

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

FINANCIAL REPORT

JUNE 30, 2018

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

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QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 JUNE 30, 2018

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, 2018. 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) on an entity wide basis decreased by approximately \$18.3 million over the prior year. The decrease is primarily attributable to a prior period restatement of \$14.9 million as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The remaining decrease of \$3.4 million, resulted from the net impact of the postemployment benefit adjustment, the pension adjustment and the deposit with the Health Insurance Trust.
- Governmental revenues under the modified accrual basis of accounting increased by 4.5% due to a net increase in providing instructional services and district financial services. The following is a five-year revenue comparison (dollars in millions):

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Administration (001-002)	\$ 7.7	\$ 7.6	\$ 7.5	\$ 7.3	\$ 5.9
Career Education (100-199)	9.0	8.8	8.9	8.5	8.0
Instruction for Handicapped (200-299)	23.3	21.6	22.7	20.9	19.8
Itinerant Service (300-399)	1.8	2.0	2.1	2.2	1.8
General Instruction (400-499)	6.1	6.2	5.9	5.5	5.2
Instructional Support (500-599)	7.5	7.4	7.4	7.1	6.7
Other Services (600-699)	12.3	11.1	11.1	10.6	9.4
Special Aid Fund (800-999)	4.6	4.5	4.3	5.6	4.7
Total Revenue	<u>\$ 72.3</u>	<u>\$ 69.2</u>	<u>\$ 69.9</u>	<u>\$ 67.7</u>	<u>\$ 61.5</u>
% Increase (Decrease)	<u>4.5%</u>	<u>(1.00%)</u>	<u>3.25%</u>	<u>10.08%</u>	<u>.32%</u>

The majority of Questar III services are purchased by our 23 component school districts which accounted for approximately 77.2% of our total revenues (78.3% in the 2016-2017 year).

Expenditures increased by 3.7% over the prior year. Salaries decreased as a percentage of total expenditures to 38.0% for the current year from 39.3% 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Salaries & Wages	\$ 25.6	\$ 25.5	\$ 25.1	\$ 24.7	\$ 24.1
Salaries & Wages as % of Total Expenditures	38.0%	39.3%	37.0%	39.0%	41.1%
Fringe Benefits (Other than Health)	\$ 15.2	\$ 15.1	\$ 15.7	\$ 13.7	\$ 12.1
Fringe Benefits as % of Total Expenditures	22.6%	23.3%	23.0%	21.6%	20.6%
Health Insurance	\$ 9.7	\$ 9.4	\$ 9.2	\$ 7.1	\$ 6.0
Health Insurance as % of Total Expenditures	14.4%	14.5%	14.7%	11.2%	10.2%
Total Expenditures	\$ 67.3	\$ 64.9	\$ 67.7	\$ 63.4	\$ 58.8

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

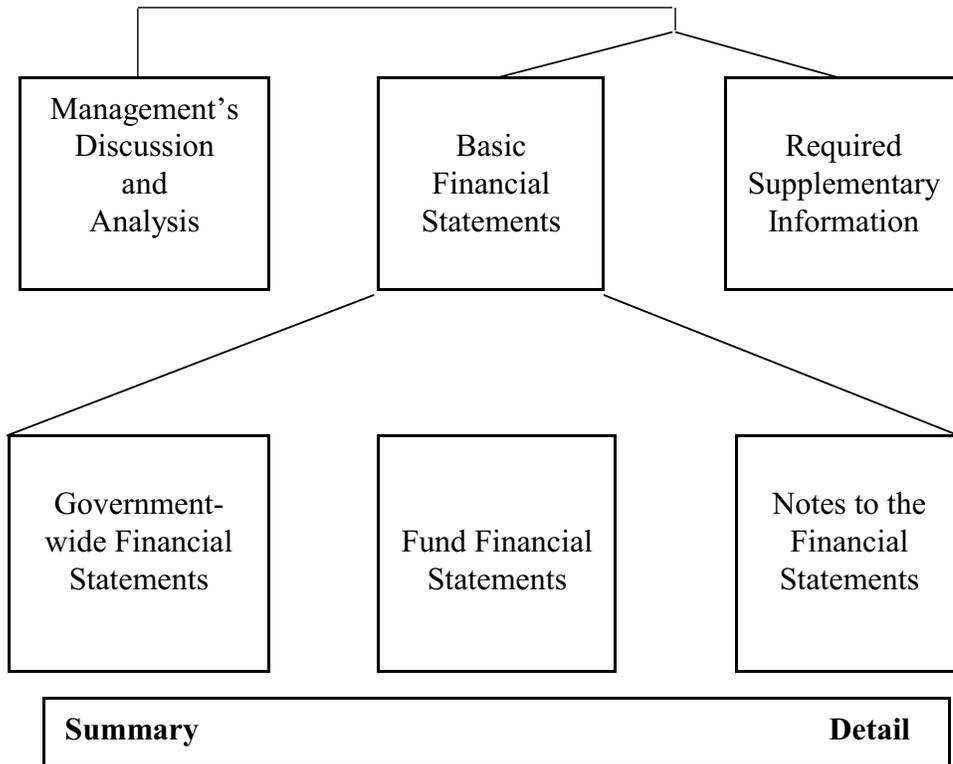
This annual report consists of three parts: MD&A (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of Questar III:

- 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

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 \$3.4 million (after a prior period restatement of \$14.9 million) to a deficit of approximately \$88.6 million as detailed in Tables A-3 and A-4.

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

	<u>2018</u>	<u>2017</u>
Current Assets	\$ 17.9	\$ 19.2
Capital Assets, Net of Depreciation	8.4	7.7
Other Long-Term Assets	3.0	1.5
Proportionate Share of Net Pension Assets	.8	-
Deferred Outflows - Pension and OPEB	13.3	13.1
Total Assets and Deferred Outflows	<u>\$ 43.4</u>	<u>\$ 41.5</u>
Current Liabilities	\$ 7.6	\$ 9.1
Noncurrent Liabilities	119.3	101.9
Deferred Inflows - Pension	5.1	.8
Total Liabilities and Deferred Inflows	<u>\$ 132.0</u>	<u>\$ 111.8</u>
Net Position (Deficit)		
Investment in Capital Assets, Net of Related Debt	\$ 8.4	\$ 7.7
Unassigned Deficit	(97.0)	(78.0)
Total Net Position (Deficit)	<u>\$ (88.6)</u>	<u>\$ (70.3)</u>

CHANGES IN NET POSITION (DEFICIT)

Questar III's total year 2018 program revenues approximate \$71 million. (See Table A-4) Charges to components, non-components and others accounted for 94.4% (94.9% in 2017) of Questar III's revenue. Operating grants accounted for 4.2% (4.1% in 2017).

