORM GUIDANCE

ORANGE ULSTER BOCES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through/Grantor/Cluster and Program Title	Federal CFDA Number	Pass-through Number	Federal Expenditures
U.S. Department of Agriculture			
Pass-Through New York State Department of Education			
Child Nutrition Cluster:			
National School Lunch Program (Donated Commodities)	10.555	NA	$ 21,570
School Breakfast program	10.553	NA	107,573
National School Lunch Program	10.555	NA	246,912
Total Child Nutrition Cluster			376,055
Total U.S Department of Agriculture			376,055
U.S. Department of Labor			
Pass-Through Orange County Employment and Training Administration			
WIOA Youth Activities	17.259	NA	55,381
Total U.S Department of Labor			55,381
U.S. Department of Education			
Direct:			
Student Financial Assistance Cluster:			
Federal Direct Loan Program	84.268	NA	474,247
Federal Pell Grant Program	84.063	NA	218,968
Total Student Financial Assistance Cluster			693,215
Pass-Through New York State Department of Education:			
Special Education Cluster:			
Special Education - Grants to States	84.027	C012185	356,394
Special Education - Grants to States	84.027	0031-18-0038	279,382
Total Special Education Cluster			635,776
Adult Education - Basic Grants to States	84.002	2338-18-3005	88,277
Adult Education - Basic Grants to States	84.002	2338-17-3005	8,999
Adult Education - Basic Grants to States	84.002	0040-18-2007	216,366
Adult Education - Basic Grants to States	84.002	2338-18-3004	99,133
Adult Education - Basic Grants to States	84.002	2338-17-3004	1,428
Adult Education - Basic Grants to States	84.002	0138-18-2003	184,138
Adult Education - Basic Grants to States	84.002	2338-18-2017	213,193
Adult Education - Basic Grants to States	84.002	C012256	65,372
Adult Education - Basic Grants to States	84.002	C012256	152,269
Total Adult Education - Basic Grants to States			1,029,175
Vocational Education - Basic Grants to States (Perkins III)	84.048	8000-18-0032	398,678
English Language Acquisition State Grants	84.365	0293-17-2532	4,118
English Language Acquisition State Grants	84.365	0293-18-2532	42,011
Total English Language Acquisition State Grants			46,129
Neglected and Delinquent Youth	84.011	NA	22,214
Total New York State Department of Education			2,131,972
Total U.S. Department of Education			2,825,187
Total Expenditures of Federal Awards			$ 3,256,623

The accompanying notes to the schedule of federal awards are an integral part of these schedules.

ORANGE ULSTER BOCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

1. GENERAL

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Orange Ulster BOCES (BOCES), under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a portion of the operations of the BOCES, it is not intended to and does not present the financial position, changes in net position, or cash flows for the BOCES.

2. BASIS OF ACCOUNTING

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

3. INDIRECT COSTS

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

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

4. MATCHING COSTS

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

5. FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. During the year ended June 30, 2018, the BOCES received food commodities totaling $21,570 under CFDA number 10.555.

Bonadio & Co., LLP
Certified Public Accountants

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

October 11, 2018

To the Board of Education of the
Orange Ulster BOCES:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Orange Ulster BOCES (BOCES) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements and have issued our report thereon dated October 11, 2018, which contained an emphasis of matter paragraph regarding the adoption of the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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

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

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

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(Continued)

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

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

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

Bonadio & Co., LLP
Certified Public Accountants

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

October 11, 2018

To the Board of Education of the
Orange Ulster BOCES:

Report on Compliance for Each Major Federal Program
We have audited Orange Ulster BOCES' (BOCES) compliance with the types of compliance requirements described in the O*MB Compliance Supplement* that could have a direct and material effect on each of BOCES' major federal programs for the year ended June 30, 2018. The BOCES' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Opinion on Each Major Federal Program
In our opinion, the BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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(Continued)

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

Report on Internal Control Over Compliance

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

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

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

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

ORANGE ULSTER BOCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were presented in accordance with GAAP	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiency(ies) identified not considered to be material weaknesses?	____ Yes __X__ None reported
Noncompliance material to financial statements noted?	____ Yes __X__ No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	____ Yes __X__ No
Significant deficiency(ies) identified not considered to be material weaknesses?	____ Yes __X__ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes __X__ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.002	Adult Education – Basic Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ Yes ____ No

Section II—Financial Statement Findings

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

Section III—Federal Award Findings and Questioned Costs

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