

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

FINANCIAL REPORT

JUNE 30, 2019

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSELAER-COLUMBIA-GREENE COUNTIES

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QUESTAR III
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 JUNE 30, 2019

The following is a discussion and analysis of the Rensselaer-Columbia-Greene Counties Board of Cooperative Educational Services (hereinafter referred to as “Questar III”) financial performance for the year ended June 30, 2019. This section is a summary of Questar III’s 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 Questar III’s financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Net position deficit increased on an entity wide basis by approximately \$3.9 million over the prior year. The increase is primarily attributable to the net impact of the postemployment benefit adjustment.
- Governmental revenues under the modified accrual basis of accounting increased by 5.3% due to a net increase in providing instruction of the handicapped, instructional services and district financial services. The following is a five-year revenue comparison (dollars in millions):

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Administration (001-002)	\$ 7.9	\$ 7.7	\$ 7.6	\$ 7.5	\$ 7.3
Career Education (100-199)	9.3	9.0	8.8	8.9	8.5
Instruction for Handicapped (200-299)	25.5	23.3	21.6	22.7	20.9
Itinerant Service (300-399)	2.0	1.8	2.0	2.1	2.2
General Instruction (400-499)	6.0	6.1	6.2	5.9	5.5
Instructional Support (500-599)	8.0	7.5	7.4	7.4	7.1
Other Services (600-699)	13.0	12.3	11.1	11.1	10.6
Special Aid Fund (800-999)	4.4	4.6	4.5	4.3	5.6
Total Revenue	<u>\$ 76.1</u>	<u>\$ 72.3</u>	<u>\$ 69.2</u>	<u>\$ 69.9</u>	<u>\$ 67.7</u>
% Increase (Decrease)	<u>5.3%</u>	<u>4.5%</u>	<u>(1.00%)</u>	<u>3.25%</u>	<u>10.08%</u>

The majority of Questar III services are purchased by our 23 component school districts which accounted for approximately 78.1% of our total revenues (77.2% in the 2017-2018 year).

Expenditures increased by 6.6% over the prior year. Salaries decreased as a percentage of total expenditures to 37.7% for the current year from 38.0% in the prior year. The following is a five-year expenditure comparison (dollars in millions) for salaries and benefits:

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FINANCIAL HIGHLIGHTS (CONTINUED)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Salaries & Wages	\$ 27.0	\$ 25.6	\$ 25.5	\$ 25.1	\$ 24.7
Salaries & Wages as % of Total Expenditures	37.7%	38.0%	39.3%	37.0%	39.0%
Fringe Benefits (Including Health)	\$ 14.2	\$ 15.2	\$ 15.1	\$ 15.7	\$ 13.7
Fringe Benefits as % of Total Expenditures	19.8%	22.6%	23.3%	23.0%	21.6%
Health Insurance	\$ 8.5	\$ 9.7	\$ 9.4	\$ 9.2	\$ 7.1
Health Insurance as % of Total Expenditures	11.9%	14.4%	14.5%	14.7%	11.2%
Total Expenditures	\$ 71.7	\$ 67.3	\$ 64.9	\$ 67.7	\$ 63.4

Questar III offers approximately 280 educational and district support services, while operating on a fiscally sound basis. Demand for Questar III educational programs is strong and we expect the trend to continue.

OVERVIEW OF THE FINANCIAL STATEMENTS

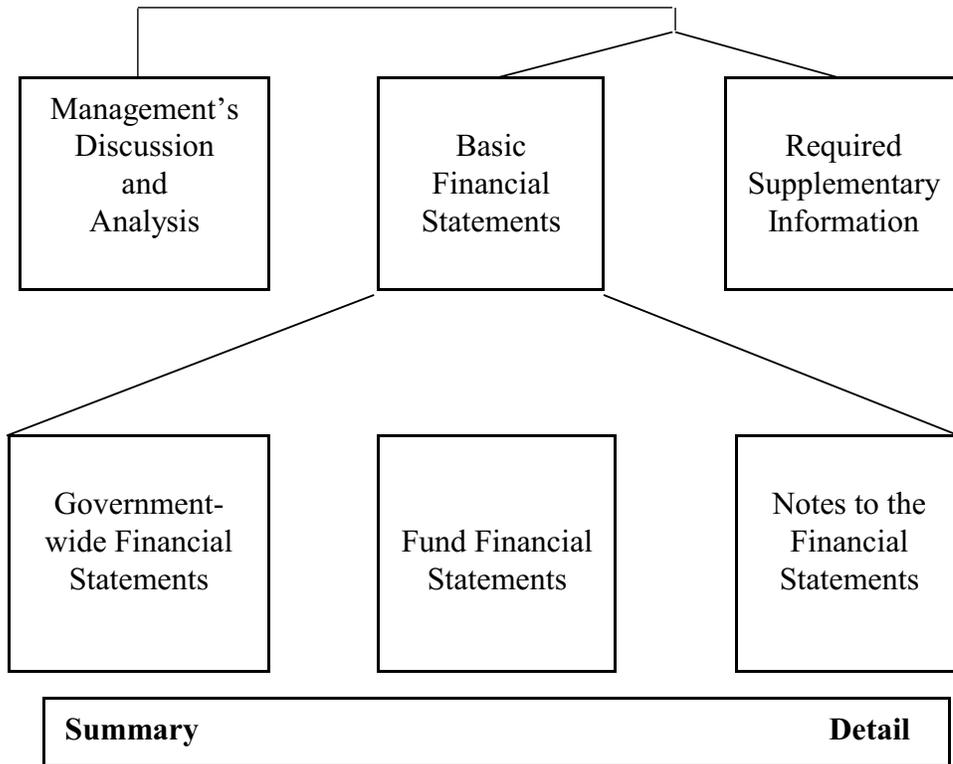
This annual report consists of three parts: MD&A (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of Questar III:

- The first two statements are **government-wide financial statements** that provide both *short-term* and *long-term* information about Questar III's *overall* financial status.
- The remaining statements are **fund financial statements** that focus on *individual parts* of Questar III, reporting the operations in *more detail* than the entity-wide statements.
- The **governmental fund statements** tell how basic services such as instruction and support functions were financed in the *short-term* as well as what remains for future spending.
- The **fiduciary fund statements** provide information about the financial relationships in which Questar III acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required and other supplementary information that further explains and supports the financial statements with a comparison of Questar III's budget for the year and details as to amounts due from school districts and other BOCES. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

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Table A-1: Organization of Questar III's Annual Financial Report



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Table A-2 Summarizes the major features of Questar III's financial statements, including the portion of Questar III's activities that they cover and the types of information that they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the Government-wide and Fund Financial Statements

	Government-wide <u>Statements</u>	Fund Financial Statements	
		<u>Governmental</u>	<u>Fiduciary</u>
1. Scope	Entire governmental entity (except fiduciary funds)	The day-to-day operating activities of Questar III, such as education and district support services	Instances in which Questar III administers resources on behalf of others, such as scholarships
2. Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities and Changes in Net Position 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
3. Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
4. Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
5. Type of inflow and outflow information	All revenues and expenses during year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

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GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about Questar III as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position (Deficit) includes all of Questar III's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities and Changes in Net Position (Deficit) regardless of when cash is received or paid.

The two district-wide statements report Questar III's *net position* and how they are changed. Net position, the difference between the assets and liabilities, is one way to measure the financial health or position of Questar III.

- Over time, increases and decreases in net position is an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of Questar III, additional non-financial factors such as changes in Questar III's component and non-component district's health and the condition of buildings and other facilities should be considered.

In the government-wide financial statements, Questar III's activities are shown as *Governmental Activities*: most of Questar III's basic services are included here, such as career and technical education, special education, support services, administration and substantially all these activities are financed through user charges.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about Questar III's funds. Funds are accounting devices that Questar III uses to account for specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

Questar III has two kinds of funds:

- ***Governmental funds***: Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund 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 programs of Questar III. 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. In summary, the governmental fund statements focus primarily on the sources, uses and balances of current financial resources and often has a budgetary orientation. Included are the general, special revenue and capital project funds. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances.

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FUND FINANCIAL STATEMENTS (CONTINUED)

- **Fiduciary funds:** Questar III is the trustee or fiduciary for assets that belong to others, such as scholarship funds and student activities funds. Questar III 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. Questar III excludes these activities from the entity-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 QUESTAR III AS A WHOLE

Questar III's net position decreased approximately \$3.9 million to a deficit of approximately \$92.5 million as detailed in Tables A-3 and A-4.

Table A-3: Condensed Statement of Net Position (Deficit)
(in millions)

	<u>2019</u>	<u>2018</u>
Current Assets	\$ 19.6	\$ 17.9
Capital Assets, Net of Depreciation	9.5	8.4
Other Long-Term Assets	2.1	3.0
Proportionate Share of Net Pension Assets	1.8	.8
Deferred Outflows - Pension and OPEB	11.3	13.3
Total Assets and Deferred Outflows	<u>\$ 44.3</u>	<u>\$ 43.4</u>
Current Liabilities	\$ 9.1	\$ 7.6
Noncurrent Liabilities	116.4	119.3
Deferred Inflows - Pension	11.3	5.1
Total Liabilities and Deferred Inflows	<u>\$ 136.8</u>	<u>\$ 132.0</u>
Net Position (Deficit)		
Investment in Capital Assets, Net of Related Debt	\$ 9.5	\$ 8.4
Unassigned Deficit	(102.0)	(97.0)
Total Net Position (Deficit)	<u>\$ (92.5)</u>	<u>\$ (88.6)</u>

CHANGES IN NET POSITION (DEFICIT)

Questar III's total year 2019 program revenues approximate \$74.6 million. (See Table A-4) Charges to components, non-components and others accounted for 95.4% (94.4% in 2018) of Questar III's revenue. Operating grants accounted for 3.6% (4.2% in 2018).

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CHANGES IN NET POSITION (DEFICIT) (CONTINUED)

Questar III's total year 2019 program expenses approximate \$74.6 million. (See Table A-4) Of these expenses 90.5% related to instruction, instructional support and other district services (90.3% in 2018) and 9.5% related to administrative and business activities (9.7% in 2018).

