

**EASTERN SUFFOLK BOARD OF COOPERATIVE  
EDUCATION SERVICES**

**Financial Statements and Required Reports Under the  
Uniform Guidance  
June 30, 2019**

**Together with Independent  
Auditor's Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

# EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

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June 30, 2019

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## **INDEPENDENT AUDITOR'S REPORT**

October 8, 2019

To the Board of Education of  
Eastern Suffolk Board of Cooperative Education Services

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Eastern Suffolk BOCES (the BOCES) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **INDEPENDENT AUDITOR'S REPORT**

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the BOCES as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Required Supplementary Information**

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

### **Other Information**

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

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

The other information included as listed in the accompanying table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## INDEPENDENT AUDITOR'S REPORT

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019 on our consideration of the BOCES' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the BOCES' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BOCES' internal control over financial reporting and compliance.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis June 30, 2019

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*The following is a discussion and analysis of the BOCES' financial performance for the year ended June 30, 2019. This section is a summary of the BOCES' financial activities based on currently known facts, decisions and conditions. It is also based on both the BOCES-wide and fund-based financial statements. This section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.*

#### FINANCIAL HIGHLIGHTS

- The BOCES' total net position, as reflected in the BOCES-wide financial statements, decreased by \$28,226,613. The primary factor contributing to this decrease was due to the expense of Other Postemployment Benefits in the amount of \$31,210,851.
- The current total net position is a deficit in the amount of \$717,555,076. The deficit is primarily the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which required the recognition of an unfunded liability of \$867,753,299 at June 30, 2019. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.
- During the year, the BOCES had expenses in excess of program revenues of \$30,326,793. In addition, the general revenues were \$2,100,180, which included \$902,998 in interest earnings
- Program revenues included \$362,540,473 in Charges for Services and \$19,093,752 in Operating Grants and Contributions.
- BOCES total General Fund revenue for 2019 was \$368,610,775. \$302,346,111 of these revenues are from the billings for administration and other services to the component districts of the BOCES.
- The BOCES is required to return surplus billings in the subsequent year. During 2019-2020, \$13,942,821 of the surplus from the prior year will be returned. During 2018-2019, \$11,369,862 of the surplus from the prior year was returned.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *Government-wide* financial statements that provide both *short-term* and *long-term* information about the BOCES *overall* financial status.
- The remaining statements are fund financial statements that focus on individual parts of the BOCES, reporting the BOCES' operations in more detail than the BOCES-wide statements. The fund financial statements concentrate on the BOCES' most significant funds.

# EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

## Management's Discussion and Analysis June 30, 2019

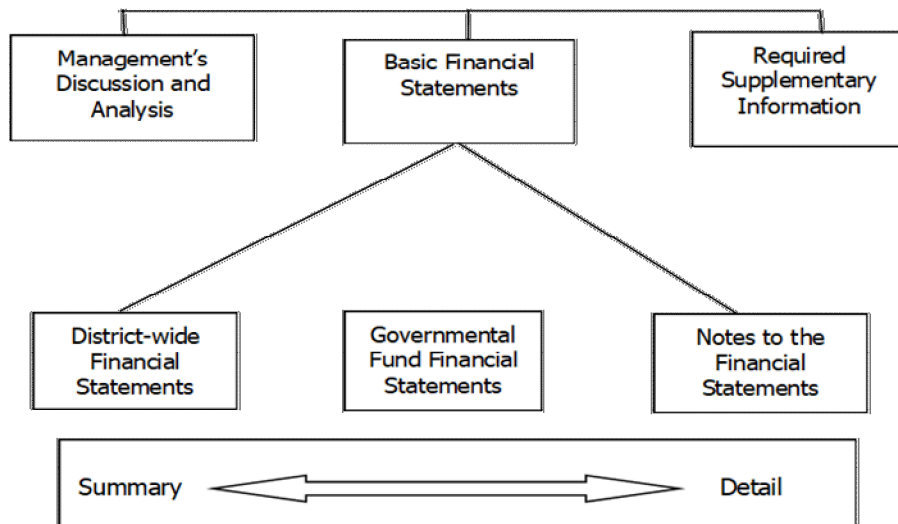
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- The *governmental funds statements* tell how basic services, such as regular and special education, were financed in the *short-term*, as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationship in which the BOCES acts solely as a *trustee* or *agent* for the benefit of others.

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

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

**Figure A-1**



### **BOCES-Wide Statements**

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

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

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



## **EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

### **Management's Discussion and Analysis June 30, 2019**

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

#### **Fund Financial Statements**

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

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

The BOCES has two types of funds:

- **Governmental Funds:** All of the BOCES' basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that allows the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the BOCES' programs. Because this information does not encompass the additional long-term focus of the BOCES-wide statements, additional information can be found on pages 16 and 18 which reconciles the BOCES-wide financial statements to the fund financial statements.
- **Fiduciary Funds:** The BOCES is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the BOCES-wide financial statements because it cannot use these assets to finance its operations.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis June 30, 2019

**Figure A-2** Condensed Statement of Net position

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Percent Change
Current and other assets	\$ 148,528,645	\$ 149,606,956	\$ (1,078,311)	-0.7%
Net pension asset	9,513,181	4,001,028	5,512,153	137.8%
Capital assets	69,138,954	62,179,264	6,959,690	11.2%
<b>Total assets</b>	<b>227,180,780</b>	<b>215,787,248</b>	<b>11,393,532</b>	<b>5.3%</b>
Deferred outflows of resources	100,073,411	68,707,058	31,366,353	45.7%
Current liabilities	73,591,816	68,337,372	5,254,444	7.7%
Net pension liability	10,930,767	5,086,267	5,844,500	114.9%
Other long-term liabilities	917,928,046	840,887,758	77,040,288	9.2%
<b>Total liabilities</b>	<b>1,002,450,629</b>	<b>914,311,397</b>	<b>88,139,232</b>	<b>9.6%</b>
Deferred inflows of resources	42,358,638	59,511,372	(17,152,734)	-28.8%
Net position:				
Investment in capital assets	61,282,766	54,362,806	6,919,960	12.7%
Restricted	66,435,672	63,989,911	2,445,761	3.8%
Unrestricted	(845,273,514)	(807,681,180)	(37,592,334)	4.7%
<b>Total net position</b>	<b>\$ (717,555,076)</b>	<b>\$ (689,328,463)</b>	<b>\$ (28,226,613)</b>	<b>4.1%</b>

Unrestricted net position decreased to (\$845,273,514) for the year ended June 30, 2019, down \$37,592,334 from the (\$807,681,180) balance for 2018. This resulted primarily from the increase in the other post-employment benefits liability of \$78,257,322 from changes in assumptions of GASB 75 and an increase in capital assets of \$6,959,690 along with a change in deferred pension and OPEB outflows of \$31,366,353.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis June 30, 2019

**Figure A-3** Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. A summary of this statement for the years ended June 30, 2019 and 2018 is as follows:

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Percent Change
<b>Revenues</b>				
Program revenue:				
Charges for services	\$ 362,540,473	\$ 350,252,470	\$ 12,288,003	3.5%
Operating grants	19,093,752	17,569,745	1,524,007	8.7%
General revenue:				
Use of money and property	902,998	341,478	561,520	164.4%
Sale of property and compensation for loss	395,098	(614,997)	1,010,095	-164.2%
Miscellaneous	802,084	368,237	433,847	117.8%
<b>Total revenue</b>	<b>\$ 383,734,405</b>	<b>\$ 367,916,933</b>	<b>\$ 15,817,472</b>	<b>4.3%</b>
<b>Expenses</b>				
Administration	\$ 42,077,142	\$ 41,035,368	\$ 1,041,774	2.5%
Occupational instruction	40,522,065	38,388,471	2,133,594	5.6%
Instruction for special education	208,068,034	196,679,684	11,388,350	5.8%
Itinerant services	6,938,013	7,403,337	(465,324)	-6.3%
General instruction	15,657,380	15,099,583	557,797	3.7%
Instruction support	26,053,422	25,138,859	914,563	3.6%
Other services	71,398,318	62,160,460	9,237,858	14.9%
Internal services	105,794	54,538	51,256	94.0%
Food Service Program	1,140,850	1,058,686	82,164	7.8%
<b>Total expenses</b>	<b>411,961,018</b>	<b>387,018,986</b>	<b>24,942,032</b>	<b>6.4%</b>
<b>Changes in net position</b>	<b>\$ (28,226,613)</b>	<b>\$ (19,102,053)</b>	<b>\$ (9,124,560)</b>	<b>47.8%</b>

#### Changes in Net Position

The BOCES' revenues increased by \$15,817,472 in 2019 or 4.3%. The major factors that contributed to the increase were:

- Charges for Services increase by \$12,288,003 as a result of increased costs reflected in the increases in expenses for the year.
- An increase in Operating Grants by \$1,524,007 due to increased cost associated with grant programs.

# EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

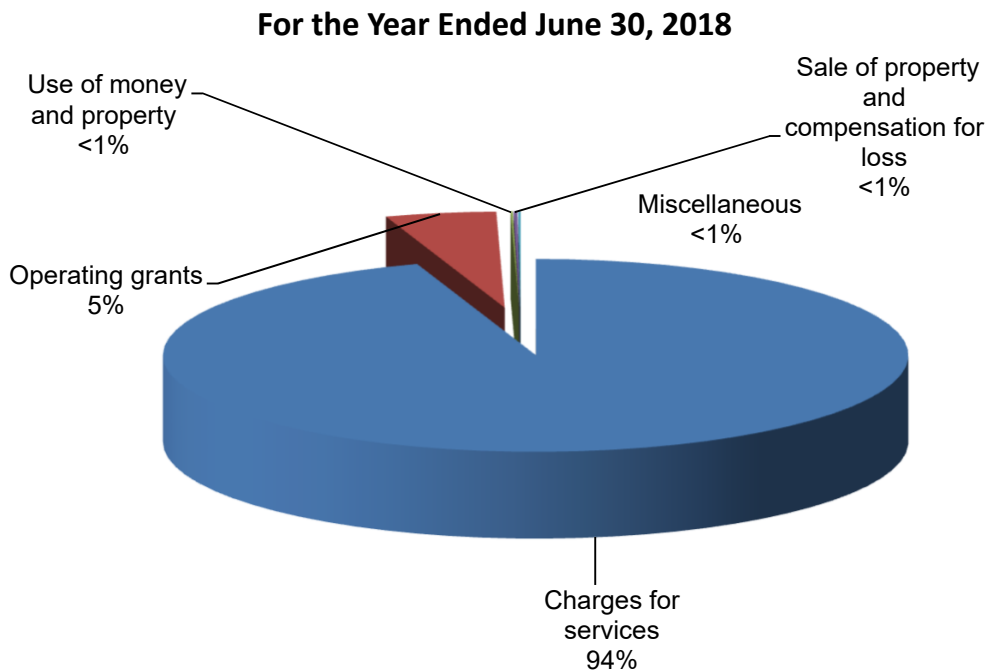
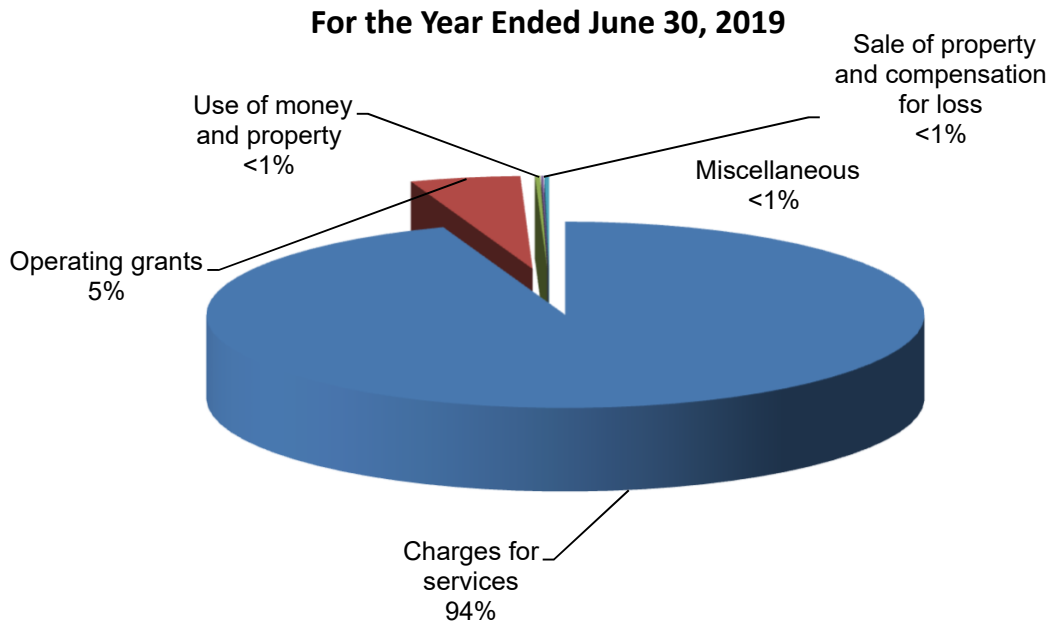
## Management's Discussion and Analysis June 30, 2019

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The BOCES' expenses for the year increased by \$24,942,032 or 6.4%.

- The primary reason for this increase was due to a \$9,237,858 increase for Other Services.
- The primary reason for this increase was due to a \$11,388,350 increase for Instruction for Special Needs.

**Figure A-4** Revenue Sources

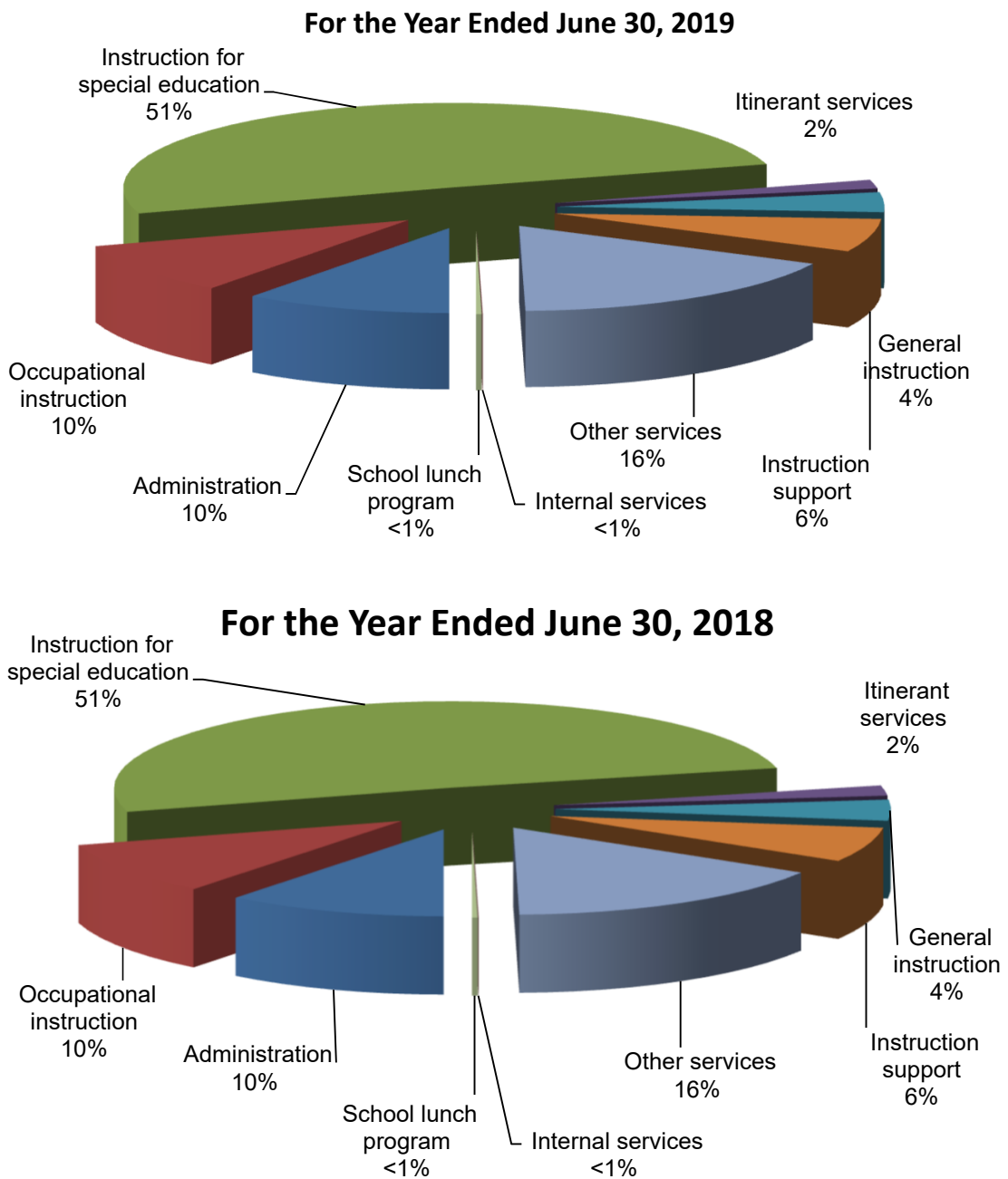


EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis  
June 30, 2019

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Figure A-5 Sources of Expenses



## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis June 30, 2019

At June 30, 2019, the BOCES' governmental funds reported combined fund balance of \$74,941,030 which is a decrease of \$6,334,718 over the prior year. This is due to an excess of revenues over expenditures for the year. A summary of the change in fund balance by fund is as follows:

	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)
General Fund			
Restricted			
Unemployment insurance reserve	\$ 438,801	\$ 459,929	\$ (21,128)
Employee benefit accrued liability reserve	37,130,488	36,391,266	739,222
Retirement contribution reserve	20,168,466	21,909,941	(1,741,475)
Teacher retirement contribution reserve	1,713,899	-	1,713,899
Workers' compensation reserve	5,188,070	5,228,775	(40,705)
Total Restricted	<u>64,639,724</u>	<u>63,989,911</u>	<u>649,813</u>
Assigned			
Administration	374,999	224,768	150,231
Occupational Instruction	1,229,631	1,585,950	(356,319)
Instruction for special needs	1,729,387	2,229,656	(500,269)
Itinerant services	25,788	39,858	(14,070)
General instruction	47,292	81,240	(33,948)
Instructional support	170,003	397,844	(227,841)
Other services	1,026,510	2,072,972	(1,046,462)
Total Assigned	<u>4,603,610</u>	<u>6,632,288</u>	<u>(2,028,678)</u>
Total General Fund	<u>69,243,334</u>	<u>70,622,199</u>	<u>(1,378,865)</u>
School Lunch Fund			
Nonspendable	2,662	2,764	(102)
Assigned	224,015	223,530	485
Total School Lunch Fund	<u>226,677</u>	<u>226,294</u>	<u>383</u>
Special Aid Fund			
Assigned	2,343,701	2,009,934	333,767
Total Special Aid Fund	<u>2,343,701</u>	<u>2,009,934</u>	<u>333,767</u>
Capital Fund			
Restricted - CTE Reserve	1,795,948	-	1,795,948
Assigned	1,331,370	8,417,321	(7,085,951)
Total Capital Fund	<u>3,127,318</u>	<u>8,417,321</u>	<u>(5,290,003)</u>
Total	<u>\$ 74,941,030</u>	<u>\$ 81,275,748</u>	<u>\$ (6,334,718)</u>

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis June 30, 2019

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#### General Fund Budgetary Highlights

- The difference between the original approved budget of \$355,968,626 and the amended budget of \$390,127,459 is \$34,158,833 or 9.6%. The increase is due to the request for additional services from component school districts. The budgetary comparison information can be found on Page 53 which presents both original and amended budget totals compared with actual results for the General Fund for the year ended June 30, 2019.
- Actual expenditures and other financing uses, were under the amended budget by \$19,744,839 or 5.1%, and actual revenues and other financing sources were below the amended budget by \$21,123,705 or 5.4%.

#### Capital Assets

At June 30, 2019 and 2018, the BOCES had \$69,138,954 and \$62,179,264, respectively, invested in a broad range of capital assets including buildings, transportation equipment, computer equipment, and furniture and fixtures. A summary of the BOCES' capital assets, net of accumulated depreciation at June 30, 2019 and 2018, is as follows:

#### Capital Assets (Net of Depreciation)

Category	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)
Land	\$ 6,306,650	\$ 6,306,650	\$ -
Technology in process	882,242	139,456	742,786
Construction in progress	7,014,371	695,217	6,319,154
Buildings and improvements	25,902,692	27,586,543	(1,683,851)
Equipment and furniture	<u>29,032,999</u>	<u>27,451,398</u>	<u>1,581,601</u>
Total	<u>\$ 69,138,954</u>	<u>\$ 62,179,264</u>	<u>\$ 6,959,690</u>

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

Depreciation expense for the BOCES totaled \$10,914,059 and \$10,572,132 for the years ended June 30, 2019 and 2018, respectively.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis June 30, 2019

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#### Long-Term Liabilities

At June 30, 2019 and 2018, the BOCES had total long-term debt of \$917,928,046 and \$840,887,758, respectively. A summary of the long-term debt at June 30, 2019 and 2018, is as follows:

#### Long-Term Liabilities

Category	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)
Installment Purchase Debt	\$ 4,717,204	\$ 4,430,183	287,021
Compensated Absences	37,130,488	38,346,548	(1,216,060)
Other Postemployment Benefits	867,753,299	789,495,977	78,257,322
Deferred Payment Plan Debt	2,657,254	2,679,456	(22,202)
Workers' Compensation Claims Payable	5,188,071	5,228,775	(40,704)
Energy Performance Contract	481,730	706,819	(225,089)
Total	<u>\$ 917,928,046</u>	<u>\$ 840,887,758</u>	<u>\$ 77,040,288</u>

#### FACTORS BEARING ON THE BOCES FUTURE

The general fund budget for the 2019-2020 fiscal year was approved for the amount of \$366,627,818 or 2.99% increase from the previous year's original budget. This increase was primarily due to increases in the special education and technology budgets.

In 2018-19, Eastern Suffolk BOCES continued its work on the Middle States Accredited Agency-wide Strategic Plan. The nine Strategic and Operational Action Plans have been refined and vetted by both external and internal stakeholders to ensure they continue to align with the mission and beliefs of the Agency. The Agency's commitment to strategic goals provides a framework that will be the road map for the agency's activities through July 2024.

#### CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide the BOCES' citizens, taxpayers, customers, investors, and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Eastern Suffolk BOCES, 201 Sunrise Highway, Patchogue, New York 11772.



**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Statement of Net Position  
June 30, 2019**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

CURRENT ASSETS:

Cash and cash equivalents	\$ 52,222,126
Restricted cash and cash equivalents	1,811,017
Receivables:	
Due from other governments	30,959,271
Due from components, net	59,715,791
Accounts Receivable	3,747,310
Inventories	2,662
Prepaid expenditures	<u>70,468</u>
Total current assets	<u>148,528,645</u>

NONCURRENT ASSETS:

Net pension asset - proportionate share	9,513,181
Capital assets, net of accumulated depreciation	<u>69,138,954</u>
Total non-current assets	<u>78,652,135</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension related - ERS	8,203,733
Pension related - TRS	50,280,900
Other post employment benefits related	<u>41,588,778</u>
Total deferred outflow of resources	<u>100,073,411</u>

**LIABILITIES AND DEFERRED INFLOWS OF RESOURCES**

CURRENT LIABILITIES:

Due to components - refund of surplus	13,942,821
Due to components - state aid	26,240,865
Due to:	
Other governments	414
Fiduciary funds	4,634,249
Teachers' retirement system	10,298,952
Employees' retirement system	1,680,706
Accounts payable	13,195,379
Accrued liabilities	3,413,197
Accrued interest	4,201
Overpayments and collections in advance	215
Unearned revenue	<u>180,817</u>
Total current liabilities	<u>73,591,816</u>

NONCURRENT LIABILITIES:

Net pension liability - proportionate share	10,930,767
Long term liabilities:	
Due within one year	6,192,753
Due in more than one year	<u>911,735,293</u>
Total noncurrent liabilities	<u>928,858,813</u>