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CHANGES IN NET POSITION (DEFICIT) (CONTINUED)

Questar III's total year 2018 program expenses approximate \$70.0 million. (See Table A-4) Of these expenses 90.3% related to instruction, instructional support and other district services (90.7% in 2017) and 9.7% related to administrative and business activities (9.3% in 2017).

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

	<u>2018</u>		<u>2017</u>	
Revenues				
Program Revenues				
Charges for Services	\$ 67.0	94.4%	\$ 65.0	94.9%
Operating Grants	3.0	4.2%	2.8	4.1%
Other Revenues	1.0	1.4%	.7	1.0%
Total Revenues	<u>71.0</u>	<u>100.0%</u>	<u>68.5</u>	<u>100.0%</u>
Expenses				
Administration	6.8	9.7%	6.6	9.3%
Career Education	9.8	14.1%	9.6	13.7%
Instruction of Handicapped	24.5	35.0%	24.3	34.6%
Itinerant Services	1.8	2.6%	2.3	3.3%
General Instruction	6.6	9.5%	6.6	9.4%
Instructional Support	8.8	12.5%	9.3	13.2%
Other Services	11.7	16.6%	11.6	16.5%
	<u>70.0</u>	<u>100.0%</u>	<u>70.3</u>	<u>100.0%</u>
Revenues in Excess of Expenses before Return of Surplus				
	1.0		(1.8)	
Return of Surplus	(5.3)		(3.9)	
Other	.9		1.0	
Prior Period Restatement	<u>(14.9)</u>		<u>-</u>	
Change in Net Position	<u>\$ (18.3)</u>		<u>\$ (4.7)</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, 2018 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)	\$ 7,785,740	\$ 8,262,822	\$ 7,527,177	\$ 459,692	\$ 275,953
Career Education (100-199)	8,836,400	10,139,159	8,383,624	1,459,737	295,798
Instruction for Handicapped (200-299)	21,124,413	23,540,958	21,088,165	298,591	2,154,202
Itinerant Service (300-399)	1,834,431	1,758,715	1,627,678	18,219	112,818
General Instruction (400-499)	5,662,310	6,109,378	6,000,764	32,850	75,764
Instructional Support (500-599)	7,411,402	7,777,905	6,908,536	703,421	165,948
Other Services (600-699)	11,066,190	13,445,620	10,853,404	1,334,426	1,267,790
	<u>\$ 63,720,886</u>	<u>\$ 71,034,557</u>	<u>\$ 62,389,348</u>	<u>\$ 4,296,936</u>	<u>\$ 4,348,273</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 year 2018:

Table A-5: Capital Assets

<u>Category</u>	<u>2018</u>	<u>2017</u>
Land	\$ 463,533	\$ 463,533
Buildings	11,372,893	10,381,579
Equipment	2,682,859	2,531,301
Vehicles	867,427	653,077
Construction in Progress	-	96,744
Total	<u>\$ 15,386,712</u>	<u>\$ 14,126,234</u>

Long-Term Debt

At year-end 2018 Questar III had \$1,478,250 in installment purchase debt outstanding of which \$693,162 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 and Questar III's revenue streams. Negotiated collective bargaining agreements for salary increases as well as the rising cost of employee benefits such as health insurance and prescription drugs continues to make budgeting challenging.

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 2006-2007 to 2016-2017, the Resident Weighted Average Daily Attendance (RWADA) has declined by 16.6% or 6,498 students from 39,118 to 32,620. This decline can have an impact on enrollment in BOCES programs, however there are many other factors that play roles in those trends such as student needs, economic conditions and societal impacts.

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 explore 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 option 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 is moving forward with a renovation of the Rensselaer Educational Career in Troy. Renovations are being planned in three phases beginning in the 2019-2020 year and are anticipated to continue over the next three to five-year period. The renovations will be a combination of BOCES operation and maintenance work and BOCES facility capital project work.

As Questar III moves forward with this process it will engage its education, business and higher education partners in conversations about this exciting initiative. 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 2017-2018 school year was the last year for the Aviation Maintenance CTE program due to its continued low enrollment. To address the interests of students and the changing needs of industry, two new programs were developed for the 2018-2019 school year. The first is a Heavy Equipment Operations and Maintenance Program that is located at the former Durham Elementary School in the Cairo-Durham Central School District and the second is an Emergency Medical Technician and Health Careers Program that is located at the Questar III Columbia-Greene Educational Center. Also, the Certified Nursing Assistant program, which was located at Hudson City School District's High School, has been relocated to the Questar III Columbia-Greene Educational Center for 2018-2019. This will alleviate space rental costs but will create the need for student transportation to clinical sites during the second half of the school year.

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FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

Due to aggressive budget monitoring, closure of the Aviation Maintenance Program and the Rensselaer Educational Center Modernization Project that is beginning in 2018-2019, which was later than originally anticipated, the CTE program staff were able to fund the equipment purchases necessary to start-up the Heavy Equipment program with minimal impact to the CTE budget. Since both of the new programs will serve the southern counties, work will be done during the 2018-2019 school year to extend these program offerings to Rensselaer County.

Existing programs will continue to be evaluated for industry relevancy, academic rigor, and student interest. Construction and Heating, Ventilation, and Air Conditioning programs will be evaluated in the upcoming school year as part of the NYS program re-approval process and we will be looking at our Information Technology course as that field is continually changing.

Our Career Studies programs provide students with entry-level training in a technical area or trade at an alternative learning pace. These programs now offer integrated math, science, and English Language Arts credits stretched over the two years to better respond to the 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Number of students	680	692	723	725	674
% change from prior year	(1.7%)	(4.3%)	(0.2%)	7.6%	2.7%
Revenue in millions	\$ 9.0	\$ 8.8	\$ 8.9	\$ 8.5	\$ 8.0
% change from prior year	2.3%	(1.1%)	4.7%	6.3%	0%

Instruction of Students with Disabilities: The Special Education department has its highest starting student enrollment with 312 students for the 2018-2019 school year. Our academy sites are at maximum capacity for classes, and many of our other classes are fully enrolled. George Washington School opened an additional K-2 class the last week of August to meet the needs of the districts. At the start of the 2018-2019 school year there were three 4:1:2 classes at George Washington School, up from the projected two elementary classes for this year, to accommodate referrals from districts. Our Therapeutic Youth Program (TYP), for high school students at The Sackett Educational Center, started with a wait list of two students. Our current enrollment provides limited capacity for additional students in all programs.