**Table A-4: Changes in Net Position (Deficit) from Operating Results
(in millions)**

	<u>2019</u>		<u>2018</u>	
Revenues				
Program Revenues				
Charges for Services	\$ 71.2	95.4%	\$ 67.0	94.4%
Operating Grants	2.7	3.6%	3.0	4.2%
Other Revenues	.7	1.0%	1.0	1.4%
Total Revenues	<u>74.6</u>	<u>100.0%</u>	<u>71.0</u>	<u>100.0%</u>
Expenses				
Administration	7.1	9.5%	6.8	9.7%
Career Education	10.0	13.4%	9.8	14.1%
Instruction of Handicapped	26.6	35.7%	24.5	35.0%
Itinerant Services	1.9	2.5%	1.8	2.6%
General Instruction	6.5	8.7%	6.6	9.5%
Instructional Support	9.0	12.1%	8.8	12.5%
Other Services	13.5	18.1%	11.7	16.6%
	<u>74.6</u>	<u>100.0%</u>	<u>70.0</u>	<u>100.0%</u>
Revenues in Excess of Expenses before Return of Surplus				
	-		1.0	
Return of Surplus	(4.6)		(5.3)	
Other	.7		.9	
Prior Period Restatement	-		(14.9)	
Change in Net Position	<u>\$ (3.9)</u>		<u>\$ (18.3)</u>	

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FINANCIAL ANALYSIS OF QUESTAR III'S FUNDS

Variations between years for the governmental fund financial statements are not the same as variations between years for the government-wide financial statements. Questar III's governmental funds are presented on the **modified accrual basis of accounting**, which has a current financial resources measurement focus. Based on this presentation, governmental funds do not include long-term debt liabilities and capital assets. Governmental funds will include the current payments for capital assets, and the current payments for capital leases.

BUDGETARY HIGHLIGHTS

Over the course of the year, Questar III revised its budget several times in order to comply with the changes of component's and other's needs for additional services pursuant to its mandate. These budget amendments fall into two categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to reflect the actual beginning account balances and encumbrances carried-over from the prior year.
- Changes made to account for projected increases or decreases in purchased services from component, noncomponent and other BOCES.

Questar III had a number of significant budget amendments during the year ended June 30, 2019 primarily to provide additional services as requested by components and others.

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Unencumbered (Overexpended) Balance</u>
Administration (001-002)	\$ 8,029,298	\$ 8,507,480	\$ 7,797,942	\$ 285,152	\$ 424,386
Career Education (100-199)	9,081,341	10,761,755	9,275,201	1,019,257	467,297
Instruction for Handicapped (200-299)	22,933,765	25,469,585	22,134,563	2,210,895	1,124,127
Itinerant Service (300-399)	1,995,379	2,039,195	1,731,780	24,831	282,584
General Instruction (400-499)	5,677,630	6,017,798	5,842,593	19,428	155,777
Instructional Support (500-599)	7,872,997	8,643,757	7,861,896	453,683	328,178
Other Services (600-699)	11,954,723	14,339,725	12,442,716	1,123,322	773,687
	<u>\$ 67,545,133</u>	<u>\$ 75,779,295</u>	<u>\$ 67,086,691</u>	<u>\$ 5,136,568</u>	<u>\$ 3,556,036</u>

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The following table reflects the total cumulative cost before depreciation of various building renovations and additions, technology and equipment expenditures through the end of years 2019 and 2018:

Table A-5: Capital Assets

<u>Category</u>	<u>2019</u>	<u>2018</u>
Land	\$ 463,533	\$ 463,533
Buildings	12,096,841	11,372,893
Equipment	3,673,668	2,682,859
Vehicles	954,022	867,427
Total	<u>\$ 17,188,064</u>	<u>\$ 15,386,712</u>

Long-Term Debt

At year-end 2019 Questar III had \$939,965 in installment purchase debt outstanding of which \$318,721 is long-term. Installment purchase debt consists of various leases incurred for the purchase of equipment which is then leased by Questar III under similar terms to component districts. The contracts generally mature up to five years.

FACTORS BEARING ON QUESTAR III'S FUTURE

At the time these financial statements were prepared and audited, Questar III was aware of the following existing circumstances that could significantly affect its financial health in the future:

For the last several years, the national and statewide fiscal crises has resulted in districts looking for ways to maximize the value attained by their limited resources. Questar III is a vehicle being utilized to achieve this objective. Despite New York State's improved financial picture, the 2% tax cap legislation continues to have an adverse impact on component districts' property tax revenue streams. Regardless of the school districts' challenges, Questar III's service revenue remains strong.

Even though Questar III negotiated contract salary increases exceed 2%, the benign inflation environment along with Questar III's Leading Edge principles (see page 10) have helped us keep budget increases well below 2% per year. Three of the four collective bargaining agreements will expire on June 30, 2020. Negotiations are anticipated to begin prior to the expiration of these contracts.

FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

The Questar III component school districts continue to experience annual declines in enrollment. For the fiscal years 2007-2008 to 2017-2018, the Resident Weighted Average Daily Attendance (RWADA) has declined by 15.4% or 5,852 students from 38,100 to 32,248. This decline could have an impact on enrollment in BOCES programs; however, most of our programs are breaking records in district participation.

Questar III has implemented a plan for goal-setting, innovation and growth called The Leading Edge. Through this framework the following organizational goals were developed: (1) Build the capacity of our employees through ongoing targeted professional learning and other resources to enable us to lead our region with innovative, high quality, and cost-effective programs and services; (2) Develop new programs and services to assist school districts to creatively address fiscal and programmatic challenges, and evolve teaching and learning so all students are prepared for their future. The Leading Edge will guide Questar III into the future to continue the expansion of our revenue base, while being mindful of cost structures to continue to provide good value for our services. Questar III strives to be the program of choice through its commitment to excellence, commitment to leadership and service and commitment to innovation.

Rensselaer Education Center Modernization Project: Over the past several years, Questar III has explored its options for creating a new state-of-the-art facility housing career and technical education (CTE) and special education programs.

After exploring various options based on the best value/location and much deliberation and discussion, Questar III has moved forward with a renovation of the Rensselaer Educational Career Center in Troy. Renovations are being planned in three phases that began in June 2019 and are anticipated to continue over the next three to four years. Phase 1, completed in August 2019, was comprised of site work and brick repointing of the building. Phases II and III of the project will focus on the interior of the building. The renovations will impact program budgets as well as the capital budget, which has doubled.

As Questar III continues with the project it will engage its education, business and higher education partners in conversations about this exciting initiative, which could help ignite economic growth in our region. Ultimately, this work is part of Questar III's continuing efforts to help "change lives, realize dreams and do together what can't be done alone."

Career and Technical Education (CTE): The Information Technology program at the Columbia-Greene Educational Center is being phased out due to its continued low enrollment with the last senior finishing up this program during the 2019-2020 school year. However, the Information Technology program at the Rensselaer Educational Center continues to be a highly enrolled program. As computer applications, coding, cyber security, automation and other IT-related fields are fast-growing high-demand industries, we will continue to research ways to better meet Columbia-Greene students' interest in this area. The Heavy Equipment Operations and Maintenance program started in September 2018 at the Durham Building in the Cairo-Durham Central School District.

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FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

The program has been very popular with near-full classes. The program was duplicated at the Rensselaer Educational Center in September 2019. This second Heavy Equipment program, at the Rensselaer Educational Center, is proving to be as popular as the program at the Durham Building. September 2019 was also the start of a new senior-level CTE Academy for Educational Careers program at the Columbia-Greene Educational Center. This program was created in response to the need for more students to pursue careers in education or education-related fields and is partially funded by Perkins Grant for the 2019-20 year to be able to continue to work on developing and growing the program during its first year.

Transportation continues to be a large cost driver for the New Visions programs as well as various Career Tech and Career Studies work-based learning experiences. The cost of flight instructors and aviation-related expenses are also increasing, impacting the Aviation program budget. These are two areas that will continued to be analyzed to identify opportunities to mitigate rising costs.

Overall, student enrollment has increased across the CTE programs in both centers. Existing programs are continually evaluated for industry relevancy, academic rigor, and student interest. All CTE programs are also NYS approved which allows students to earn a CTE Endorsement for graduation and school accountability. During 2019-20, the Culinary and Criminal Justice programs will be the focus for NYS program re-approval evaluation.

The Career Studies programs provide students with job skills and entry-level training in a technical area or trade at an alternative learning pace. It also provides students with opportunities to gain hands-on, work-based learning experience to apply towards a CDOS (Career Development and Occupational Studies) endorsement on their diploma. These programs now offer integrated math, science, and English Language Arts credits stretched over the two years to better respond to the academic needs of these students and our districts.

The following chart summarizes CTE student enrollment and revenues over the last five years (\$ in millions):

<u>Career & Technical Education</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Number of students	726	680	692	723	725
% change from prior year	6.8%	(1.7%)	(4.3%)	(0.2%)	7.6%
Revenue in millions	\$ 9.3	\$ 9.0	\$ 8.8	\$ 8.9	\$ 8.5
% change from prior year	3.3%	2.3%	(1.1%)	4.7%	6.3%

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FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

Instruction of Students with Disabilities: The Special Education department opened the 2019-20 school year with 305 students enrolled. While programs are at capacity in several areas, the school year began with capacity to open additional classrooms at George Washington School and Catskill Academy. The George Washington School opened a K-2 class the week prior to the start of the school year to accommodate late summer referrals from school districts. Our Therapeutic Youth Program (TYP) that serves middle school level students at Maple Hill Middle School, and high school level students at Sackett Educational Center opened the school year at capacity. The Robin Sobol Transition Academy started at capacity with eight students.

As a department, we have continued to evaluate our programs to implement best instructional and behavioral practices. The Special Education Task Force worked during the 2018-19 school year to evaluate district needs for programming. The results from the data gathered indicated a need for additional elementary programs for students with social-emotional challenges, as well as programs that are designed for students who are not identified through the Committee on Special Education. The task force concluded there is an opportunity for Questar III to provide an alternative learning program at the middle and high school levels. The Superintendents Academy Sub-Committee is reviewing next steps to establish such a program. In addition, the department established capacity at Catskill Academy and George Washington School to expand elementary programming for students with social-emotional challenges.