DEFERRED INFLOWS OF RESOURCES

Pension related - ERS	3,741,433
Pension related - TRS	12,298,222
Other post employment benefits related	<u>26,318,983</u>
Total deferred inflows of resources	<u>42,358,638</u>

**NET POSITION**

Net Investment in capital assets	61,282,766
Restricted	66,435,672
Unrestricted	<u>(845,273,514)</u>
TOTAL NET POSITION	<u>\$ (717,555,076)</u>

The accompanying notes are an integral part of these statements.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Statement of Activities  
For the Year Ended June 30, 2019**

	Expenses	Program Revenue		Net (Expense) Revenue and Net Position
		Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS:</b>				
Administration	\$ 42,077,142	\$ 39,604,525	\$ -	\$ (2,472,617)
Occupational instruction	40,522,065	35,562,084	562,404	(4,397,577)
Instruction for special education	208,068,034	173,019,113	16,078,381	(18,970,540)
Itinerant services	6,938,013	5,978,219	-	(959,794)
General instruction	15,657,380	14,501,832	-	(1,155,548)
Instruction support	26,053,422	22,370,782	1,588,469	(2,094,171)
Other services	71,398,318	71,425,774	-	27,456
Internal services	105,794	6,363	-	(99,431)
School lunch program	1,140,850	71,781	864,498	(204,571)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$ 411,961,018</u>	<u>\$ 362,540,473</u>	<u>\$ 19,093,752</u>	<u>\$ (30,326,793)</u>
<b>GENERAL REVENUE:</b>				
Interest and earnings				\$ 902,998
Sale of property and compensation for loss				395,098
Miscellaneous				802,084
<b>TOTAL GENERAL REVENUE</b>				<u>2,100,180</u>
<b>CHANGE IN NET POSITION</b>				<u>(28,226,613)</u>
<b>TOTAL NET POSITION - beginning of year</b>				<u>(689,328,463)</u>
<b>TOTAL NET POSITION - end of year</b>				<u>\$ (717,555,076)</u>

The accompanying notes are an integral part of these statements.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Balance Sheet - Governmental Funds and Reconciliation of Total Governmental Fund Balance to Government-Wide Net Position  
June 30, 2019**

	<b>Governmental Fund Types</b>				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
<b>ASSETS</b>					
Cash - Unrestricted	\$ 52,156,414	\$ 64,591	\$ 1,121	\$ -	\$ 52,222,126
Cash - Restricted	1,811,017	-	-	-	1,811,017
Receivables:					
Due from other governments	26,240,865	4,653,166	65,240	-	30,959,271
Due from Components	58,504,243	1,211,548	-	-	59,715,791
Due from other funds	-	-	254,039	3,760,606	4,014,645
Accounts receivable, net	3,747,298	-	12	-	3,747,310
Inventory	-	-	2,662	-	2,662
Other assets	3,775	66,693	-	-	70,468
<b>TOTAL ASSETS</b>	<b>\$ 142,463,612</b>	<b>\$ 5,995,998</b>	<b>\$ 323,074</b>	<b>\$ 3,760,606</b>	<b>\$ 152,543,290</b>
<b>LIABILITIES</b>					
Due to component - refund of surplus	\$ 13,942,821	\$ -	\$ -	\$ -	\$ 13,942,821
Due to components - state aid	26,240,865	-	-	-	26,240,865
Due to:					
Other governments	389	-	25	-	414
Other funds	6,360,221	2,288,673	-	-	8,648,894
Teachers' retirement system	10,298,952	-	-	-	10,298,952
Employees' retirement system	1,680,706	-	-	-	1,680,706
Accounts payable	12,357,499	214,385	89,579	533,916	13,195,379
Accrued liabilities	2,313,011	1,000,814	-	99,372	3,413,197
Overpayments and collections in advance	215	-	-	-	215
Unearned revenue	25,599	148,425	6,793	-	180,817
<b>TOTAL LIABILITIES</b>	<b>73,220,278</b>	<b>3,652,297</b>	<b>96,397</b>	<b>633,288</b>	<b>77,602,260</b>
<b>FUND BALANCES</b>					
Nonspendable	-	-	2,662	-	2,662
Restricted	64,639,724	-	-	1,795,948	66,435,672
Assigned	4,603,610	2,343,701	224,015	1,331,370	8,502,696
<b>TOTAL FUND BALANCES</b>	<b>69,243,334</b>	<b>2,343,701</b>	<b>226,677</b>	<b>3,127,318</b>	<b>74,941,030</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 142,463,612</b>	<b>\$ 5,995,998</b>	<b>\$ 323,074</b>	<b>\$ 3,760,606</b>	<b>\$ 152,543,290</b>

The accompanying notes are an integral part of these statements.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Balance Sheet - Governmental Funds and Reconciliation of Total Governmental Fund Balance to Government-Wide Net Position  
June 30, 2019**

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

Total governmental fund balance	\$ 74,941,030
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Amounts reposted for governmental activities in the Statement of Net Position and difference because:

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

Original Cost of Capital Assets	155,327,065
Accumulated Depreciation	(86,188,111)
	69,138,954

Proportionate share of long-term asset and liability associated with participation in the State's retirement systems are not current financial resources or obligations and are not reported in the funds.

Net Pension Asset - Proportionate Share	9,513,181
Deferred Outflows - Pensions	58,484,633
Net Pension Liability - Proportionate Share	(10,930,767)
Deferred Inflows - Pensions	(16,039,655)
	41,027,392

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

Deferred Payment Plan Debt	(2,657,254)
Installment Purchase Debt	(4,717,204)
Accrued Interest	(4,201)
Other Postemployment Benefit Liabilities	(867,753,299)
Deferred Outflow - OPEB	41,588,778
Deferred Inflow - OPEB	(26,318,983)
Energy Performance Contract	(481,730)
Workers' Compensation Claims	(5,188,071)
Compensated Absences Payable	(37,130,488)
	(717,555,076)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ (717,555,076)

The accompanying notes are an integral part of these statements.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2019**

	<u>Governmental Fund Types</u>				Total Governmental Funds
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Capital Projects</u>	
<b>REVENUE:</b>					
Charges for services	\$ 109,240	\$ 10,872,022	\$ -	\$ -	\$ 10,981,262
Charges to components - administration	18,924,051	-	-	-	18,924,051
Charges to components - service programs	283,422,060	-	-	-	283,422,060
Charges to non-components and other BOCES	26,289,353	-	-	-	26,289,353
Interest and earnings	872,507	-	-	30,491	902,998
Sale of property and compensation for loss	394,990	7,843	108	-	402,941
Miscellaneous	35,861,088	1,136,928	4,404	-	37,002,420
Refund of prior year's expenditures	586,613	-	-	-	586,613
State and local sources	2,150,873	7,205,819	24,000	-	9,380,692
Federal sources	-	8,872,562	840,498	-	9,713,060
Sales - School lunch	-	-	71,781	-	71,781
<b>Total revenue</b>	<b>368,610,775</b>	<b>28,095,174</b>	<b>940,791</b>	<b>30,491</b>	<b>397,677,231</b>
<b>EXPENDITURES:</b>					
Administration	39,684,690	-	-	-	39,684,690
Occupational instruction	36,227,946	-	-	-	36,227,946
Instruction for special education	162,220,220	27,368,428	-	-	189,588,648
Itinerant services	5,980,884	-	-	-	5,980,884
General instruction	14,561,088	-	-	-	14,561,088
Instruction support	24,177,795	-	-	-	24,177,795
Other services	71,709,413	-	-	-	71,709,413
Internal services	72,584	-	-	-	72,584
School lunch program	-	-	1,165,586	-	1,165,586
Capital outlay	-	-	-	10,755,743	10,755,743
<b>Total expenditures</b>	<b>354,634,620</b>	<b>27,368,428</b>	<b>1,165,586</b>	<b>10,755,743</b>	<b>393,924,377</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<b>13,976,155</b>	<b>726,746</b>	<b>(224,795)</b>	<b>(10,725,252)</b>	<b>3,752,854</b>
<b>OTHER SOURCES AND (USES):</b>					
Proceeds of debt issuance	-	-	-	3,855,249	3,855,249
Return of surplus	(13,942,821)	-	-	-	(13,942,821)
Transfer from other funds	392,979	-	225,178	1,580,000	2,198,157
Transfer to other funds	(1,805,178)	(392,979)	-	-	(2,198,157)
<b>Total other sources (uses)</b>	<b>(15,355,020)</b>	<b>(392,979)</b>	<b>225,178</b>	<b>5,435,249</b>	<b>(10,087,572)</b>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<b>(1,378,865)</b>	<b>333,767</b>	<b>383</b>	<b>(5,290,003)</b>	<b>(6,334,718)</b>
<b>FUND BALANCES - beginning of year</b>	<b>70,622,199</b>	<b>2,009,934</b>	<b>226,294</b>	<b>8,417,321</b>	<b>81,275,748</b>
<b>FUND BALANCES - end of year</b>	<b>\$ 69,243,334</b>	<b>\$ 2,343,701</b>	<b>\$ 226,677</b>	<b>\$ 3,127,318</b>	<b>\$ 74,941,030</b>