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FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

As a department, we continue to evaluate our programs to implement best instructional and behavioral practices. Currently, a Special Education task force is being assembled to review the needs of students who are currently struggling in their school district. This opportunity will provide data to drive future programming and additional support to districts.

Approximately 23.7% of our students with disabilities are from non-component school districts (22.6% in 2016-2017).

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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Number of students	296	287	295	275	270
% change from prior year	3.1%	(2.7%)	7.3%	1.9%	(3.9%)
Revenue in millions	\$ 23.3	\$ 21.6	\$ 22.7	\$ 20.9	\$ 19.7
% change from prior year	7.9%	(4.8%)	8.6%	6.1%	(1.0%)

Itinerant Service: Generally, the itinerant services have remained stable as a result of the growth of the on-site Communications Coordinator Co-Ser, which now serves 14 school districts. One exception is, with the retirement of our Deaf/Hard of Hearing teacher last June 2017, we have continued to have difficulty recruiting for this position. 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.

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 academic success of the students that attend the ALP program is a testament to the small size and focused, individualized academic instruction that the students receive. The Greenville High School program recently moved to a newly renovated space within the high school. The Columbia-Greene Educational Center 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.

FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

The 2017-2018 fiscal year was the first year for offering the Follett automation system through the School Library System's Automation Service. Adding the Follett automation system has enabled school libraries to reach past the physical space of the library, into the classroom and beyond. As a result, six additional school sites have purchased Follett automation with other districts expressing interest in purchasing in the coming year. This has positively impacted the service as more schools are now able to meet the needs of their students, faculty, and staff with an automation system that is capable of more than just simply checking books in and out.

School Improvement Services: School Improvement Services are stable. With the release of the Next Generation Learning Standards for ELA (English Language Arts), Math and Science, the School Improvement Team will continue to innovate and work with participating districts to make the transition successful. The newest services of Academic Program Reviews and Behavioral Coaching and Consulting are stable. The School Improvement Services will continue to enhance communications with districts and support districts as new regulations from the State Education Department are released.

Other Services: All Financial Services continue to grow in the 2017-2018 fiscal year. The GASB 75 service gained nine new clients during the year and now services 178 districts and BOCES. The Fixed Asset Inventory service gained 15 clients and now services 64 districts and BOCES. The Central Business Office added one client and now serves 6 districts. The Internal Audit and Administrative, Management and Planning services each added one new client. The significant growth of the Financial Services Department provides evidence of the important and valuable work that the entire team delivers.

The State Aid and Financial Planning Service currently serves 648 school districts and 37 BOCES. The service continues to provide much needed technical support to school districts across the state. The increased use of teleconferencing and web-based technology allows the staff to provide updates and information 24-7. In addition, the Special Education Aid Reporting Service increased the number of participating districts and are now serving 54 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.

The Health and Safety Service continues to support its clients with new and existing regulation compliance as well as by working with local law enforcement to share best practices in school safety with all schools within our catchment area. For the 2018-2019 school year, the Health and Safety Service continues to offer a visitor management solution for school districts as well as expanding project work in updating access control and camera systems in various districts. The service will also increase its online training offerings to assist schools in various compliance areas. The Fire System Maintenance division continues to add customers by providing cost effective inspection, maintenance and testing solutions for life safety systems and equipment.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
JUNE 30, 2018

FACTORS BEARING ON QUESTAR III'S FUTURE (CONTINUED)

Special Aid Fund: During the 2017-2018 fiscal year, Questar III experienced a 2.6% increase in revenues in the Special Aid Fund. This is primarily attributed to the three new one-year grants that were awarded for 2017-2018: (1) TPS (Teaching with Primary Sources), (2) Removing Barriers to CTE Programs and (3) 911 Remote Access for Rensselaer County. In addition, Questar III was awarded a one-year state contract with "PRHYLI" (The Angelo Del Toro Puerto Rican/Hispanic Youth Leadership Institute).

For 2018-2019, Questar III received three new grant/contract awards as follows: (1) a four-year state contract with PRHYLI, (2) a one-year grant for the LGRMIF (Local Government Records Management Improvement Funds), and (3) a one-year grant for 911 Remote Access for Greene County. However, overall state funding levels for 2018-2019 are anticipated to decrease by 4% due to the expiration of four grants at the end of 2017-2018.

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

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, 2018, 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, 2018, 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 1-14 and 47-50 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.

Emphasis of Matter

As discussed in Note 6 to the financial statements, Questar III adopted new guidelines for reporting other postemployment benefits which resulted in a restatement to the July 1, 2017 net position. Our opinion is not modified with respect to this matter.

Other 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 51-53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 58 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements, for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements.

The supplemental information on pages 51-53 and the schedule of expenditures of federal awards on page 58 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements, or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are 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 December 4, 2018 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 those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are 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
December 4, 2018

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

STATEMENT OF NET POSITION (DEFICIT)

JUNE 30, 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:

Current Assets:

Cash	\$ 12,500,918
Due from School Districts and Other BOCES	4,004,557
State and Federal Aid Receivable	1,142,172
Other Receivables, Net	108,616
Due from Other funds	29,999
Prepaid Expenses	<u>139,490</u>
Total Current Assets	<u>17,925,752</u>

Noncurrent Assets:

Due from Health Insurance Trusts	3,024,066
Proportionate Share of Net Pension Asset	810,830
Capital Assets, Net	<u>8,415,558</u>
Total Noncurrent Assets	<u>12,250,454</u>

Deferred Outflows - Pension and OPEB 13,283,420

Total Assets and Deferred Outflows \$ 43,459,626

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:

Current Liabilities:

Accounts Payable	\$ 841,753
Accrued Expenses	696,400
Postemployment Benefit Liability	3,181,463
Unearned Revenues	49,652
Capital Leases Payable	785,088
Due to Retirement Systems	<u>2,060,139</u>
Total Current Liabilities	<u>7,614,495</u>