Approximately 22.3% of our students with disabilities are from non-component school districts (23.7% in 2017-2018).

The following chart summarizes the Student with Disabilities student enrollment and revenues over the last five years (\$ in millions):

<u>Students with Disabilities</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Number of students	307	296	287	295	275
% change from prior year	3.7%	3.1%	(2.7%)	7.3%	1.9%
Revenue in millions	\$ 25.5	\$ 23.3	\$ 21.6	\$ 22.7	\$ 20.9
% change from prior year	9.4%	7.9%	(4.8%)	8.6%	6.1%

Itinerant Service: Generally, the itinerant services have remained stable. The NYS Education Department is closely monitoring the scope of BOCES itinerant services. We believe that in the long run the scope of BOCES itinerant services will be reduced.

FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

General Instruction: Questar III continues to operate a relatively small Alternative Learning Program (ALP) at both the Columbia-Greene Educational Center (CGEC) and at Greenville High School. All students enrolled in ALP at the CGEC also participate in a ½ day CTE program. The CGEC program continues to have just the minimum number of students needed to run the program. We continue to examine the district need and other types of programming to best meet student need.

The School Library System's Automation Service continue to grow with the Follett library automation system. Since moving to Follett Library Manager in 2017-18, twelve additional school sites, a 67% increase, have purchased the service with other districts expressing interest for the coming year. As a result, a significant reduction in the 2019-20 billing rate was able to occur, positively impacting the service as more schools are now able to meet the needs of their students, faculty, and staff. The service is capable of more than just checking books in and out, it assists librarians to work directly with students rather than just being behind a desk. Adding the Follett automation system has enabled school libraries to reach past the physical space of the library and move into the classroom and beyond.

School District Support Services: The demand for district support services is stable. It is expected that the demand for these services will remain stable as districts seek to find economies in the services offered.

School Improvement Services: School Improvement Services are stable. As implementation of the Next Generation Learning Standards continues for ELA (English Language Arts), Math and Science, the School Improvement (SI) Team will continue to innovate and work with participating districts to make the transition successful. Additionally, the SI Team will support districts with New York's Every Student Succeeds Act (ESSA) plan and its expanded measures for school accountability and student success.

With the RSE-TASC state contract that ended on June 30, 2019, a new service, Special Education Instructional and Technical Support, has been added for 2019-20. There is an increasing need, evidenced by component district requests, for instructional support rooted in mental health, social emotional learning, and culturally responsive-sustaining practices. There has also been an increase in requested assistance with grant writing, from both districts and within Questar III.

School Improvement Services will be evaluating how best to grow Model Schools, beyond instructional technology/software purchases.

The School Improvement Services will continue to enhance communications with component districts and provide support as new regulations from the State Education Department are released.

FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

Other Services: All Financial Services continue to grow in the 2018-2019 fiscal year. The GASB 75 service gained three new clients during the year and now services 181 districts and BOCES. The Fixed Asset Inventory service gained six new clients and now services 70 districts and BOCES. The Internal Audit gained two new clients and the Administrative, Management and Planning Service and the Central Business Office are stable.

The State Aid and Financial Planning Service currently serves 655 school districts and 37 BOCES. The service continues to provide much needed technical support to school districts across the state. Staff made more than 50 district visits during the year and provided training to various groups of school district administrators. In addition, the Special Education Aid Reporting Service continues to increase the number of participating districts and are now serving 66 districts statewide. Both services provide much needed support for school administrators as they navigate through the complexity of school aid and the school business management system.

Questar III's Health and Safety Service continues to offer services statewide, ranging from on-site support to an array of safety services and trainings that can be purchased individually. The department continues to add new cost-effective services that support school safety, facility, management and address compliance needs. In 2019-2020, the Health and Safety Service assisted our legal department with the creation of an online training module for the newly mandated sexual harassment prevention training in order to assist our school districts in meeting the requirements. The service also added an online training module for School Safety to assist districts in meeting mandated deadlines that were identified in recent school safety audits. The Health and Safety Service also took over the bus driver and attendant training program that districts currently utilize.

The Fire System Maintenance Service continues to increase service opportunities in the coming year by expanding services into the Oneida, Herkimer, Madison counties as well as the Capital Region. Additionally, districts continue to utilize the integrated security maintenance service which includes installation and maintenance of video surveillance and access control systems within school buildings. Finally, the department continues to strengthen school and law enforcement partnerships by leading countrywide school safety committees in each of the counties we serve.

Special Aid Fund: During the 2018-19 fiscal year, Questar III experienced a 4.3% decrease in revenues in the Special Aid Fund. This is primarily due to the expiration of two grants at the end of 2017-18, the Title II WIOA - Corrections (Workforce Investment Opportunity Act) and CDOS (Career Development and Occupational Studies). However, continuing in 2018-19 are the PRHYLI (The Angelo Del Toro Puerto Rican/Hispanic Youth Leadership Institute) with the award of a four-year state contract and the Title II WIOA - Columbia-Greene with the award of a three-year grant.

Questar III plans to re-apply for grants when they expire, as funds become available, and continues to seek new funding opportunities.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSELAER-COLUMBIA-GREENE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2019

CONTACTING QUESTAR III'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of Questar III and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Questar III
Board of Cooperative Educational Services
Rensselaer-Columbia-Greene Counties
Attention: Treasurer
10 Empire State Boulevard
Castleton, New York 12033
(518) 477-8771

INDEPENDENT AUDITOR'S REPORT

Questar III
Board of Cooperative Educational Services
Rensselaer-Columbia-Greene Counties
Castleton, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Questar III-Board of Cooperative Educational Services of Rensselaer-Columbia-Greene Counties ("Questar III"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Questar III's 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Questar III, as of June 30, 2019, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedules of funding progress - other postemployment benefit plans, proportionate share of net pension asset/liability and contributions - pension plans on pages 1-15 and 49-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Questar III's basic financial statements. The supplemental information on pages 53-55 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information on pages 53-55 is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019 on our consideration of Questar III's 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 internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Questar III's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
November 27, 2019

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:

Current Assets:

Cash	\$ 14,838,301
Due from School Districts and Other BOCES	3,681,661
State and Federal Aid Receivable	833,646
Other Receivables, Net	163,445
Prepaid Expenses	<u>53,533</u>
Total Current Assets	<u>19,570,586</u>

Noncurrent Assets:

Due from Health Insurance Trusts	2,097,096
Proportionate Share of Net Pension Asset	1,829,932
Capital Assets, Net	<u>9,496,395</u>
Total Noncurrent Assets	<u>13,423,423</u>

Deferred Outflows of Resources

Pension	11,276,763
OPEB	<u>52,379</u>
Total Deferred Outflows of Resources	<u>11,329,142</u>

Total Assets and Deferred Outflows of Resources \$ 44,323,151

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:

Current Liabilities:

Accounts Payable	\$ 1,690,459
Accrued Expenses	1,127,770
Due to Other Funds	4,118
Postemployment Benefit Liability	3,345,603
Unearned Revenues	32,416
Capital Leases Payable	621,244
Due to Retirement Systems	<u>2,289,756</u>
Total Current Liabilities	<u>9,111,366</u>

Noncurrent Liabilities:

Capital Leases Payable	318,721
Postemployment Benefit Liability	114,194,481
Proportionate Share of Net Pension Liability	<u>1,928,577</u>
Total Noncurrent Liabilities	<u>116,441,779</u>

Deferred Inflows of Resources

Pension	2,981,390
OPEB	<u>8,287,148</u>
Total Deferred Inflows of Resources	<u>11,268,538</u>

Total Liabilities and Deferred Inflows of Resources 136,821,683

NET POSITION (DEFICIT):

Invested in Capital Assets, Net of Related Debt	9,496,395
Unassigned Deficit	<u>(101,994,927)</u>
Total Net Position (Deficit)	<u>(92,498,532)</u>

Total Liabilities, Deferred Inflows of Resources and
Net Position (Deficit) \$ 44,323,151

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Revenues (Expenses) and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
<u>Functions/Programs:</u>				
Administration	\$ 7,141,471	\$ 7,447,284	\$ 5,869	\$ 311,682
Career Education	9,960,407	9,294,372	506,756	(159,279)
Instruction of Handicapped	26,590,973	26,876,552	374,720	660,299
Itinerant Services	1,946,874	2,012,967	-	66,093
General Instruction	6,535,673	6,021,253	464,851	(49,569)
Instructional Support	8,976,257	7,320,928	1,309,203	(346,126)
Other Services	<u>13,479,486</u>	<u>12,982,469</u>	<u>-</u>	<u>(497,017)</u>
 Total Functions/Programs	 <u>\$ 74,631,141</u>	 <u>\$ 71,955,825</u>	 <u>\$ 2,661,399</u>	 (13,917)
 Return of Surplus				 <u>(4,636,757)</u>
 Change in Net Position				 (4,650,674)
 General Fund Encumbrances, Beginning of Year				 (4,296,936)
 General Fund Encumbrances, End of Year				 5,136,568
 Decrease in Reserve for Prepaid Expenses				 (87,132)
 Net Position (Deficit), Beginning of Year				 <u>(88,600,358)</u>
 Net Position (Deficit), End of Year				 <u>\$ (92,498,532)</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