The accompanying notes are an integral part of these statements.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2019**

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Net changes in fund balance - Total governmental funds \$ (6,334,718)

**Capital related differences**

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

Depreciation expense	(10,914,059)	
Loss on disposal	(1,010,398)	
Capital outlays	<u>18,884,147</u>	6,959,690

**Long-term liability transaction differences**

(Increases) decrease in long-term liabilities and deferred outflows/inflows of resources reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds.

Changes in long-term liabilities for the year end consisted of:

Installment purchase debt	(287,021)	
Deferred payment plan debt	22,202	
Energy performance contract	225,089	
Other Post employment liabilities	(31,210,851)	
Accrued interest on energy performance contract	1,963	
compensated absences	1,216,060	
Workers' compensation claims	<u>40,704</u>	(29,991,854)

(Increases) decreases in proportionate share of net pension asset/liabilities and deferred outflow/inflow of resources and reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore, are not reported as revenues or expenditures in the governmental funds.

Teachers' retirement system	2,112,381	
Employees' retirement system	<u>(972,112)</u>	<u>1,140,269</u>

Change in net position - Governmental activities \$ (28,226,613)

The accompanying notes are an integral part of these statements.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Statement of Net Position - Fiduciary Fund  
June 30, 2019**

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	Private Purpose <u>Trusts</u>	<u>Agency</u>
<b>ASSETS:</b>		
Cash and cash equivalents	\$ -	\$ 146,662
Cash and cash equivalents - restricted	38,539	-
Accounts receivable	-	7,218
Due from other funds	-	<u>4,637,117</u>
Total assets	<u>38,539</u>	<u>\$ 4,790,997</u>
<b>LIABILITIES:</b>		
Accrued liabilities	-	\$ 4,687,842
Extraclassroom activity balances	-	103,155
Due to other funds	<u>2,868</u>	<u>-</u>
Total liabilities	<u>\$ 2,868</u>	<u>\$ 4,790,997</u>
<b>NET POSITION</b>		
Restricted for other purposes	<u>35,671</u>	
Total net position	<u>\$ 35,671</u>	

The accompanying notes are an integral part of these statements.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Statement of Changes in Fiduciary Net Position  
For the Year Ended June 30, 2019**

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	<u>Private Purpose Trusts</u>
<b>Additions</b>	
Investment income	\$ 282
Gifts and contributions	<u>20,254</u>
Total additions	<u>20,536</u>
<b>Deductions</b>	
Cost of special events	17,291
Scholarships and awards	<u>7,480</u>
Total deductions	<u>24,771</u>
<b>Change in Net Position</b>	(4,235)
<b>Net Position, beginning of year</b>	<u>39,906</u>
<b>Net Position, end of year</b>	<u><u>\$ 35,671</u></u>

The accompanying notes are an integral part of these statements.



## **EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

### **Notes to the Financial Statements**

**June 30, 2019**

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#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Eastern Suffolk BOCES (BOCES) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the BOCES are as follows:

##### **Reporting Entity**

The BOCES is governed by the Education Law and other laws of the state of New York. The governing body is the Board of Education (the "Board"). The scope of activities included within the accompanying financial statements are those transactions which comprise its operations, and are governed by, or significantly influenced by, the Board.

Boards of Cooperative Educational Services (BOCES) were established by New York State legislation in 1948 to enable smaller school districts to offer more breadth in their educational programs by sharing teachers. In 1955, legislation was passed allowing BOCES to provide vocational and special education. A BOCES is a voluntary, cooperative association of 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. The BOCES provides instructional and support programs and services to all 51 school districts located in eastern Suffolk, New York.

The Board is comprised of 15 representatives elected by the 51 component school boards.

The BOCES' programs and services include special education, vocational education, academic and alternative programs, summer schools, staff development, instructional computer services, educational communication, and cooperative purchasing.

The financial statements include all funds of the BOCES as well as the component units and other organizational entities determined to be includable in the BOCES' financial reporting entity.

The decision to include a potential component unit in the BOCES' reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom activity funds are included in the reporting entity.

##### **Extraclassroom Activity Funds**

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

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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#### **Basis of Presentation**

##### *(a) BOCES-Wide Financial Statements*

The Statement of Net Position and the Statement of Activities present information about the overall financial activities of the BOCES, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Net Position presents the financial position of the BOCES at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the BOCES' governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants, contributions, and other revenues that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, primarily State aid, are presented as general revenues.

##### *(b) Fund Financial Statements*

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

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

##### *Special Revenue Funds:*

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

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

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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

- *Private Purpose Trust Funds*: These funds are used to account for and report on trust arrangements in which principal and income benefits annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the BOCES or representatives of the donors may serve on committees to determine who benefits.
- *Agency funds*: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

#### **Basis of Accounting and Measurement Focus**

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

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year.

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

#### **Interfund Transactions**

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

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

## **EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

### **Notes to the Financial Statements**

**June 30, 2019**

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

A detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity is provided subsequently in these Notes to Financial Statements.

#### **Estimates**

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

#### **Cash and cash equivalents/investments**

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

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

#### **Receivables**

Receivables are shown net of an allowance for uncollectibles. There was an allowance for uncollectibles at June 30, 2019 in the amount of \$98,497.

#### **Inventories**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market.

Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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#### Deferred outflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BOCES has two items that qualifies for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents for pensions the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and difference during the measurement period between the BOCES' contributions and its proportion share of total contributions not included in pension expense. The second item is related to OPEB reported in the BOCES-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. The individual items that represent the deferred outflows of resources balance are outlined in Note 9 and 10.

#### Capital Assets

Capital assets are reflected in the BOCES-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at estimated fair market value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the BOCES-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 500	7-50 Years
Furniture and equipment	\$ 500	5-30 Years
Computers (Desktops and Laptops)	\$ 1	5 Years

#### Unearned revenue

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

## **EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

### **Notes to the Financial Statements**

**June 30, 2019**

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#### **Deferred inflows of resources**

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES has two items that qualify for reporting in this category. The first item is related to pensions reported in the BOCES-wide Statement of Net Position. This represents the effect of the net change in the BOCES' proportion of the collective net pension liability (ERS and TRS Systems) and difference during the measurement periods between the BOCES' contributions and its proportion share of total contributions to the pension systems not included in pension expense. The second item is related to OPEB reported in the BOCES-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs. The individual items that represent the deferred inflows of resources balance are outlined in Notes 9 and 10.

#### **Vested employee benefits - compensated absences**

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may be eligible to receive a portion of the value of unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB, the liability has been calculated using the vesting method and an accrual for that liability is included in the BOCES-wide financial statements. The compensated absences liability is calculated based on the terms of the collective bargaining agreements and individual employment contracts in effect at year-end.

In the fund financial statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources.

#### **Other benefits**

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

In addition to providing pension benefits, the BOCES provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if BOCES' employees are eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing postemployment benefits is shared between the BOCES and the retired employee. Other postemployment benefit costs are measured and disclosed using the accrual basis of accounting (see Note 10).