Noncurrent Liabilities:

Capital Leases Payable	693,162
Postemployment Benefit Liability	117,781,996
Proportionate Share of Net Pension Liability	<u>873,534</u>
Total Noncurrent Liabilities	<u>119,348,692</u>

Deferred Inflows - Pension 5,096,797

Total Liabilities and Deferred Inflows 132,059,984

NET POSITION (DEFICIT):

Invested in Capital Assets, Net of Related Debt	8,415,558
Unassigned Deficit	<u>(97,015,916)</u>
Total Net Position (Deficit)	<u>(88,600,358)</u>

Total Liabilities, Deferred Inflows and Net Position (Deficit) \$ 43,459,626

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, 2018

	<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	\$ 6,764,901	\$ 7,299,248	\$ -	\$ 534,347
Career Education	9,848,023	9,059,941	590,934	(197,148)
Instruction of Handicapped	24,491,746	24,551,395	578,218	637,867
Itinerant Services	1,824,392	1,765,949	-	(58,443)
General Instruction	6,639,701	6,050,978	436,036	(152,687)
Instructional Support	8,347,125	7,381,721	1,383,332	417,928
Other Services	<u>12,083,960</u>	<u>11,869,742</u>	<u>-</u>	<u>(214,218)</u>
 Total Functions/Programs	 <u>\$ 69,999,848</u>	 <u>\$ 67,978,974</u>	 <u>\$ 2,988,520</u>	 967,646
 Return of Surplus				 <u>(5,268,408)</u>
 Change in Net Position				 (4,300,762)
 General Fund Encumbrances, Beginning of Year				 (3,553,265)
 General Fund Encumbrances, End of Year				 4,296,936
 Increase in Reserve for Prepaid Expenses				 99,315
 Prior Period Restatement (Note 6)				 (14,857,541)
 Net Position (Deficit), Beginning of Year				 <u>(70,285,041)</u>
 Net Position (Deficit), End of Year				 <u>\$ (88,600,358)</u>

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

COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets:				
Cash	\$ 8,374,348	\$ 2,467,740	\$ 1,658,830	\$ 12,500,918
Due from School Districts and Other BOCES	2,526,307	-	-	2,526,307
Due from Health Insurance Trust	1,388,952	-	-	1,388,952
State and Federal Aid Receivable	1,262	1,140,910	-	1,142,172
Other Receivables, Net	52,054	56,562	-	108,616
Due from Other Funds	64,718	-	-	64,718
Prepaid Expenses	<u>139,490</u>	<u>-</u>	<u>-</u>	<u>139,490</u>
 Total Assets	 <u>\$ 12,547,131</u>	 <u>\$ 3,665,212</u>	 <u>\$ 1,658,830</u>	 <u>\$ 17,871,173</u>
 LIABILITIES				
Liabilities:				
Accounts Payable	\$ 800,985	\$ 40,768	\$ -	\$ 841,753
Accrued Expenses	679,166	17,234	-	696,400
Postemployment Benefit Liability	3,181,463	-	-	3,181,463
Due to Other Funds	-	34,719	-	34,719
Due to Retirement Systems	2,060,139	-	-	2,060,139
Unearned Revenue	-	<u>49,652</u>	<u>-</u>	<u>49,652</u>
Total Liabilities	<u>6,721,753</u>	<u>142,373</u>	<u>-</u>	<u>6,864,126</u>
 Deferred Inflows - Deferred Revenue	 <u>1,388,952</u>	 <u>-</u>	 <u>-</u>	 <u>1,388,952</u>
 FUND BALANCES				
Fund Balance:				
Nonspendable	139,490	-	-	139,490
Assigned	<u>4,296,936</u>	<u>3,522,839</u>	<u>1,658,830</u>	<u>9,478,605</u>
Total Fund Balance	<u>4,436,426</u>	<u>3,522,839</u>	<u>1,658,830</u>	<u>9,618,095</u>
 Total Liabilities, Deferred Inflows and Fund Balance	 <u>\$ 12,547,131</u>	 <u>\$ 3,665,212</u>	 <u>\$ 1,658,830</u>	 <u>\$ 17,871,173</u>
 Reconciliation of Total Governmental Fund Balances to Net Position (Deficit) of Governmental Activities:				
Total Fund Balances for Governmental Funds				\$ 9,618,095
Due from Health Insurance Trust				3,024,066
Capital Assets				8,415,558
Installment Debt Receivables				1,478,250
Installment Debt Payable				(1,478,250)
Postemployment Benefit Obligation - Net				(117,722,633)
Pension Adjustment - Net				<u>8,064,556</u>
 Net Position (Deficit) of Governmental Activities				 <u>\$ (88,600,358)</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, 2018

	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES:				
Charges to Components	\$ 55,806,091	\$ -	\$ -	\$ 55,806,091
Charges to Non-Components	9,859,991	-	-	9,859,991
Charges for Services	71,356	1,603,213	-	1,674,569
Interest and Earnings	13,378	-	1,665	15,043
Miscellaneous	879,902	-	-	879,902
Sales	164,677	-	-	164,677
Interfund Revenues	862,361	-	-	862,361
State and Local Sources	-	1,960,189	-	1,960,189
Federal Sources	-	1,028,331	-	1,028,331
Total Revenues	<u>67,657,756</u>	<u>4,591,733</u>	<u>1,665</u>	<u>72,251,154</u>
EXPENDITURES:				
Administration	7,027,177	232,669	-	7,259,846
Career Education	8,383,624	637,880	-	9,021,504
Instruction for Handicapped	21,088,165	1,820,607	-	22,908,772
Itinerant Services	1,627,678	-	-	1,627,678
General Instruction	6,000,764	435,792	-	6,436,556
Instructional Support	6,908,536	1,383,235	-	8,291,771
Other Services	10,853,404	-	894,570	11,747,974
Total Expenditures	<u>61,889,348</u>	<u>4,510,183</u>	<u>894,570</u>	<u>67,294,101</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURE	<u>5,768,408</u>	<u>81,550</u>	<u>(892,905)</u>	<u>4,957,053</u>
OTHER SOURCES AND (USES):				
Return of Surplus	(5,268,408)	-	-	(5,268,408)
Transfer to Capital Projects	(500,000)	-	-	(500,000)
Transfer from General Fund	-	-	500,000	500,000
Total Other Sources (Uses)	<u>(5,768,408)</u>	<u>-</u>	<u>500,000</u>	<u>(5,268,408)</u>
Change in Fund Balance	-	81,550	(392,905)	(311,355)
Encumbrances, Beginning of Year	(3,553,265)	-	-	(3,553,265)
Encumbrances, End of Year	4,296,936	-	-	4,296,936
Increase in Reserve for Prepaids	99,315	-	-	99,315
Fund Balance, Beginning of Year	3,593,440	3,441,289	2,051,735	9,086,464
Fund Balance, End of Year	<u>\$ 4,436,426</u>	<u>\$ 3,522,839</u>	<u>\$ 1,658,830</u>	<u>\$ 9,618,095</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				\$ (311,355)
Health Insurance Trust Deposit				1,559,252
Capital Assets Acquired				1,376,918
Depreciation				(640,811)
Loss on Disposal of Asset				(6,279)
Postemployment Benefit Obligation				(5,784,656)
Pension Adjustment				(493,831)
Change in Net Position of Governmental Activities				<u>\$ (4,300,762)</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, 2018