COMBINED BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2019

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets:				
Cash	\$ 10,819,362	\$ 2,581,735	\$ 1,437,204	\$ 14,838,301
Due from School Districts and Other BOCES	2,741,696	-	-	2,741,696
Due from Health Insurance Trust	1,149,984	-	-	1,149,984
State and Federal Aid Receivable	-	833,646	-	833,646
Other Receivables, Net	37,662	125,783	-	163,445
Due from Other Funds	-	2,355	23,825	26,180
Prepaid Expenses	<u>52,358</u>	<u>1,175</u>	<u>-</u>	<u>53,533</u>
 Total Assets	 <u>\$ 14,801,062</u>	 <u>\$ 3,544,694</u>	 <u>\$ 1,461,029</u>	 <u>\$ 19,806,785</u>
LIABILITIES				
Liabilities:				
Accounts Payable	\$ 1,679,217	\$ 11,242	\$ -	\$ 1,690,459
Accrued Expenses	1,117,278	10,492	-	1,127,770
Postemployment Benefit Liability	3,345,603	-	-	3,345,603
Due to Other Funds	30,298	-	-	30,298
Due to Retirement Systems	2,289,756	-	-	2,289,756
Unearned Revenue	-	32,416	-	32,416
Total Liabilities	<u>8,462,152</u>	<u>54,150</u>	<u>-</u>	<u>8,516,302</u>
 Deferred Inflows of Resources - Deferred Revenue	 <u>1,149,984</u>	 <u>-</u>	 <u>-</u>	 <u>1,149,984</u>
FUND BALANCES				
Fund Balance:				
Nonspendable	52,358	1,175	-	53,533
Assigned	<u>5,136,568</u>	<u>3,489,369</u>	<u>1,461,029</u>	<u>10,086,966</u>
Total Fund Balance	<u>5,188,926</u>	<u>3,490,544</u>	<u>1,461,029</u>	<u>10,140,499</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 14,801,062</u>	 <u>\$ 3,544,694</u>	 <u>\$ 1,461,029</u>	 <u>\$ 19,806,785</u>
 Reconciliation of Total Governmental Fund Balances to Net Position (Deficit) of Governmental Activities:				
Total Fund Balances for Governmental Funds				\$ 10,140,499
Due from Health Insurance Trust				2,097,096
Capital Assets				9,496,395
Installment Debt Receivables				939,965
Installment Debt Payable				(939,965)
Postemployment Benefit Obligation - Net				(122,429,250)
Pension Adjustment - Net				<u>8,196,728</u>
 Net Position (Deficit) of Governmental Activities				 <u>\$ (92,498,532)</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES:				
Charges to Components	\$ 59,487,441	\$ -	\$ -	\$ 59,487,441
Charges to Non-Components	10,547,029	-	-	10,547,029
Charges for Services	70,390	1,733,470	-	1,803,860
Interest and Earnings	26,755	-	2,302	29,057
Miscellaneous	467,604	-	-	467,604
Sales	159,119	-	-	159,119
Interfund Revenues	965,110	-	-	965,110
State and Local Sources	-	1,929,558	-	1,929,558
Federal Sources	-	731,841	-	731,841
Total Revenues	<u>71,723,448</u>	<u>4,394,869</u>	<u>2,302</u>	<u>76,120,619</u>
EXPENDITURES:				
Administration	7,274,117	403,511	-	7,677,628
Career Education	9,275,201	514,977	-	9,790,178
Instruction for Handicapped	22,134,563	1,734,467	-	23,869,030
Itinerant Services	1,731,780	-	-	1,731,780
General Instruction	5,842,593	465,005	-	6,307,598
Instructional Support	7,861,896	1,309,204	-	9,171,100
Other Services	12,442,716	-	723,928	13,166,644
Total Expenditures	<u>66,562,866</u>	<u>4,427,164</u>	<u>723,928</u>	<u>71,713,958</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE	<u>5,160,582</u>	<u>(32,295)</u>	<u>(721,626)</u>	<u>4,406,661</u>
OTHER SOURCES (USES):				
Return of Surplus	(4,636,757)	-	-	(4,636,757)
Transfer to Capital Projects	(523,825)	-	-	(523,825)
Transfer from General Fund	-	-	523,825	523,825
Total Other Sources (Uses)	<u>(5,160,582)</u>	<u>-</u>	<u>523,825</u>	<u>(4,636,757)</u>
Change in Fund Balance	-	(32,295)	(197,801)	(230,096)
Encumbrances, Beginning of Year	(4,296,936)	-	-	(4,296,936)
Encumbrances, End of Year	5,136,568	-	-	5,136,568
Decrease in Reserve for Prepaids	(87,132)	-	-	(87,132)
Fund Balance, Beginning of Year	4,436,426	3,522,839	1,658,830	9,618,095
Fund Balance, End of Year	<u>\$ 5,188,926</u>	<u>\$ 3,490,544</u>	<u>\$ 1,461,029</u>	<u>\$ 10,140,499</u>
RECONCILIATION OF THE GOVERNMENTAL FUNDS COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES:				
Total Net Changes in Fund Balances - Governmental Funds				\$ (230,096)
Health Insurance Trust Reduction				(926,970)
Capital Assets Acquired				1,877,514
Depreciation				(784,731)
Loss on Disposal of Asset				(11,947)
Postemployment Benefit Obligation Adjustments				(4,706,616)
Pension Adjustments				132,172
Change in Net Position				<u>\$ (4,650,674)</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
STATEMENT OF FIDUCIARY NET POSITION AND CHANGES IN FIDUCIARY NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

Statement of Fiduciary Net Position

	<u>Private-purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$ 208,236	\$ 2,586,870
Accounts Receivable	-	3,696
Due from Other Funds	-	4,118
Total Assets	<u>\$ 208,236</u>	<u>\$ 2,594,684</u>
LIABILITIES		
Accrued Expenses	\$ -	\$ 15,314
Due to Student Activities	-	36,787
Due to Components and Non-Components	-	2,542,583
Total Liabilities	<u>-</u>	<u>\$ 2,594,684</u>
NET POSITION		
Restricted for Scholarships	<u>208,236</u>	
Total Liabilities and Net Position	<u>\$ 208,236</u>	

Statement of Changes in Fiduciary Net Position

Contributions	\$ 143,538
Interest	<u>368</u>
Total Income	143,906
Scholarships and Other Expense	<u>49,707</u>
Change in Net Position	94,199
Net Position, Beginning of Year	<u>114,037</u>
Net Position, End of Year	<u>\$ 208,236</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Cooperative Educational Services, Rensselaer-Columbia-Greene Counties (“Questar III”) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of Questar III’s accounting policies are described below.

Reporting Entity

Questar III is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Cooperative Educational Services. The scope of activities included within the accompanying financial statements are those transactions which comprise Questar III operations, and are governed by, or significantly influenced by, this Board.

Boards of Cooperative Educational Services (BOCES) were established by New York State legislation in 1948 to enable school districts to offer more breadth in their educational programs to provide vocational and special education. BOCES is a voluntary, cooperative association for school districts in a geographic area that share planning, services and programs to provide educational and support activities more economically, efficiently and equitably than could be provided locally. Questar III provides instructional and support programs and services to the following 23 school districts in New York’s Rensselaer, Columbia and Greene counties:

Averill Park	Hoosic Valley
Berkshire Union Free	Hoosick Falls
Berlin	Hudson City
Brittonkill/Brunswick	Ichabod Crane/Kinderhook
Cairo-Durham	Lansingburgh
Catskill	New Lebanon
Chatham	North Greenbush Common
Copake-Taconic Hills	Rensselaer City
Coxsackie-Athens	Schodack
East Greenbush	Troy City
Germantown	Wynantskill Union Free
Greenville	

Questar III’s programs and services include career technical education, instruction of students with disabilities, academic and alternative programs, summer school, staff development, itinerant and school district support services.

The financial reporting entity consists of the following, as originally defined by GASB Statement 14, “*The Financial Reporting Entity*” and updated by GASB 61.

1. The primary government which is Questar III;
2. Organizations for which the primary government is financially accountable.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

3. 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 decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement 61, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following activity is included in the reporting entity:

The Extraclassroom Activity Funds

The extraclassroom activity funds of Questar III represents funds of the students of Questar III. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of Questar III with respect to its financial transactions, and the designation of student management and the cash balances are reported in the agency fund of Questar III. Separate audited financial statements (cash basis) of the extraclassroom activity funds are presented on pages 58 to 62.

The Questar III Education Foundation

The Questar III Education Foundation was formed primarily to solicit contributions and bequests to support scholarships for students of Questar III or its component school districts. The Foundation's activities are independent of Questar III with respect to its financial transactions and separate Board of Directors and the cash balances are reported in the private-purpose trust fund of Questar III.

Intermunicipal Sharing Agreement

Questar III has entered into an intermunicipal sharing agreement with Capital Region BOCES to operate the Tech Valley Regional Technology Institute, also known as Tech Valley High School ("TVHS"). As the TVHS board is appointed equally by Questar III and Capital Region BOCES and it is anticipated that any excess costs will be shared equally, in accordance with GASB Statement 61 TVHS' operating results are not included in these financial statements.

Basis of Presentation

Questar III's financial statements are presented on a government-wide, governmental fund and fiduciary fund basis in accordance with GASB Statement 34 - Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. As a result, these financial statements include a management discussion and analysis of Questar III's overall financial position and results of operations and financial statements prepared using full accrual accounting for all of Questar III's activities.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide Financial Statements

The government-wide financial statements present aggregated information for the overall government, excluding activities reported in fiduciary funds, on a full accrual, economic resources basis. This government-wide focus is more on the sustainability of Questar III as an entity and the change in Questar III's net position resulting from the current year's activities. Internal fund transactions, including, but not limited to, operating transfers, receivables and payables have been eliminated. Government-wide financial statements include a statement of net position (deficit) and a statement of activities.

The statement of net position (deficit) recognizes all current and non-current assets including capital assets as well as long-term debt and obligations. Questar III's net position (deficit) are reported in three parts invested in capital assets, net of related debt and accumulated depreciation; restricted net assets due to legal limitations imposed on their use by legislation or external restrictions by other governments; and unrestricted net position (deficit).

The statement of activities presents a comparison between direct expenses (including depreciation) and related program revenues for each function of Questar III's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services are allocated among the programs and functions using appropriate allocation methods such as payroll costs and square footage. Program revenues include charges paid by the recipient for the 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. Questar III's primary program revenues are fees charged for services.

Basic Financial Statements - Fund Financial Statements

The fund financial statements provide information about Questar III's funds. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The focus of governmental fund financial statements is on major funds rather than reporting funds by type with each major fund presented in a separate column. The following funds are used by Questar III:

- a. General - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.
- b. Special Aid - is used to account 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, other than expendable trusts or major capital projects. These legal restrictions may be imposed by either the governments that provide the funds or outside parties.
- c. Capital Projects - is used to account for financial resources to be used for the acquisition or construction of facilities, renovations and improvements.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Financial Statements

The fiduciary fund financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Questar III's programs. Questar III has the following fiduciary funds:

Private-purpose trusts - established to account primarily for the assets of scholarship programs.