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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#### Short-term debt

The BOCES may issue revenue anticipation notes (RAN) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN's represent a liability that will be extinguished by the use of expendable, available resources of the fund issuing the notes. The BOCES did not issue or have a RAN outstanding during the year ended June 30, 2019.

#### Accrued liabilities and long-term obligations

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

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

#### Equity classifications

##### (a) BOCES-wide statements

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

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

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

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

##### (b) Fund statements

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

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

##### Nonspendable

This category includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. This category consists of the inventories in the School Lunch Fund.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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#### Restricted resources

This category includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. Generally, the BOCES' policy is to use restricted resources only when appropriated by the Board of Education. When an expenditure is incurred for purposes for which both restricted and unrestricted net position are available, the BOCES' policy concerning which to apply first varies with the intended use, and with associated legal requirements.

#### *Unemployment insurance reserve*

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

#### *Workers compensation reserve*

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

#### *Employee benefit accrued liability*

According to General Municipal Law §6-p, this reserve must be used for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

#### *Reserve for employees' retirement system contributions*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is accounted for in the General Fund. TRS is used for pension costs related to TRS and is a sub-reserve of ERS.



## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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#### *Reserve for career education instructional equipment*

Career Education Instructional Equipment Reserve (EL §1950(4)(ee)) is used for the purpose of the replacement and purchase of advanced technology equipment used in instructional programs. This reserve may be established upon approval of a majority of the component districts of the BOCES and the BOCES itself. Fund are determine by including depreciation expenses for the career education instructional equipment used in providing instructional services pursuant to a formula prescribed by the Commissioner of Education and from revenues from the sale of such equipment. This reserve is accounted for in the Capital Projects Fund.

#### Special aid fund

This fund includes amounts for which constraints have been placed on the use of the resources either grantors, contributors, or laws or regulations of other governments.

#### Restricted for scholarships

Reserve for scholarships is used to account for monies donated for scholarship purposes, net of earnings and awards. The reserve is accounted for in the private purpose trust fund.

#### Unrestricted resources

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

- Committed - Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the BOCES highest level of decision making authority, i.e., the Board of Education. The BOCES has no committed fund balances as of June 30, 2019.
- Assigned – Includes amounts that are constrained by the BOCES' intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by (a) the Board of Education or (b) the designated official, such as the BOCES Purchasing Agent, to which the Board has delegated the authority to assign amounts to be used for specific purposes.
- Unassigned – Includes all other fund net positions that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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#### Budgetary Procedures and Budgetary Accounting

The BOCES administration prepares a proposed administrative, capital and program budget, as applicable, for approval by the members of the Board of Education for the General Fund, the only fund with a legally adopted budget. The budget is adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. 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. Appropriations are adopted at the program line item level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year and any appropriated reserve funds. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the fiscal year end.

Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriation occurred during the year:

Adopted budget		\$ 355,968,626
Encumbrances from prior year		<u>6,632,290</u>
Original Budget		362,600,916
Shared services budget revisions:		
Administration	(198,033)	
Occupational instruction	460,072	
Instruction for special needs	7,743,326	
Itinerant services	218,067	
General instruction	2,933,800	
Instructional support	3,259,029	
Other services	9,641,876	
Internal services	<u>3,468,406</u>	<u>27,526,543</u>
Revised budget		<u>\$ 390,127,459</u>

#### Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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

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

##### *Total Fund Balances of Governmental Funds vs. Net position of Governmental Activities*

Total fund balances of the BOCES' governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.

##### *Statement of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities*

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of five broad categories.

##### **(a) Long-Term Revenue and Expense Differences**

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

##### **(b) Capital Related Differences**

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

##### **(c) Long-Term Debt Transaction Differences**

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

##### **(d) Pension differences**

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

##### **(e) Other postemployment benefits differences**

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

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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#### 3. CUSTODIAL AND CONCENTRATION OF CREDIT RISK

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

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

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

#### 4. RESTRICTED CASH

Restricted cash and cash equivalents of \$1,811,017 in the General Fund represents funds held for future Occupational Education Equipment expenditures.

Restricted cash and cash equivalents of \$38,539 in the fiduciary fund represents various expendable trust funds held by the BOCES.

#### 5. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019, consisted of:

General Fund:		
New York State		\$ 26,240,865
Special Aid Fund:		
New York State Education Department		4,431,765
ACCES		46,799
Suffolk County		50,109
US Department of Education		78,424
NYS DOL		46,069
School Lunch Fund:		
Federal and State School Lunch Reimbursements		65,240
Total		<u>\$ 30,959,271</u>

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

#### 6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

	July 1, 2018 Balance	Additions	Deletions	June 30, 2019 Balance
Governmental activities				
Capital assets that are not depreciated:				
Land	\$ 6,306,650	\$ -	\$ -	\$ 6,306,650
Construction in progress	695,217	6,319,154	-	7,014,371
Technology in progress	139,456	882,241	139,455	882,242
Total non-depreciable historical cost	7,141,323	7,201,395	139,455	14,203,263
Capital assets that are depreciated:				
Buildings and improvements	69,035,360	554,049	544,441	69,044,968
Furniture and equipment	70,460,204	11,268,158	9,649,528	72,078,834
Total depreciable historical cost	139,495,564	11,822,207	10,193,969	141,123,802
Less accumulated depreciation:				
Buildings and improvements	41,448,817	1,861,846	168,387	43,142,276
Furniture and equipment	43,008,806	9,052,213	9,015,184	43,045,835
Total accumulated depreciation	84,457,623	10,914,059	9,183,571	86,188,111
Total depreciable cost, net	55,037,941	908,148	1,010,398	54,935,691
Total capital assets, net	\$ 62,179,264	\$ 8,109,543	\$ 1,149,853	\$ 69,138,954

Depreciation expense for the year ended June 30, 2019, was allocated to specific functions as follows:

Administration	\$ 1,130,712
Occupational instruction	1,032,221
Instruction for special education	5,400,570
Itinerant services	170,410
General instruction	414,880
Instruction support	688,883
Other services	2,043,173
Food services	33,210
	\$ 10,914,059

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

#### 7. INTERFUND BALANCES AND ACTIVITY

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	\$ -	\$ 6,360,221	\$ 392,979	\$ 1,805,179
Special aid fund	-	2,288,673	-	392,978
School lunch fund	254,039	-	225,178	-
Capital fund	3,760,606	-	1,580,000	-
Trust and agency	4,637,117	2,868	-	-
Total governmental activities	<u>\$ 8,651,762</u>	<u>\$ 8,651,762</u>	<u>\$ 2,198,157</u>	<u>\$ 2,198,157</u>

- The BOCES typically transfers from the General Fund to the School Lunch Fund and the Capital Fund in accordance with the adopted budget.
- The BOCES transferred \$1,580,000 from the General Fund to the Capital Fund to fund the local portion of capital projects.
- The BOCES transferred \$225,178 from the General Fund to the School Lunch Fund to supplement operations.
- The BOCES transferred \$392,978 from the Special Aid Fund to the General Fund to close completed projects.
- The Interfund receivables and payables exist for cash flow purposes. The balances are expected to be repaid during the next fiscal year.

#### 8. LONG-TERM LIABILITIES

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

	Beginning				Amounts Due
	Balance	Issued	Redeemed	Ending Balance	Within One
					Year
Government activities:					
Installment Purchase Debt	\$ 4,430,183	\$ 2,347,569	\$ 2,060,548	\$ 4,717,204	1,885,500
Deferred Payment Plan	2,679,456	1,507,680	1,529,882	2,657,254	1,157,365
Energy Performance Contract	706,819	-	225,089	481,730	235,447
Other Liabilities:					
Compensated absences	38,346,548	2,016,882	3,232,942	37,130,488	2,914,441
Workers' compensation	5,228,775	2,971,901	3,012,605	5,188,071	-
Other postemployment benefits	789,495,977	101,555,353	23,298,031	867,753,299	-
Total Governmental activities	<u>\$ 840,887,758</u>	<u>\$ 110,399,385</u>	<u>\$ 33,359,097</u>	<u>\$ 917,928,046</u>	<u>\$ 6,192,753</u>

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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The General Fund has typically been used to liquidate long-term liabilities.