Statement of Fiduciary Net Position

	<u>Private-purpose Trusts</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 114,037	\$ 5,057,433
Accounts Receivable	-	22,565
Total Assets	<u>\$ 114,037</u>	<u>\$ 5,079,998</u>
LIABILITIES		
Accrued Expenses	\$ -	\$ 66
Due to Student Activities	-	33,228
Due to Other Funds	-	29,999
Due to Components and Non-Components	-	5,016,705
Total Liabilities	<u>-</u>	<u>\$ 5,079,998</u>
NET POSITION		
Restricted for Scholarships	<u>114,037</u>	
Total Liabilities and Net Position	<u>\$ 114,037</u>	

Statement of Changes in Fiduciary Net Position

Contributions	\$ 24,571
Interest	<u>321</u>
Total Income	24,892
Scholarships and Other Expense	<u>10,742</u>
Change in Net Position	14,150
Net Position, Beginning of Year	<u>99,887</u>
Net Position, End of Year	<u>\$ 114,037</u>

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

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018

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 62 to 66.

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, 2018

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, 2018

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.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018

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 BOCES has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when BOCES 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 outflow of resources (expense/expenditure) until then. There are generally three items that qualify for reporting in this category. First is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in BOCES' proportion of the collective net pension asset or liability and differences during the measurement period between BOCES' contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Lastly, BOCES' contributions to the pension systems (TRS and ERS Systems) made subsequent to the measurement date.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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 an inflows of resources (revenue) until that time. There are generally two 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. This represents the effect of the net change in BOCES' proportion of the collective net pension liability (TRS and ERS Systems) and differences during the measurement periods between BOCES' contributions and its proportionate share of total contributions to the pension system not included in pension expense.

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 \$139,490 in prepaid expense recorded in the general fund at June 30, 2018.
- **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 \$4,296,936 recorded in the general fund at June 30, 2018 for encumbrances. The special aid and capital projects funds had assigned fund balances for their programs and expenditures amounting to \$3,522,839 and \$1,658,830, respectively at June 30, 2018. The special aid assigned fund balance includes \$2,318,337 designated by the Board of Cooperative Educational Services for other postemployment benefits (Note 7).

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending June 30, 2018. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurement by Agent Employers and Agent Multiple-Employer Plans*, for OPEB.

Future Changes in Accounting Standards

GASB has issued Statement No. 83 - *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019, GASB Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020. GASB Statement No. 87, *Leases*, effective for the year ending June 30, 2021 and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending June 30, 2019.

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 December 4, 2018, the date the financial statements were available to be issued. No such events or transactions were identified.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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, 2018 were \$19,331,316. 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.

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. The District'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.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

2. CASH AND INVESTMENTS (CONTINUED)

1. Cash and Investments (Continued)

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".

3. CAPITAL ASSETS

A summary of capital assets for the year ended June 30, 2018 is as follows:

	<u>Beginning</u>		<u>Additions</u>		<u>Deletions</u>		<u>Transfers</u>		<u>Ending</u>
	<u>Balance</u>								<u>Balance</u>
Land	\$ 463,533	\$ -		\$ -		\$ -		\$ 463,533	
Buildings	10,381,579	-		-		991,314		11,372,893	
Equipment	2,531,301	235,819		84,261		-		2,682,859	
Vehicles	653,077	246,522		32,172		-		867,427	
Construction in Progress	96,744	894,570		-		(991,314)		-	
	<u>14,126,234</u>	<u>1,376,911</u>		<u>116,433</u>		<u>-</u>		<u>15,386,712</u>	
Less Accumulated Depreciation:									
Buildings	4,280,261	374,176		-		-		4,654,437	
Equipment	1,764,975	187,384		77,982		-		1,874,377	
Vehicles	395,261	79,251		32,172		-		442,340	
	<u>6,440,497</u>	<u>640,811</u>		<u>110,154</u>		<u>-</u>		<u>6,971,154</u>	
Capital Assets, Net	<u>\$ 7,685,737</u>	<u>\$ 736,100</u>		<u>\$ 6,279</u>		<u>\$ -</u>		<u>\$ 8,415,558</u>	

Depreciation expense was \$640,811 for the year ended June 30, 2018.

4. 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, 2018

4. INSTALLMENT PURCHASE DEBT (CONTINUED)

Installment purchase debt activity for the year ended June 30, 2018 is as follows:

Installment Purchase Debt, Beginning Balance	\$ 1,899,549
New Leases	589,990
Repayments	<u>(1,011,289)</u>
Installment Purchase Debt, Ending Balance	<u>\$ 1,478,250</u>

Current maturities of installment purchase debt are as follows:

2019	\$ 785,088
2020	515,453
2021	<u>177,709</u>
	<u>\$ 1,478,250</u>

5. 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, 2018

5. 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
2018	\$ 1,002,151	14.31%	\$ 1,615,438	9.8%
2017	\$ 1,071,623	14.73%	\$ 1,981,191	11.72%
2016	\$ 1,258,095	19.16%	\$ 2,210,429	13.26%

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
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

5. PENSION PLANS (CONTINUED)

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

At June 30, 2018, Questar III reported an asset of \$810,830 (TRS) and a liability of \$873,534 (ERS) for its proportionate share of the net pension liability. The net pension liability (TRS) was measured as of June 30, 2017, and the net pension (ERS) was measured as of March 31, 2018, 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, 2018, Questar III's proportion was .107% percent TRS and .027% ERS.