Agency - established to account for assets held in trust by Questar III.

Basis of Accounting/Measurement Focus

1. Government-wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred regardless of when the related cash flows take place. This approach differs from the manner in which governmental fund financial statements are prepared. The governmental fund financial statements are reconciled to the government-wide financial statements on the combined balance sheet and on the combined statement of revenues, expenditures and changes in funds balances for governmental funds.

Capital Assets and Depreciation

Capital assets are reported at actual or estimated historical cost. Contributed assets are reported at estimated fair market values at the time received.

Capital assets with a minimum depreciable base of \$5,000 are depreciated in the government-wide financial statements using the straight-line method with capital assets below this threshold being expensed in the year acquired. Estimated useful lives of the various classes of depreciable assets are as follows: buildings - 15 to 50 years, machinery and equipment - 7 to 15 years and vehicles - 8 years.

Long-Term Debt

Long-term debt includes Questar III's installment purchase debt, which is conduit debt for various districts.

Compensated Absences

Vacation leave is recorded as an expenditure when earned and the estimated liability is reported. Employees accrue vacation leave based on years of service.

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BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

1. Government-wide and Fiduciary Fund Financial Statements (Continued)

Postemployment Benefits

In addition to providing pension benefits, Questar III provides health insurance coverage for retired employees and their survivors. Substantially all of Questar III's employees may become eligible for these benefits if they reach normal retirement age and provide a minimum of 10 to 15 years of service (depending on when hired) while working for Questar III. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is primarily borne by Questar III.

Beginning with the year ended June 30, 2015, Questar III adopted a policy of providing a current liability for the estimated amount of postemployment benefits to be paid in the next fiscal year as that estimate is expected to be liquidated with expendable available resources.

2. Governmental Fund Financial Statements

The basis of accounting determines when revenues and expenditures are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. Measurement focus is the determination of what is measured. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, current liabilities and interfund balances are included in the fund types on the balance sheet. Operating statements of these fund types present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund equity.

Modified Accrual Basis - Generally accepted accounting principles and the New York State Uniform System of Accounts require that Questar III use the modified accrual basis of accounting for recording transactions in its governmental fund types. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A sixty day availability period is used for recognition of non-exchange transactions, while a one-year availability period is used for recognition of exchange transactions for governmental fund revenues. Material revenues that are susceptible to accrual include charges for services, intergovernmental revenues and operating transfers. If expenditures are the prime factor for determining eligibility, revenues from charges for services, and Federal and State grants are accrued when the expenditure is made. Expenditures are recorded when the fund liability is incurred except that:

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

2. Governmental Fund Financial Statements (Continued)

- a. Expenditures for prepaid items are recognized at the time of disbursement when Questar III is liable for payment.
- b. Principal and interest on long-term debt are recognized as an expenditure when due.
- c. Unfunded compensated absences for vacation leave and other compensated absences with similar characteristics and additional salary-related payments are recognized as a liability as the benefits are earned by the employees, based on the rendering of past service and the probability that the employees will be compensated for the benefits through paid time off or some other means. This includes vacation leave and other compensated absences with similar characteristics that were earned but not used during the current or prior periods and for which employees can receive compensation in a future period. Amounts do not include leave expected to lapse and leave that new employees will eventually qualify for.

Unearned Revenues and Deferred Outflows and Inflows of Resources

Unearned revenue arises when resources are received before Questar III has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when Questar III has legal claim to the resources, the liability is removed and revenue is recognized.

In addition to assets, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense/expenditure until then. There are generally three items that qualify for reporting in this category. The first item is related to pensions reported in the district-wide Statement of Net Position (Deficit). This represents the effect of the net change in Questar III's proportion of the collective net pension asset or liability and differences during the measurement period between Questar III's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is Questar III's contributions to the pension systems (TRS and ERS Systems) made subsequent to the measurement date. The third item relates to OPEB reporting in Questar III government-wide statement of net position (deficit). This represents the effect of the net change in the actual and expected expense.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting/Measurement Focus (Continued)

2. Governmental Fund Financial Statements (Continued)

Unearned Revenues and Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position (Deficit) will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as revenue until that time. There are generally three items that qualify for reporting in this category. First arises only under a modified accrual basis of accounting and is reported as unavailable revenue. The second item is related to pensions reported in the district-wide Statement of Net Position (Deficit). This represents the effect of the net change in Questar III's proportion of the collective net pension liability (TRS and ERS Systems) and differences during the measurement periods between Questar III's contributions and its proportionate share of total contributions to the pension system not included in pension expense. The third item is related to OPEB reported in the Questar III government-wide statement of position (deficit). This represents the effect of the net changes of assumptions or other inputs.

Fund Balance

Questar III has implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB 54 defines five categories of fund balances as follows:

- **Nonspendable** 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. Questar III's non-spendable fund balance consists of \$52,358 and \$1,175 in prepaid expense recorded in the general fund and special aid fund, respectively, at June 30, 2019.
- **Restricted** fund balance includes amounts restricted when constraints placed on the use of resources 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.
- **Committed** fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of Questar III's Board and contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements such as the award of a bid by Questar III's Board.
- **Assigned** fund balance includes amounts that are constrained by Questar III's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by Questar III or designated by Questar III for the ensuing year's budget. Assigned fund balance includes \$5,136,568 recorded in the general fund at June 30, 2019 for encumbrances. The special aid and capital projects funds have assigned fund balances for their programs and expenditures amounting to \$3,489,369 and \$1,461,029, respectively at June 30, 2019. The special aid assigned fund balance includes \$2,318,337 designated by the Board of Cooperative Educational Services for other postemployment benefits (Note 8).

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting/Measurement Focus (Continued)

2. Governmental Fund Financial Statements (Continued)

Fund Balance (Continued)

- **Unassigned** fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

Questar III's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

Use of Estimates

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

Budgetary Procedures and Budgetary Accounting

1. Budget Policies

The budget policies are as follows:

- a. Section 1950 §4(b) of the Education Law requires adoption of a final budget by no later than May 15 for the ensuing year.
- b. Questar III administration prepares a proposed administrative, capital and program budget, as applicable, for approval by members of Questar III board for the general fund.
- c. Appropriations for educational services are adopted at the program level and lapse at the end of each fiscal year.
- d. 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 by a majority of its voting component school boards.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Procedures and Budgetary Accounting (Continued)

2. Budget Basis of Accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Questar III's Board can approve budget revisions based upon a request for additional services and available surplus revenues to pay for these items.

New Accounting Standards

Questar III has adopted and implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019.

Future Changes in Accounting Standards

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020 and GASB Statement No. 87, *Leases*, effective for the year ending June 30, 2021.

Questar III will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Subsequent Events

Management has evaluated subsequent events or transactions as to potential material impact on operations or financial position occurring through November 27, 2019, the date the financial statements were available to be issued. No such events or transactions were identified.

2. CASH AND INVESTMENTS

1. Cash and Investments

a. Cash

Questar III's aggregate bank balances are valued at cost or cost plus interest and are categorized as either (1) insured, or for which the securities are held by Questar III's agent in Questar III's name, (2) collateralized, and for which the securities are held by the pledging financial institution's trust department or agent in Questar III's name, or (3) uncollateralized. Total bank balances at June 30, 2019 were \$17,941,483. The bank balance is fully insured by the FDIC or FSLIC, or collateralized by securities held by a third party in Questar III's name.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

2. CASH AND INVESTMENTS

1. Cash and Investments (Continued)

b. Investment and Deposit Policy

Questar III follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with Federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Business Officials.

c. Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. Questar III's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

d. Credit Risk

Questar III's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. Questar III's investment and deposit policy authorizes Questar III to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

e. Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with Questar III's investment and deposit policy, all deposits of Questar III including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 100% of the aggregate amount of deposits. Questar III restricts the securities to the following eligible items:

- Obligations of the United States Treasury, United States agencies or a United States government sponsored corporation.
- Obligations of New York State and its localities.
- Obligations issued by other States of the United States.
- Obligations of other government entities in other states having the power to levy taxes.
- Zero coupon obligations of the United States marketed as "treasury strips".

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

3. DUE FROM HEALTH INSURANCE TRUSTS

Health Insurance Trust

Questar III is a member in RCG Group Health Insurance Trust (the “Trust”). The Trust is considered a public entity risk pool which is defined as a cooperative group of governmental entities joining together to finance an exposure, liability or risk, and is tax-exempt under Section 511(c)(9) of the Internal Revenue Code. The Trust includes New York public school districts located in Rensselaer, Columbia and Greene Counties. The Trust was formed July 1, 1985, to allow member schools to obtain health insurance and prescription drug benefits at lower cost through a pooled purchasing arrangement. The Trust procures group insurance contracts with insurance carriers for medical, prescription drug and dental benefits, in which the Trust is not liable for any medical, dental or prescription drug claims. However, the Trust also maintains a self-insured prescription drug plan for which the individual Trust members are liable for any claims in excess of the balances maintained by the Trust. As of June 30, 2019, Questar III’s prescription drug plan account balance maintained by the Trust is \$1,568,976 of which \$521,751 is estimated as the outstanding estimated liability for the self-insured prescription plan. The excess balance of \$1,047,225 has been recorded as Due from Health Insurance Trusts on the statement of net position (deficit). Additionally, the Trust has declared a distribution of \$621,761 to Questar III payable from 2019 to 2023.

The RCG Group Health Insurance Trust issues a publicly available audited financial report that may be obtained by contacting the treasurer of the Trust, c/o Questar III, 10 Empire State Boulevard, Castleton, New York 12033.

Dental Trust

Questar III is self-insured for dental insurance. Dental claims expense for the year ended June 30, 2019 was \$333,570. There is no annual maximum, no deductible and the plan covers employee’s dependents. As of June 30, 2019, Questar III’s dental insurance account balance maintained by the trust is \$484,110 of which \$56,000 approximates the outstanding estimated liability for self-insured dental insurance. The excess balance of \$428,110 has been recorded as Due from Health Insurance Trusts on the statement of net position (deficit).