The BOCES has entered into various municipal lease and option agreements for the purpose of acquiring computer equipment necessary to provide instructional computer services. The BOCES is obligated under certain installment purchase agreements at various incremental interest rates as listed below. At June 30, 2019, assets purchased under the agreements totaled \$34,454,277, and total accumulated depreciation for these assets was \$22,854,401.

The BOCES' installment purchase debt agreements are payable in 60 monthly installments or less and bear interest as stated below

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at 06/30/2019
Hauppauge	11/15	6/20	1.68%	\$ 40,562
Riverhead	11/15	6/20	1.68%	492,685
Connetquot	11/15	6/20	1.68%	144,197
Eastport/South Manor	11/15	6/20	1.68%	61,561
Sayville	2/16	11/20	1.76%	153,993
William Floyd	3/16	11/20	1.58%	144,628
Bridgehampton	10/16	5/21	1.61%	45,882
Connetquot	2/17	11/21	2.17%	421,277
Hauppauge	12/16	11/21	2.05%	56,440
Sayville	10/16	5/21	1.61%	65,487
East Quoque	10/17	10/22	2.20%	75,464
Center Moriches	1/18	11/22	2.45%	104,263
Connetquot	3/18	11/22	2.76%	602,321
Sayville	4/18	12/22	2.74%	68,375
Bayport-Blue Point	5/18	12/22	2.86%	98,505
Sayville	12/18	11/23	3.47%	61,307
Sayville	2/19	11/23	3.26%	194,364
Connetquot	3/19	11/23	3.19%	838,480
East Quoque	3/19	11/23	3.18%	204,614
William Floyd	3/19	11/23	3.21%	513,663
Hauppauge	5/19	5/24	3.03%	329,136
				<u>\$ 4,717,204</u>

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

The following is a summary of debt service requirements of installment purchase debt (technology equipment leases):

At fiscal year end June 30,2019	Principal	Interest	Total
2020	\$ 1,885,500	\$ 112,417	\$ 1,997,917
2021	1,074,503	73,875	1,148,378
2022	845,460	46,227	891,687
2023	627,527	22,556	650,083
2024	284,214	5,034	289,248
Total	<u>\$ 4,717,204</u>	<u>\$ 260,109</u>	<u>\$ 4,977,313</u>

The BOCES' deferred payment plan agreements are payable in 60 monthly installments or less and bear no interest.

Description	Issue Date	Final Maturity	Outstanding at 06/30/2019
Hauppauge	8/14	8/19	\$ 6,612
West Babylon	1/15	1/20	500
South Country	2/15	2/20	12,156
Central Islip	12/14	12/19	25,975
Shoreham-Wading River	4/15	4/20	29,258
South Country	6/15	6/20	12,889
New Hyde Park	7/15	7/19	57
William Floyd	7/15	7/19	5,522
Connetquot	8/15	8/19	15,488
Sachem	3/16	3/20	78,105
Comsewogue	2/16	2/20	15,941
Sachem	5/16	5/20	7,440
East Islip	6/16	6/20	45,197
Connetquot	9/16	10/20	20,358
South Country	10/16	10/20	13,846
Connetquot	12/16	12/20	496
West Islip	12/16	12/20	140,448
Bayport-Blue Point	12/16	12/20	31,233
Brentwood	2/17	2/21	18,398
Three Village	3/17	3/21	171,709
Eastport/South Manor	8/17	8/22	191,894
East Quogue	7/18	7/22	13,435
New Hyde Park	10/17	10/21	2,357
Hauppauge	1/18	1/21	19,454
Connetquot	4/18	4/22	5,087
Comsewogue	3/18	3/22	94,138
Miller Place	4/18	4/22	121,723
New Hyde Park	3/18	3/22	2,694
Port Jefferson	5/18	5/22	13,262



**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Notes to the Financial Statements**

**June 30, 2019**

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Outstanding at 06/30/2019</u>
Connetquot	5/18	5/22	80,746
Springs	10/18	10/21	29,952
Eastport/South Manor	7/18	7/22	15,012
Connetquot	9/18	9/22	8,047
Hauppauge	9/18	9/22	14,568
New Hyde Park	9/18	10/23	60,648
Port Jefferson	10/18	10/22	50,642
East Quogue	11/18	11/22	18,421
Connetquot	11/18	10/22	9,800
Brentwood	11/18	11/22	144,143
Bayport-Blue Point	12/18	12/22	121,480
Patchogue/Medford	12/18	12/22	147,561
East Islip	1/19	1/22	4,182
East Islip	1/19	1/22	6,955
Comsewogue	1/19	1/23	54,919
Central Islip	2/19	2/24	258,625
South Country	4/19	4/23	120,523
Port Jefferson	5/19	5/23	67,591
East Islip	4/19	4/22	9,403
Connetquot	6/19	5/23	10,799
BOCES	5/15	5/23	307,565
			<u>\$ 2,657,254</u>

<u>At fiscal year end June 30,2019</u>	<u>Principal</u>
2020	\$ 1,157,365
2021	730,991
2022	518,473
2023	210,444
2024	39,981
Total	<u>\$ 2,657,254</u>

On April 21, 2006, the BOCES entered into an energy performance contract in the amount of \$2,747,418. The lease is payable in 30 semi-annual payments of \$127,359, including interest at 4.55% beginning October 21, 2006.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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The following is a summary maturing debt service requirements of the energy performance contract:

Fiscal Year Ending June 30,	Principal	Interest	Total
2020	\$ 235,447	\$ 19,271	\$ 254,718
2021	246,283	8,436	254,719
Total	<u>\$ 481,730</u>	<u>\$ 27,707</u>	<u>\$ 509,437</u>

Interest Paid	\$ 123,303
Less: Interest accrued in the prior year	(6,164)
Plus: Interest accrued in the current year	4,201
Total interest expense on long-term debt	<u>\$ 121,340</u>

#### 9. PENSION PLANS

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

###### Plan Description

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

The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance.

The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

###### Contributions

The System is noncontributory for employees who joined prior to July 28, 1976. For employees who joined after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary for the first ten years of membership. Employees who joined on or after January 1, 2010 are required to contribute 3% to 6% of their annual salary for their entire working career. Under the authority of the RSSL, the Comptroller certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. All required contributions for the NYSERS fiscal year ended March 31, 2019, were paid.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

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

	Amount
2017	\$ 6,793,101
2018	\$ 6,935,011
2019	\$ 6,832,422

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

At June 30, 2019, the BOCES reported a liability of \$10,930,767 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOCES' proportion of the net pension liability was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2019 and 2018, the BOCES' proportion was 0.1542738% and 0.1575942%, respectively.

For the year ended June 30, 2019, the BOCES recognized pension expense of \$7,777,135. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,152,497	\$ 733,762
Changes of Assumptions	2,747,548	-
Net difference between projected and actual earnings on pension plan investments	-	2,805,439
Changes in proportion and differences between the BOCES, contributions and proportionate share of contributions	1,622,982	202,232
Contributions subsequent to the measurement date	1,680,706	-
	<u>\$ 8,203,733</u>	<u>\$ 3,741,433</u>

At June 30, 2019 \$1,680,706 was reported as deferred outflows of resources related to pensions resulting from BOCES contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended March 31:	Amount
2020	\$ 2,907,532
2021	(1,788,852)
2022	67,963
2023	1,594,951
Thereafter	-
	<u>\$ 2,781,594</u>

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

June 30, 2019

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#### Actuarial Assumptions

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

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

Investment rate of return (net of investment expense, including inflation)	7.00%
Cost of living adjustment	1.30%
Salary scale	4.20%
Inflation rate	2.50%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

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

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of April 1, 2018 are summarized below.