For the year ended June 30, 2018, Questar III recognized pension expense of \$2,078,558 for TRS and \$1,037,830 for ERS.

At June 30, 2018, 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	\$ 667,114	\$ 311,561	\$ 978,675
Changes of assumptions	8,250,356	579,225	8,829,581
Net difference between projected and actual earnings on pension plan investments	-	1,268,738	1,268,738
Changes in proportionate share	211,447	62,678	274,125
Contributions after the measurement date	1,615,438	257,500	1,872,938
	<u>\$ 10,744,355</u>	<u>\$ 2,479,702</u>	<u>\$ 13,224,057</u>

At June 30, 2018, 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	\$ 316,133	\$ 257,462	\$ 573,595
Net difference between projected and actual earnings on pension plan investments	1,909,740	2,504,362	4,414,102
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	109,100	109,100
	<u>\$ 2,225,873</u>	<u>\$ 2,870,924</u>	<u>\$ 5,096,797</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2018

5. 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, 2019	\$ 2,269,377
June 30, 2020	2,369,920
June 30, 2021	949,959
June 30, 2022	115,337
June 30, 2023	1,597,529
June 30, 2024	<u>825,138</u>
	<u>\$ 8,127,260</u>

TRS Actuarial Assumptions

The total pension liability for the June 30, 2018 measurement date was determined by an actuarial valuation as of June 30, 2016, with update procedures used to roll forward the total pension liability to June 30, 2017. The actuarial valuation used the following actuarial assumptions:

Inflation	2.5%
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<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, 2018

5. PENSION PLANS (CONTINUED)

ERS Actuarial Assumptions

The total pension liability at June 30, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2017 valuation were a follows:

Inflation rate	2.5%
Salary increase	3.8%
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, 2016 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	5.9%	4.55%
International equity	7.4%	6.35%
Real estate	4.3%	5.55%
Alternative investments	9.0%	- %
Domestic fixed income securities	1.6%	- %
Global fixed income securities	1.3%	- %
Mortgages	2.8%	1.31%
High-yield fixed income securities	3.9%	- %
Short-term	.6%	(0.25%)
Private equity	- %	7.50%
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, 2018

5. 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)	\$ (13,968,205)	\$ 810,830	\$ 13,187,539
<u>ERS</u>			
Employers' proportionate share of the net pension asset (liability)	\$ (6,609,391)	\$ (873,534)	\$ 3,978,772

Pension Plan Fiduciary Net Position

The components of the net pension asset (TRS) and liability (ERS) of the employer as of June 30, 2017 and March 31, 2018, respectively, were as follows (in thousands):

	<u>TRS</u>	<u>ERS</u>
Employers' total pension liability	\$ (114,708,261)	\$ (183,400,590)
Fiduciary net position	<u>115,468,360</u>	<u>180,173,145</u>
Employers' net pension asset (liability)	<u>\$ 760,099</u>	<u>\$ (3,227,445)</u>
Ratio of fiduciary net position to the employers' total pension asset/liability	<u>100.66%</u>	<u>98.24%</u>

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

6. 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 and life insurance 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 June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	234
Active employees	394
	628

B. Total OPEB Liability

Questar III's total OPEB liability of \$120,963,459 was measured as of June 30, 2018 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, 2018.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.6 percent
Salary Increases	2.6 percent, average, including inflation
Discount Rate	3.0 percent
Healthcare Cost Trend Rates	7.5 percent for 2017, decreasing to an ultimate rate of 4.5 percent for 2023 and later years

The discount rate was based on the S&P Municipal Bond 20 Year High Grade Rate 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, 2018

6. 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, 2017 (Net OPEB Obligation -GASB 45)	\$ 100,068,060
Restatement of Prior Period	<u>14,857,541</u>
Balance, after restatement, at June 30, 2017 - Total OPEB Liability	<u>114,925,601</u>
Changes for the Year	
Service cost	5,585,024
Interest	3,567,950
Differences between expected and actual experience	66,347
Benefit payments	<u>(3,181,463)</u>
Net Changes	<u>6,037,858</u>
Balance at June 30, 2018	<u>\$ 120,963,459</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.5 percent in 2017 to 3 percent in 2018.

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>\$ 142,726,357</u>	<u>\$ 120,963,451</u>	<u>\$ 103,649,092</u>

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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current healthcare cost trend rate:

	<u>1%</u> <u>Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rates</u>	<u>1%</u> <u>Increase</u>
Total OPEB Liability	<u>\$ 97,382,677</u>	<u>\$ 120,963,459</u>	<u>\$ 153,841,573</u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

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

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

For the year ended June 30, 2018 Questar III recognized OPEB expense of \$9,159,958. At June 30, 2018, Questar III reported deferred outflows of resources related to OPEB of \$59,363 for differences between expected and actual experience.

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

Year Ending June 30,	Amount
2019	\$ 6,984
2020	6,984
2021	6,984
2022	6,984
2023	6,984
Thereafter	24,443
	<u>\$ 59,363</u>

E. Restatement of Net Position

For the fiscal year ended June 30, 2018 Questar III implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement required Questar III to report Other Postemployment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. As a result the net position at June 30, 2017 has been restated for a reduction of \$14,857,541 from \$(70,285,041) originally reported to \$(85,142,582).

7. 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. 45 and 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.”

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2018

7. DUE TO COMPONENTS AND NON-COMPONENTS (CONTINUED)

The liquidation of the liability to components and non-components, based on the most recent estimates, is scheduled as follows:

2019	\$ 2,734,510
2020	<u>2,282,195</u>
	<u>\$ 5,016,705</u>

8. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

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 outflow of resources (expense/expenditure) until then. Questar has items relating to pensions and OPEB reported as deferred outflows.

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 (deficit) that applies to a future periods(s) and so will not be recognized as an inflow of resources (revenues) until that time. Questar III has items related to pensions reported as deferred inflows.