Workers’ Compensation Self-Insurance Plan

Questar III participates in a self-insurance plan for worker’s compensation called The Rensselaer Columbia-Greene (RCG) Counties Workers’ Compensation Consortium (“Consortium”). The Plan is a claims-servicing public entity risk pool which began operations in July 1985. The Consortium was formed by participating school districts and Questar III. The purpose of the Consortium is to operate a plan to provide the employees of the participants with workers’ compensation benefits and the participants with centralized administration and insurance covering job-connected disabilities and including the cost of medical treatment. The Consortium was accepted as a self-insurer by the State of New York Workers’ Compensation Board effective July 1, 1985. The Consortium has a stop loss policy to protect participants from unusually high claims.

The Consortium is governed by a Plan Agreement administered by a Board of Directors, consisting of one Director for each member. As of June 30, 2019 there were 18 participating members from Rensselaer, Columbia and Greene Counties in New York State, including Questar III. The amount held by the Plan on behalf of Questar III at June 30, 2019 was \$2,599,713, which approximates the outstanding estimated liability for self-insured workers’ compensation claims at June 30, 2019. Assessments contributed to the Consortium for the year ended June 30, 2019 were \$687,476.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

3. DUE FROM HEALTH INSURANCE TRUSTS (CONTINUED)

The Workers' Compensation Consortium issues a publicly available audited financial report that may be obtained by contacting the treasurer of the Consortium, c/o Questar III, 10 Empire State Boulevard, Castleton, New York 12033.

Due from the Health Insurance Trust consists of the following:

	General Fund	Statement of Net Position
Dividend receivable	\$ 621,761	\$ 621,761
Refund of excess deposits for self-insured prescription drug plan	528,223	528,223
Excess deposits for self-insured prescription drug plan	-	519,002
Excess deposits for self-insured prescription dental plan	-	428,110
	<u>\$ 1,149,984</u>	<u>\$ 2,097,096</u>
Deferred revenue as receivable is not available	<u>\$ (1,149,984)</u>	<u>\$ -</u>

As discussed above, Questar III, through its health insurance trusts and workers' compensation consortium, establishes a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for Questar III during the past two years:

	2019			2018		
	Prescription Drug	Dental	Workers' Compensation	Prescription Drug	Dental	Workers' Compensation
Unpaid claims and claim adjustment expenses at beginning of year	\$ 492,000	\$ 52,000	\$ 2,210,497	\$ 400,000	\$ -	\$ 2,006,315
Incurred claims and claim adjustment expenses	3,576,126	337,570	1,076,692	3,617,138	373,070	462,179
Payments made for claims during the current year	<u>(3,546,375)</u>	<u>(333,570)</u>	<u>(687,476)</u>	<u>(3,525,138)</u>	<u>(321,070)</u>	<u>(257,997)</u>
Total unpaid claim adjustment expenses at end of year	<u>\$ 521,751</u>	<u>\$ 56,000</u>	<u>\$ 2,599,713</u>	<u>\$ 492,000</u>	<u>\$ 52,000</u>	<u>\$ 2,210,497</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

4. CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending Balance</u>
Land	\$ 463,533	\$ -	\$ -	\$ -	\$ 463,533
Buildings	11,372,893	-	-	723,948	12,096,841
Equipment	2,682,859	1,040,715	(49,906)	-	3,673,668
Vehicles	867,427	112,851	(26,256)	-	954,022
Construction in Progress	-	723,948	-	(723,948)	-
	<u>15,386,712</u>	<u>1,877,514</u>	<u>(76,162)</u>	<u>-</u>	<u>17,188,064</u>
Less Accumulated Depreciation:					
Buildings	4,654,437	410,374	-	-	5,064,811
Equipment	1,874,377	281,000	(37,960)	-	2,117,417
Vehicles	442,340	93,357	(26,256)	-	509,441
	<u>6,971,154</u>	<u>784,731</u>	<u>(64,216)</u>	<u>-</u>	<u>7,691,669</u>
Capital Assets, Net	<u>\$ 8,415,558</u>	<u>\$ 1,092,783</u>	<u>\$ (11,946)</u>	<u>\$ -</u>	<u>\$ 9,496,395</u>

Depreciation expense was \$784,731 for the year ended June 30, 2019.

5. INSTALLMENT PURCHASE DEBT

Installment purchase debt consists of various leases incurred for the purchase of equipment which is then leased by Questar III under similar terms to its component districts. All installment purchase debts are collateralized by various equipment.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSELAER-COLUMBIA-GREENE COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

5. INSTALLMENT PURCHASE DEBT (CONTINUED)

Installment purchase debt activity for the year ended June 30, 2019 is as follows:

Installment Purchase Debt, Beginning Balance	\$ 1,478,250
New Leases	371,702
Repayments	<u>(909,987)</u>
Installment Purchase Debt, Ending Balance	<u>\$ 939,965</u>

Current maturities of installment purchase debt are as follows:

2020	\$ 621,244
2021	276,642
2022	<u>42,079</u>
	<u>\$ 939,965</u>

6. PENSION PLANS

General Information

Questar III participates in the New York State and Local Employees' Retirement System ("ERS"), and the New York State Teachers' Retirement System ("TRS"). These Systems are cost sharing multiple-employer, public employee retirement systems. The Systems offer 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.

Plan Description and Benefits Provided - TRS. The TRS is administered by the New York State Teachers' Retirement Board. The System provides benefits to plan members and beneficiaries as authorized by Article 11 of the New York State Education Law. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report may be obtained by writing the New York State Teachers' Retirement System, 10 Corporate Woods, Albany, NY 12211-2395, or by referring to the System's website at www.nystrs.org.

Plan Description and Benefits Provided - ERS. ERS provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the System. System benefits are established under provisions of the New York State Retirement and Social Security Laws ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244, or by referring to www.osc.state.ny.us/retire/publications/index.php.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

6. PENSION PLANS (CONTINUED)

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

ERS Contributions. The System is noncontributory except for the employees who joined the System after July 27, 1976 who contribute 3% of their salary, for the first ten years of membership and employees who joined on or after January 1, 2010 who generally must contribute 3% 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 the Systems' fiscal year ending March 31.

Contributions for the current year and two preceding years were equal to 100% of the contributions required as follows:

	ERS		TRS	
	Amount	Rate	Amount	Rate
2019	\$ 1,039,061	13.99%	\$ 1,837,042	10.62%
2018	\$ 1,002,151	14.31%	\$ 1,615,438	9.8%
2017	\$ 1,071,623	14.73%	\$ 1,981,191	11.72%

Chapter 260 of the laws of 2014 of the State of New York allows local employers to bond or amortize a portion (limitations established by fiscal year) of their retirement bill up to 10 years for fiscal years ending March 31, 2005 through 2008. Chapter 57 of the laws of 2010 of the State of New York allows local employers to amortize a portion (limitations established by fiscal year) of their retirement bill for 10 years for fiscal years ending March 31, 2011 and forward. These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts. Questar III has not bonded or amortized any portion of their retirement obligations.

QUESTAR III
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RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

6. PENSION PLANS (CONTINUED)

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

At June 30, 2019, Questar III reported an asset of \$1,829,932 (TRS) and a liability of \$1,928,577 (ERS) for its proportionate share of the net pension liability. The net pension assets (TRS) was measured as of June 30, 2018, and the net pension liability (ERS) was measured as of March 31, 2019, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of those dates. Questar III's proportion of the net pension asset/liability was based on a projection of the Questar III's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019, Questar III's proportion was .1012% percent TRS and .0272% ERS.

For the year ended June 30, 2019, Questar III recognized pension expense of \$1,508,440 for TRS and \$1,242,610 for ERS.

At June 30, 2019, Questar III reported deferred outflows of resources related to pensions from the following sources:

	<u>TRS</u>	<u>ERS</u>	<u>Total Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 1,367,493	\$ 379,777	\$ 1,747,270
Changes of assumptions	6,396,811	484,765	6,881,576
Changes in proportionate share	506,545	40,549	547,094
Contributions after the measurement date	<u>1,837,042</u>	<u>263,781</u>	<u>2,100,823</u>
	<u>\$ 10,107,891</u>	<u>\$ 1,168,872</u>	<u>\$ 11,276,763</u>

At June 30, 2019, Questar III reported deferred inflows of resources related to pensions from the following sources:

	<u>TRS</u>	<u>ERS</u>	<u>Total Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 247,706	\$ 129,462	\$ 377,168
Net difference between projected and actual earnings on pension plan investments	2,031,363	494,979	2,526,342
Changes in proportion share	<u>-</u>	<u>77,880</u>	<u>77,880</u>
	<u>\$ 2,279,069</u>	<u>\$ 702,321</u>	<u>\$ 2,981,390</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

6. PENSION PLANS (CONTINUED)

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

The net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

June 30, 2020	\$ 4,427,336
June 30, 2021	934,018
June 30, 2022	161,613
June 30, 2023	1,585,426
June 30, 2024	923,694
Thereafter	<u>263,286</u>
	<u>\$ 8,295,373</u>

TRS Actuarial Assumptions

The total pension liability at the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2017, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuation used the following actuarial assumptions:

Actual	Entry age normal
Inflation	2.25%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.5% compounded annually
Investment rate of return	7.25% compounded annually, net of pension plan investment expense, including inflation

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP 2014, applied on a generational basis. Active members mortality rates are based on plan member experience.

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

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standards and 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.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

6. PENSION PLANS (CONTINUED)

ERS Actuarial Assumptions

The total pension liability at the March 31, 2019 measurement date was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2018 valuation were a follows:

Inflation rate	2.5%
Salary increase	4.2%
Projected Cola	1.3%
Investment Rate of Return	7.0%

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014.