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 2017-2018 school year, the School had an annualized full-time enrollment of approximately 118 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, 2018

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. (30.0% Capital Region BOCES and 70.0% Questar III for the year ended June 30, 2018).
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, 2018:

Total Assets and Deferred Outflows of Resources	<u>\$ 2,337,420</u>
Total Liabilities and Deferred Inflows of Resources	<u>\$ 1,906,677</u>
Joint Venture Equity	<u>\$ 430,743</u>
Total Revenue	<u>\$ 3,329,020</u>
Total Expenses	<u>\$ 3,441,508</u>

RCG Group Health Insurance Trust

Questar III is also 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, 2018, Questar III's prescription drug plan account balance maintained by the Trust is \$2,037,659 of which \$492,000 approximates the outstanding estimated liability for the self-insured prescription plan. Additionally, the Trust has declared a distribution of \$1,071,978 to Questar III Payable from 2019 to 2023. Due from Health Insurance Trusts on the statement of net position consist of prescription drug plan account balance 2,037,659 in excess of estimated liability \$492,000 or \$1,545,659 plus the declared dividend distribution of \$1,071,978 for a total of \$2,617,637.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

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, 2018. The term of the leases vary from one to twenty years.

The following table summarizes Questar III future payment requirements as of June 30, 2018 under noncancellable operating leases:

Year Ending	
2019	\$ 1,343,985
2020	1,281,327
2021	951,528
2022	489,112
2023	489,112
Thereafter	<u>4,321,695</u>
	<u>\$ 8,876,759</u>

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, 2018 there were 19 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, 2018 was \$2,210,497, which approximates the outstanding estimated liability for self-insured workers' compensation claims at June 30, 2018. Payments made to the Consortium for the year ended June 30, 2018 were \$557,997.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018

10. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Dental Self-Insurance

Questar III is self-insured for dental insurance. Dental claims expense for the year ended June 30, 2018 was \$321,070. There is no annual maximum, no deductible and the plan covers employee's dependents. As of June 30, 2018, Questar III's dental insurance account balance maintained by the trust is \$458,429 of which \$52,000 approximates the outstanding estimated liability for self-insured dental insurance. The excess balance of \$406,429 has been recorded as Due from Health Insurance Trusts on the statement of net position.

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, 2018

SUPPLEMENTAL SCHEDULE #1

	Original Budget	Amended Budget	Actual	Over (Under) Amended Budget
REVENUES				
Administration (001-002)	\$ 7,785,740	\$ 8,262,822	\$ 7,701,440	\$ (561,382)
Career Education (100-199)	8,836,400	10,139,159	9,034,803	(1,104,356)
Instruction for Handicapped (200-299)	21,124,413	23,540,958	23,304,232	(236,726)
Itinerant (300-399)	1,834,431	1,758,715	1,765,949	7,234
General Instruction (400-499)	5,662,310	6,109,378	6,050,979	(58,399)
Instructional Support (500-599)	7,411,402	7,777,905	7,450,721	(327,184)
Other (600-699)	<u>11,066,190</u>	<u>13,445,620</u>	<u>12,349,632</u>	<u>(1,095,988)</u>
	<u>\$ 63,720,886</u>	<u>\$ 71,034,557</u>	<u>\$ 67,657,756</u>	<u>\$ (3,376,801)</u>

	Original Budget	Amended Budget	Actual	Encumbrances	Unencumbered Balance
EXPENDITURES					
Administration (001-002)	\$ 7,785,740	\$ 8,262,822	\$ 7,527,177	\$ 459,692	\$ 275,953
Career Education (100-199)	8,836,400	10,139,159	8,383,624	1,459,737	295,798
Instruction for Handicapped (200-299)	21,124,413	23,540,958	21,088,165	298,591	2,154,202
Itinerant (300-399)	1,834,431	1,758,715	1,627,678	18,219	112,818
General Instruction (400-499)	5,662,310	6,109,378	6,000,764	32,850	75,764
Instructional Support (500-599)	7,411,402	7,777,905	6,908,536	703,421	165,948
Other (600-699)	<u>11,066,190</u>	<u>13,445,620</u>	<u>10,853,404</u>	<u>1,324,426</u>	<u>1,267,790</u>
	<u>\$ 63,720,886</u>	<u>\$ 71,034,557</u>	<u>\$ 62,389,348</u>	<u>\$ 4,296,936</u>	<u>\$ 4,348,273</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, 2018

SCHEDULE #2

Measurement date	June 30, 2018
Total OPEB liability:	
Service cost	\$ 5,585,024
Interest	3,567,950
Differences between expected and actual experience in the measurement of the total OPEB liability	66,347
Benefit payments	<u>(3,181,463)</u>
Net change in total OPEB liability	6,037,858
Total OPEB liability, beginning of year, as restated	<u>114,925,601</u>
Total OPEB liability, end of year	<u>\$ 120,963,459</u>
Covered payroll	<u>\$ 21,008,832</u>
Total OPEB liability as a percentage of covered payroll	<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.

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, 2018

	SCHEDULE #3			
<u>TRS</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)	\$ 810,830	\$ (1,157,032)	\$ 11,335,652	\$ 12,473,692
Covered payroll	\$ 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	4.5%	6.6%	65.8%	72.1%
Plan fiduciary net position as a percentage of total pension asset/liability	98.2%	99.0%	110.5%	111.5%
	<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)	\$ (873,534)	\$ (2,587,277)	\$ (4,320,516)	\$ (870,003)
Covered payroll	\$ 9,180,967	\$ 8,751,349	\$ 9,020,039	\$ 8,218,496
Proportionate share of net pension liability as a percentage of covered payroll	9.5%	29.6%	47.9%	10.6%
Plan fiduciary net position as a percentage of total pension liability	100.7%	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
RENNSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
FOR THE YEAR ENDED JUNE 30, 2018

SCHEDULE #4

<u>TRS</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Contractually required contribution	\$ 1,981,191	\$ 2,210,429	\$ 2,873,792	\$ 2,687,904
Contributions in relation to the contractually required contribution	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 18,131,483	\$ 17,646,050	\$ 17,226,673	\$ 17,296,119
Contributions as a percentage of covered-employee payroll	10.9%	12.5%	16.7%	15.5%

<u>ERS</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2016</u>	<u>March 31, 2015</u>
Contractually required contribution	\$ 1,002,151	\$ 1,071,623	\$ 1,258,095	\$ 1,133,339
Contributions in relation to the contractually required contribution	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's covered-employee payroll	\$ 9,180,967	\$ 8,751,349	\$ 9,020,039	\$ 8,218,496
Contributions as a percentage of covered employee payroll	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
RENSSELAER-COLUMBIA-GREENE COUNTIES
ANALYSIS OF ACCOUNT A431-SCHOOL DISTRICTS AND OTHER BOCES
FOR THE YEAR ENDED JUNE 30, 2018

SUPPLEMENTAL SCHEDULE #5

July 1, 2017 - Debit Balance	\$ 3,638,137
Debits:	
Billings to School Districts and Other BOCES	65,666,082
Prior Year Refund of Balances Due School Districts	2,832,132
Encumbrances - Beginning of Year	<u>3,553,265</u>
Total Debits	<u>72,051,479</u>
Total	<u>75,689,616</u>
Credits:	
Collections from School Districts and Other BOCES	64,327,569
Adjustment - Credits to School BOCES - Revenues in Excess of Expenditures	4,524,737
Adjustment - OPEB Credits Issued	14,067
Encumbrances - End of Year	<u>4,296,936</u>
Total Credits	<u>73,163,309</u>
June 30, 2018 - Debit Balance	<u><u>\$ 2,526,307</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, 2018

SUPPLEMENTAL SCHEDULE #6

	Original Appropriation	Revised Appropriation	Expenditures to Date		Balance
			Prior Years'	Current Year	
Columbia-Greene Education Center	\$ 600,000	\$ 826,901	\$ 74,421	\$ 752,480	\$ -
Sackett Education Center	200,000	164,413	22,323	142,090	-
Warehouse (2018-19)	90,000	90,000	-	-	90,000
Rensselaer Education Center (2018-19)	660,000	660,000	-	-	660,000
Rensselaer Education Center Modernization Project	908,830	908,830	-	-	908,830
	<u>\$ 2,458,830</u>	<u>\$ 2,650,144</u>	<u>\$ 96,744</u>	<u>\$ 894,570</u>	<u>\$ 1,658,830</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, 2018

SUPPLEMENTAL SCHEDULE #7

Capital Assets, Net and Net Investment in Capital Assets	<u>\$ 8,415,558</u>
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FEDERAL PROGRAM AWARD INFORMATION

**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, 2018, and the related notes to the financial statements, which collectively comprise Questar III basic financial statements, and have issued our report thereon dated December 4, 2018.

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 charge 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
December 4, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited Questar III - Board of Cooperative Educational Services Rensselaer-Columbia-Greene Counties' ("Questar III") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Questar III's major federal programs for the year ended June 30, 2018. Questar III's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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



CUSACK & COMPANY, CPA'S LLC

Latham, New York
December 4, 2018

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Projects</u>	<u>Federal Catalog Number</u>	<u>Expenditures</u>
U.S. Department of Education		
Passed Through NYS Department of Education		
Workforce Investment Act, Title II (“WIA”)	84.002	\$ 178,478
Special Education (“RSE-TASC”)	84.027	349,716
Special Education (“CDOS/IDEA Part B”)	84.027	228,502
Career and Technical Education (“Perkins IV”)	84.048	<u>260,450</u>
Total U.S. Department of Education		1,017,146
 Teaching with Primary Sources	 42.XXX	 <u>11,185</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,028,331</u></u>

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards presents expenditures under federal financial assistance programs administered by Questar III - Board of Cooperative Educational Services, Rensselaer-Columbia-Greene Counties and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. INDIRECT COSTS

Questar III - Board of Cooperative Educational Services, Rensselaer-Columbia-Greene Counties has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. The indirect cost rate is established by the New York State Education Department.

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting

- "Going Concern" explanatory paragraph included in audit report? No
- Significant deficiency(ies) disclosed No
- Significant deficiency(ies) reported as a material weakness? No
- Material noncompliance disclosed? No

Federal Awards

Internal Control Over Major Programs

- Significant deficiency(ies) disclosed for any major programs? No
- Significant deficiency(ies) reported for any major programs as a material weakness? No
- Any known questioned costs reported? No

Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified

Audit Findings Disclosed That Are Required to be Reported in Accordance with Section 200.516 of the Uniform Guidance: No

Major Program:	<u>CFDA Number</u>
Special Education ("RSE-TASC")	84.027
Special Education ("CDOS/IDEA Part B")	84.027

Dollar Threshold to Determine Type A and Type B Programs \$750,000

Auditee Qualified as Low-Risk Auditee: Yes

QUESTAR III
BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSSELAER-COLUMBIA-GREENE COUNTIES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

EXTRACLASSROOM ACTIVITY FUNDS

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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, 2018, 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, 2018, 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
December 4, 2018

QUESTAR III - BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RENSELAER-COLUMBIA-GREENE COUNTIES
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF ASSETS AND FUND BALANCE - CASH BASIS
JUNE 30, 2018

Assets

Cash \$ 33,227

Fund Balance \$ 33,227

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, 2018

	<u>Balances</u> <u>June 30, 2017</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balances</u> <u>June 30, 2018</u>
Skills - Columbia-Greene	\$ 8,160	\$ 9,407	\$ 11,452	\$ 6,115
Skills - Rensselaer	5,089	5,997	5,100	5,986
Autistic Goff	-	3,209	2,144	1,065
Autistic Red Mill	3,798	1,798	1,322	4,274
Sackett Student Council	657	1,075	1,187	545
Sackett Social Studies	-	717	700	17
Pro Start - Columbia-Greene	1,824	1,798	1,496	2,126
Pro Start - Rensselaer	8,860	683	1,080	8,463
Food Service	473	1,686	34	2,125
Rensselaer Academy Student Council	2,074	551	187	2,438
Maple Hill Student Council	1	-	-	1
Catskill Academy School Council	31	-	1	30
Sarah Sisters	<u>-</u>	<u>162</u>	<u>120</u>	<u>42</u>
	<u>\$ 30,967</u>	<u>\$ 27,083</u>	<u>\$ 24,823</u>	<u>\$ 33,227</u>

QUESTAR III - BOARD OF COOPERATIVE EDUCATIONAL SERVICES

RENSELAER-COLUMBIA-GREENE COUNTIES

EXTRACLASSROOM ACTIVITY FUNDS

NOTE TO FINANCIAL STATEMENTS

JUNE 30, 2018

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.