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

Long Term Expected Rate of Return

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation for TRS and ERS are as follows:

<u>Asset Class</u>	<u>TRS</u>	<u>ERS</u>
Domestic equity	5.8%	4.55%
International equity	7.3%	6.35%
Global equities	6.7%	- %
Real estate	4.9%	5.55%
Private equities	8.9%	7.5%
Domestic fixed income securities	1.3%	- %
Global fixed income securities	.9%	- %
Private debt	6.8%	- %
Real estate debt	2.8%	1.31%
High-yield fixed income securities	3.5%	- %
Short-term	.3%	(0.25%)
Absolute return	- %	3.75%
Opportunistic portfolio	- %	5.68%
Real assets	- %	5.29%
Inflation-indexed bonds	- %	1.25%

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

6. PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to calculate the total pension asset was 7.25% for TRS and the total pension liability was 7% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

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

The following presents the Questar III's proportionate share of the net pension asset/liability calculated using the discount rate of 7.25% (TRS) and 7.0% (ERS), as well as what Questar III's proportionate share of the net pension asset/liability 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:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
<u>TRS</u>			
Employers' proportionate share of the net pension asset (liability)	\$ (12,571,928)	\$ 1,829,932	\$ 13,894,688
<u>ERS</u>			
Employers' proportionate share of the net pension asset (liability)	\$ (8,432,045)	\$ (1,928,577)	\$ 3,534,798

Pension Plan Fiduciary Net Position

The components of the collective net pension asset (TRS) and liability (ERS) of the participating employers as of June 30, 2018 and March 31, 2019, respectively, were as follows (in thousands):

	<u>TRS</u>	<u>ERS</u>
Employers' total pension liability	\$ (118,107,253)	\$ (189,803,429)
Fiduciary net position	<u>119,915,517</u>	<u>182,718,124</u>
Employers' net pension asset (liability)	<u>\$ 1,808,264</u>	<u>\$ (7,085,305)</u>
Ratio of fiduciary net position to the employers' total pension asset/liability	<u>101.53%</u>	<u>96.27%</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

7. OTHER POSTEMPLOYMENT BENEFITS/RESTATEMENT OF NET POSITION

A. General Information about the OPEB Plan

Plan Description - Questar III's defined benefit OPEB plan provides OPEB for all permanent full-time general employees of Questar III. The plan is a single-employer defined benefit OPEB plan administered by Questar III. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Questar III Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided - Questar III provides healthcare benefits for retirees and their dependants. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at Questar III offices and are available upon request.

Employees Covered by Benefit Terms - At the actuarial valuation date of July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	350
Active employees	394
	744

B. Total OPEB Liability

Questar III's total OPEB liability of \$117,540,084 was measured as of June 30, 2019 and was determined by an actuarial valuation as of July 1, 2017 with update procedures used to roll forward the total OPEB liability to June 30, 2019.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increases	2.6 percent, average, including inflation
Discount Rate	3.5 percent
Healthcare Cost Trend Rates	7.5 percent for 2018, decreasing to an ultimate rate of 4.5 percent for 2025 and later years

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on the Scale MP - 2017.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019

7. OTHER POSTEMPLOYMENT BENEFITS/RESTATEMENT OF NET POSITION (CONTINUED)

B. Total OPEB Liability (Continued)

The actuarial assumptions used in the valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance as of June 30, 2018	<u>\$ 120,963,459</u>
Changes for the Year	
Service cost	5,752,575
Interest	3,751,668
Effect of assumptions changes or inputs	(9,582,015)
Benefit payments	<u>(3,345,603)</u>
Net Changes	<u>(3,423,375)</u>
Balance at June 30, 2019	<u><u>\$ 117,540,084</u></u>

The OPEB liability is presented in the statement of net position as follows:

Current liability	\$ 3,345,603
Long-term liability	<u>114,194,481</u>
Total OPEB liability	<u><u>\$ 117,540,084</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.0 percent in 2018 to 3.5 percent in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of Questar III, as well as what Questar III's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2 percent) or 1 percentage point higher (4 percent) than the current discount rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	<u>\$ 137,859,929</u>	<u>\$ 117,540,084</u>	<u>\$ 101,280,126</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

7. OTHER POSTEMPLOYMENT BENEFITS/RESTATEMENT OF NET POSITION (CONTINUED)

C. Changes in the Total OPEB Liability (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the total OPEB liability of Questar III, as well as what Questar III's total OPEB liability 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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>94,276,765</u>	\$ <u>117,540,084</u>	\$ <u>149,918,514</u>

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

At June 30, 2019, Questar III reported deferred outflows of resources and deferred inflows of resources relating to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual expenses	\$ 52,379	\$ -
Changes in assumptions	-	(8,287,148)
	<u>\$ 52,379</u>	<u>\$ (8,287,148)</u>

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

Year Ending June 30,	Amount
2020	\$ (1,287,883)
2021	(1,287,883)
2022	(1,287,883)
2023	(1,287,883)
2024	(1,287,883)
Thereafter	(1,795,354)
	<u>\$ (8,234,769)</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

8. DUE TO COMPONENTS AND NON-COMPONENTS

Prior to July 1, 2015, Questar III had charged components, non-components and grantors for postemployment healthcare costs and accumulated those funds for several years in anticipation of partially funding the liability. As legislation was never passed that allowed for the funding of postemployment healthcare costs, the New York State Comptroller's Office required the funds be liquidated. A plan to liquidate the funds was approved by the Questar III Board, the State Education Department and the participating districts. The plan required that funds collected from components and non-components of \$15,692,282 be liquidated via providing credits to the districts over a five year period. Additionally, funds collected from grantors of \$2,318,337 will be retained in the Special Aid fund, and Questar III will seek guidance from the New York State Education Department concerning how to address these funds. Lastly, a one year estimate for retiree healthcare costs will remain in the general fund as a current liability, in accordance with GASB Statements No. 75, "Other postemployment benefit expenditures from governmental funds should be recognized on the modified accrual basis. The amount recognized should be equal to the amount contributed to the plan or expected to be liquidated with expendable available financial resources."

The liquidation of the liability to components and non-components, based on the most recent estimates, is scheduled to be completed in 2020.

9. JOINT VENTURES

Tech Valley Regional Technology Institute

Chapter 757 of the laws of 2005 established the Tech Valley Regional Technology Institute, a high school course of instruction for grades nine through twelve dedicated to providing expanded learning opportunities to students residing in the Capital Region BOCES and Questar III BOCES in the areas of technology as well as the core academic areas required for the issuance of high school diplomas in accordance with the rules and regulations promulgated by the Board of Regents.

During the 2018-2019 school year, the School had an annualized full-time enrollment of approximately 130 students.

The venture operates under the terms of an agreement dated June 6, 2008. The agreement is for a period of five years and automatically renews for another five years unless either party provides notice of a desire not to renew.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2019

9. JOINT VENTURES (CONTINUED)

Tech Valley Regional Technology Institute (Continued)

1. The venture is governed by a 10 member operating board, 5 of which are appointed by Capital Region BOCES and 5 of which are appointed by Questar III BOCES.
2. Operating costs are allocated to Capital Region BOCES and Questar III based on the percentage of each party's component and non-component districts participation. (39.0% Capital Region BOCES and 61.0% Questar III for the year ended June 30, 2019).
3. Rent and capital costs are allocated equally to Capital Region BOCES and Questar III.
4. The governing body has established charges at rates intended to be self-sustaining to cover all operating costs. Any shortfall in revenues produced by such charges is to be provided in the same manner as operating costs.

The following is a summary of the audited governmental funds financial information included in financial statements issued for the joint venture as of and for the year ended June 30, 2019:

Total Assets and Deferred Outflows of Resources	<u>\$ 2,577,998</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,902,082</u>
Joint Venture Equity	<u>\$ 675,916</u>
Total Revenue	<u>\$ 3,415,457</u>
Total Expenses	<u>\$ 3,170,284</u>

10. COMMITMENTS AND CONTINGENCIES

Other Contingencies

Questar III 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 to the federal and state governments. Questar III believes disallowances, if any, will be immaterial.

Leases

Questar III has committed to operating lease arrangements attributable to classrooms, Questar III's main office and classrooms for Tech Valley Regional Technology Institute at June 30, 2019. The term of the leases vary from one to twenty years.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2019

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The following table summarizes Questar III's future payment requirements as of June 30, 2019 under noncancellable operating leases:

Year Ending	
2020	\$ 1,344,533
2021	1,019,334
2022	495,806
2023	495,806
2024	495,806
Thereafter	<u>3,900,082</u>
	<u>\$ 7,751,367</u>

Union Contracts

Questar III employees are represented by collective bargaining agents. Those agents which represent them and the dates of expiration of their agreements are as follows:

<u>Bargaining Unit</u>	<u>Contract Expiration Date</u>
Teachers' Association	June 30, 2020
Assistant Unit	June 30, 2020
Support Services	June 30, 2020
Administrators' Association	June 30, 2022

Litigation

Questar III is a defendant in various legal actions which are pending litigation. Legal counsel has reviewed the contingent liability to Questar III for each of these lawsuits. Legal counsel is of the opinion that the outcome of this litigation will not materially affect the financial position of Questar III.

SUPPLEMENTARY INFORMATION

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
 BUDGETARY COMPARISON STATEMENT - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

SUPPLEMENTAL SCHEDULE #1

	Original Budget	Amended Budget	Actual	Over (Under) Amended Budget
REVENUES				
Administration (001-002)	\$ 8,029,298	\$ 8,507,480	\$ 7,852,860	\$ (654,620)
Career Education (100-199)	9,081,341	10,761,755	9,287,211	(1,474,544)
Instruction for Handicapped (200-299)	22,933,765	25,469,585	25,518,152	48,567
Itinerant (300-399)	1,995,379	2,039,195	2,012,967	(26,228)
General Instruction (400-499)	5,677,630	6,017,798	6,021,253	3,455
Instructional Support (500-599)	7,872,997	8,643,757	7,964,551	(679,206)
Other (600-699)	<u>11,954,723</u>	<u>14,339,725</u>	<u>13,066,454</u>	<u>(1,273,271)</u>
	<u>\$ 67,545,133</u>	<u>\$ 75,779,295</u>	<u>\$ 71,723,448</u>	<u>\$ (4,055,847)</u>

	Original Budget	Amended Budget	Actual	Encumbrances	Unencumbered Balance
EXPENDITURES					
Administration (001-002)	\$ 8,029,298	\$ 8,507,480	\$ 7,797,942	\$ 285,152	\$ 424,386
Career Education (100-199)	9,081,341	10,761,755	9,275,201	1,019,257	467,297
Instruction for Handicapped (200-299)	22,933,765	25,469,585	22,134,563	2,210,895	1,124,127
Itinerant (300-399)	1,995,379	2,039,195	1,731,780	24,831	282,584
General Instruction (400-499)	5,677,630	6,017,798	5,842,593	19,428	155,777
Instructional Support (500-599)	7,872,997	8,643,757	7,861,896	453,683	328,178
Other (600-699)	<u>11,954,723</u>	<u>14,339,725</u>	<u>12,442,716</u>	<u>1,123,322</u>	<u>773,687</u>
	<u>\$ 67,545,133</u>	<u>\$ 75,779,295</u>	<u>\$ 67,086,691</u>	<u>\$ 5,136,568</u>	<u>\$ 3,556,036</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED JUNE 30, 2019

SCHEDULE #2

Measurement date	June 30, 2019	June 30, 2018
Total OPEB liability:		
Service cost	\$ 5,752,575	\$ 5,585,024
Interest	3,751,668	3,567,950
Effect of assumption changes or inputs	(9,582,015)	66,347
Benefit payments	<u>(3,345,603)</u>	<u>(3,181,463)</u>
Net change in total OPEB liability	(3,423,375)	6,037,858
Total OPEB liability, beginning of year	<u>120,963,459</u>	<u>114,925,601</u>
Total OPEB liability, end of year	<u>\$ 117,540,084</u>	<u>\$ 120,963,459</u>
Covered payroll	<u>\$ 21,008,832</u>	<u>\$ 21,008,832</u>
Total OPEB liability as a percentage of covered payroll	<u>559.48%</u>	<u>575.77%</u>

Note: 10 years of historical information will not be available upon implementation in 2018. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available. Covered payroll is the same for the two fiscal years presented as that was the data contained in the July 1, 2017 valuation.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION ASSET/LIABILITY
FOR THE YEAR ENDED JUNE 30, 2019

	SCHEDULE #3				
<u>TRS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Proportionate share of net pension asset (liability)	\$ 1,829,932	\$ 810,830	\$ (1,157,032)	\$ 11,335,652	\$ 12,473,692
Covered payroll	\$ 17,593,225	\$ 18,131,483	\$ 17,646,050	\$ 17,226,673	\$ 17,296,119
Proportionate share of net pension asset/liability as a percentage of covered payroll	10.4%	4.5%	6.6%	65.8%	72.1%
Plan fiduciary net position as a percentage of total pension asset/liability	101.5%	100.7%	99.0%	110.5%	111.5%
<u>ERS</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Proportionate share of net pension asset (liability)	\$ (1,928,577)	\$ (873,534)	\$ (2,587,277)	\$ (4,320,516)	\$ (870,003)
Covered payroll	\$ 9,650,806	\$ 9,180,967	\$ 8,751,349	\$ 9,020,039	\$ 8,218,496
Proportionate share of net pension liability as a percentage of covered payroll	20.0%	9.5%	29.6%	47.9%	10.6%
Plan fiduciary net position as a percentage of total pension liability	96.3%	98.2%	94.7%	90.6%	97.9%

Note: Information for the years prior to implementation of GASB 68 is unavailable and will be completed each year going forward as it becomes available.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2019

	SCHEDULE #4				
<u>TRS</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 1,615,438	\$ 1,981,191	\$ 2,210,429	\$ 2,873,792	\$ 2,687,904
Contributions in relation to the contractually required contribution	<u>1,615,438</u>	<u>1,981,191</u>	<u>2,210,429</u>	<u>2,873,792</u>	<u>2,687,904</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered-employee payroll	\$ 17,593,225	\$ 18,131,483	\$ 17,646,050	\$ 17,226,673	\$ 17,296,119
Contributions as a percentage of covered-employee payroll	9.2%	10.9%	12.5%	16.7%	15.5%
<u>ERS</u>	<u>March 31, 2019</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Contractually required contribution	\$ 1,039,061	\$ 1,002,151	\$ 1,071,623	\$ 1,258,095	\$ 1,133,339
Contributions in relation to the contractually required contribution	<u>1,039,061</u>	<u>1,002,151</u>	<u>1,071,623</u>	<u>1,258,095</u>	<u>1,133,339</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School District's covered-employee payroll	\$ 9,650,806	\$ 9,180,967	\$ 8,751,349	\$ 9,020,039	\$ 8,218,496
Contributions as a percentage of covered employee payroll	10.8%	10.9%	12.2%	13.9%	13.8%

Note: Information for the years prior to implementation of GASB 68 is unavailable and will be completed each year going forward as it becomes available.

OTHER SUPPLEMENTARY INFORMATION

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSELAER-COLUMBIA-GREENE COUNTIES
ANALYSIS OF ACCOUNT A431-SCHOOL DISTRICTS AND OTHER BOCES
FOR THE YEAR ENDED JUNE 30, 2019

SUPPLEMENTAL SCHEDULE #5

July 1, 2018 - Debit Balance	<u>\$ 2,526,307</u>
Debits:	
Billings to School Districts and Other BOCES	70,034,470
Prior Year Refund of Balances Due School Districts	4,552,735
Encumbrances - Beginning of Year	<u>4,296,936</u>
Total Debits	<u>78,884,141</u>
Total	<u>81,410,448</u>
Credits:	
Collections from School Districts and Other BOCES	69,735,059
Adjustment - Credits to School BOCES - Revenues in Excess of Expenditures	3,797,125
Encumbrances - End of Year	<u>5,136,568</u>
Total Credits	<u>78,668,752</u>
June 30, 2019 - Debit Balance	<u><u>\$ 2,741,696</u></u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF PROJECT EXPENDITURES
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2019

SUPPLEMENTAL SCHEDULE #6

	Original Appropriation	Revised Appropriation	Expenditures to Date		Balance
			Prior Years'	Current Year	
Warehouse (2018-2019)	\$ 90,000	\$ 94,331	\$ -	\$ 94,331	\$ -
Rensselaer Education Center (2018-2019)	660,000	629,597	-	629,597	-
Rensselaer Education Center Modernization Project	<u>1,461,029</u>	<u>1,461,029</u>	<u>-</u>	<u>-</u>	<u>1,461,029</u>
	<u>\$ 2,211,029</u>	<u>\$ 2,184,957</u>	<u>\$ -</u>	<u>\$ 723,928</u>	<u>\$ 1,461,029</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF INVESTMENT IN CAPITAL ASSETS, NET OF RELATED DEBT
FOR THE YEAR ENDED JUNE 30, 2019

SUPPLEMENTAL SCHEDULE #7

Capital Assets, Net and Net Investment in Capital Assets	<u>\$ 9,496,395</u>
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board
Questar III - Board of Cooperative Educational Services
Rensselaer-Columbia-Greene Counties
Castleton, New York

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 of Questar III - Board of Cooperative Education Services, Rensselaer-Columbia-Greene Counties (Questar III) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Questar III's basic financial statements, and have issued our report thereon dated November 27, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Questar III's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Questar III's internal control. Accordingly, we do not express an opinion on the effectiveness of the Questar III's 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Questar III's 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.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
November 27, 2019

EXTRACLASSROOM ACTIVITY FUNDS

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CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS OF:
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Questar III
Board of Cooperative Educational Services
Rensselaer-Columbia-Greene Counties
Castleton, New York

We have audited the accompanying financial statements of the Questar III - Board of Cooperative Educational Services of Rensselaer-Columbia-Greene Counties Extraclassroom Activity Funds ("Questar III Extraclassroom Activity Funds"), which comprise the statement of assets and fund balance-cash basis as of June 30, 2019, and the related statement of cash receipts and disbursements-cash basis for the year then ended, and the related note to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, and fund balance - cash basis of Questar III Extraclassroom Activity Fund as of June 30, 2019, and its cash receipts and disbursements - cash basis for the year then ended in accordance with the cash basis of accounting as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
November 27, 2019

QUESTAR III - BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSELAER-COLUMBIA-GREENE COUNTIES
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF ASSETS AND FUND BALANCE - CASH BASIS
JUNE 30, 2019

Assets

Cash \$ 36,787

Fund Balance \$ 36,787

QUESTAR III - BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES

EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balances</u> <u>June 30, 2018</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances</u> <u>June 30, 2019</u>
Skills - Columbia-Greene	\$ 6,115	\$ 10,536	\$ 11,040	\$ 5,611
Skills - Rensselaer	5,986	4,691	4,858	5,819
Autistic Goff	1,065	1,473	971	1,567
Autistic Red Mill	4,274	451	133	4,592
Sackett Student Council	545	1,635	1,102	1,078
Sackett Social Studies	17	280	275	22
Pro Start - Columbia-Greene	2,126	2,481	1,046	3,561
Pro Start - Rensselaer	8,463	1,337	1,651	8,149
Food Service	2,125	703	37	2,791
Rensselaer Academy Student Council	2,438	735	-	3,173
Maple Hill Student Council	1	-	1	-
Catskill Academy School Council	30	-	30	-
Robin Sobol Transitions Academy	42	262	159	145
George Washington Student Council	<u>-</u>	<u>385</u>	<u>106</u>	<u>279</u>
	<u>\$ 33,227</u>	<u>\$ 24,969</u>	<u>\$ 21,409</u>	<u>\$ 36,787</u>

QUESTAR III - BOARD OF COOPERATIVE EDUCATIONAL SERVICES

RENSELAER-COLUMBIA-GREENE COUNTIES

EXTRAClassroom Activity Funds

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The extraclassroom activity funds are used to account for those organizations within Questar III - Board of Cooperative Educational Services, Rensselaer-Columbia-Greene Counties (Questar III) whose activities are conducted by students and whose financial support is raised other than by taxation, fees or through charges of Questar III.

A. Reporting Entity

The transactions of the Extraclassroom Activity Funds are considered part of the reporting entity of Questar III. Consequently, such transactions are included in Questar III's financial statements.

The extraclassroom activity funds of Questar III represents funds of the students of Questar III. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of Questar III with respect to its financial transactions and the designation of student management.

B. Basis of Accounting

The books and records of Questar III's Extraclassroom Activity Funds are maintained on the cash basis of accounting. Under this basis of accounting revenues are recognized when cash is received and expenditures recognized when cash is disbursed.