Asset Type	Target Allocations in %	Long-term expected real rate of return in %
Domestic equity	36.0	4.55
International equity	14.0	6.35
Private equity	10.0	7.50
Real estate	10.0	5.55
Absolute return strategies	2.0	3.75
Opportunistic portfolio	3.0	5.68
Real asset	3.0	5.29
Bonds and mortgages	17.0	1.31
Cash	1.0	(0.25)
Inflation indexed bonds	4.0	1.25
	100	

The real rate of return is net of the long-term inflation assumption of 2.50%

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

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#### Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the ERS' 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 Liability to the Discount Rate Assumption

The following presents the BOCES' proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the BOCES' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
Proportionate Share of Net Pension Liability	<u>\$ 47,791,057</u>	<u>\$ 10,930,767</u>	<u>\$ (20,034,491)</u>

#### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows (in thousands):

Total pension liability	\$ 189,803,429
Net position	<u>182,718,124</u>
Net pension liability (asset)	<u>\$ 7,085,305</u>
ERS net position as a percentage of total pension liability	96.27%

#### Payables to the Pension Plan

The BOCES has recorded an amount due to ERS in amount of \$1,680,706 at June 30, 2019. This amount represents the three months of the BOCES' fiscal year that will be covered in the ERS 2019-2020 billing cycle and has been accrued as an expenditure in the current year.

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

#### Plan Description

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

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

#### Contributions

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

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

	TRS
2017	\$ 9,777,303
2018	\$ 8,398,096
2019	\$ 9,460,916

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

At June 30, 2019, the BOCES reported an asset of \$9,513,181 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2018, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2017. The BOCES' proportion of the net pension asset was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2018, the BOCES' proportion was 0.526095 percent, which was a decrease of 0.000287 percent from its proportion of 0.526382 percent measured as of June 30, 2017.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

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For the year ended June 30, 2019, the BOCES recognized a pension expense of \$7,352,903. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,109,123	\$ 1,287,740
Changes of Assumptions	33,254,807	-
Net difference between projected and actual earnings on pension plan investments	-	10,560,355
Changes in proportion and differences between the BOCES, contributions and proportionate share of contributions	456,054	450,127
Contributions subsequent to the measurement date	9,460,916	-
	<u>\$ 50,280,900</u>	<u>\$ 12,298,222</u>

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

Plan's Year Ended June 30:	
2019	\$ 9,505,137
2020	6,443,726
2021	652,505
2022	6,421,313
2023	4,441,435
Thereafter	1,057,646
	<u>\$ 28,521,762</u>

#### Actuarial Assumptions

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

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

Salary scale Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience

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

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

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Projected COLAs	1.5% compounded annually
Inflation rate	2.5%

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

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

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the valuation date of June 30, 2017 are summarized in the following table:

Asset Type	Target Allocations in %	Long-term expected real rate of return in %
Domestic equity	33.0	5.8
International equity	16.0	7.3
Global equities	4.0	6.7
Real estate	11.0	4.9
Private equities	8.0	8.9
Domestic fixed income securities	16.0	1.3
Global fixed income securities	2.0	0.9
Private debt	1.0	6.8
Real estate debt	7.0	2.8
High yield fixed income securities	1.0	3.5
Short-term	1.0	0.3
	100	

\* Real rates of return are net of the long-term inflation assumption of 2.3% for 2018.



**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Notes to the Financial Statements**

**June 30, 2019**

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**Discount Rate**

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

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

The following presents BOCES’ proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the BOCES’ proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
Proportionate Share of Net Pension Liability	<u>\$ 65,357,104</u>	<u>\$ (9,513,181)</u>	<u>\$ (72,233,673)</u>

**Pension Plan Fiduciary Net Position**

The components of the current year net pension liability (asset) of the employers as of June 30, 2018, were as follows (amounts in thousands):

Total pension liability	\$ 118,107,253
Net position	<u>119,915,518</u>
Net pension liability (asset)	\$ (1,808,264)
NYSTRS net position as a percentage of total pension liability	101.53%

**Payable to the Pension Plan**

The BOCES has recorded an amount due to TRS in amount of \$10,298,952 in the General Fund at June 30, 2019. This amount represents \$9,460,916 BOCES contribution and \$838,036 employees contribution for the 2018-2019 fiscal year that will be made in 2019-2020 and has been accrued as an expenditure in the current year.

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

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#### 10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

##### (a) Plan Description

The BOCES provides postemployment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The BOCES provides medical, medigap, and Medicare part B reimbursement (the healthcare plan) coverage to retired employees in accordance with employment contracts.

##### (b) Benefits Provided

The BOCES provides medical and prescription drug benefits to its eligible retirees. Dental, vision, and life insurance benefits are available with select classes of employees. The benefit levels, employee contributions and employer contributions are governed by the BOCES' contractual agreements. The Plans can be amended by action of the BOCES through agreements with the bargaining units.

The BOCES provides retirees in the following categories life insurance in retirement:

Administrative and Supervisory, Central Administration, including the Superintendent, Non-represented Certificated Administrators, Non-represented Technical Administrators, Non-represented Clerical, Non-represented Confidential Clerical, Non-represented Directors and Non-represented Educators. The provider is the Standard Life Insurance Company of New York.

Medical, prescription drug and life insurance benefits are offered to retirees on a BOCES-subsidized basis. The valuation measures only the portion of the cost that is borne by the BOCES, which in most cases is 100%. Each employee category has its own benefit package, eligibility rules and cost-sharing structure.

##### (c) Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	1,497
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,917</u>
Total participants	<u><u>3,414</u></u>

##### (d) Total OPEB Liability

The BOCES' total OPEB liability of \$867,753,299 was measured as of June 30, 2019 and was determined by an actuarial valuation as of June 30, 2017.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

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**(e) Changes in Total OPEB Liability**

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

	Total OPEB Liability
Balance at June 30, 2018	<u>\$789,495,977</u>
Changes for the year:	
Service cost	21,870,301
Interest on total OPEB liability	30,953,337
Changes of the benefit terms	-
Changes in assumptions or other inputs	48,731,715
Differences between expected and actual experience	-
Benefit payments	<u>(23,298,031)</u>
Net changes	<u>78,257,322</u>
Balance at June 30, 2019	<u><u>\$867,753,299</u></u>

**(f) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51 percent) or 1 percentage point higher (4.51 percent) than the current discount rate:

	1% Decrease (2.51%)	Current Discount (3.51%)	1% Increase (4.51%)
Total OPEB Liability	<u>\$ 1,029,083,245</u>	<u>\$ 867,753,299</u>	<u>\$ 739,910,842</u>

**(g) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.50 declining to 2.84 percent) or 1 percentage point higher (6.60 declining to 4.84 percent) than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease	Current Discount	1% Increase
Total OPEB Liability	<u>\$ 720,495,612</u>	<u>\$ 867,753,299</u>	<u>\$ 1,058,396,288</u>

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

## EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Notes to the Financial Statements

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#### (h) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the BOCES recognized OPEB expense of \$54,508,882. At June 30, 2019, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of Assumptions	41,588,778	26,318,983
	<u>\$ 41,588,778</u>	<u>\$ 26,318,983</u>

Contributions subsequent to the measurement date will be recognized in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan's Year Ended June 30:	
2020	\$ 1,685,244
2021	1,685,244
2022	1,685,244
2023	1,685,244
2024	2,654,726
Thereafter	5,874,093
	<u>\$ 15,269,795</u>

#### Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 rolled forward to June 30, 2019, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Measurement date	June 30, 2019
Reporting date	June 30, 2019
Inflation rate	3.00%
Salary increases, including wage inflation	Vary by pension retirement system (New York State Teachers Retirement System (TRS) or Employees retirement System (ERS))
Healthcare cost trends	5.50% for 2019 decreasing to an ultimate rate of 3.84% by 2075
Discount rate	3.51%
Mortality rate	Mortality rates were based on April 1, 2010 - March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

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### Notes to the Financial Statements

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The following changes in actuarial assumptions have been made since the prior measurement date:

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in July 1, 2018 to 3.51% percent in July 1, 2019.

Discount Rate – The selected discount rate of 3.51% is based on the prescribed discount interest rate methodology under GASB 75 based on a 20-year bond indices with an average rating of AA/Aa or higher (Bond Buyer-20 Bond GO Index) as of the measurement date.

Cash Flows – The cash flows into and out of the Plan are expected to be consistent with the above assumptions and Plan descriptions of participant contributions.

#### 11. RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

##### Workers' Compensation Plan

The BOCES has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	<u>2019</u>	<u>2018</u>
Unpaid claims at beginning of year	\$ 5,228,775	\$ 5,913,068
Incurred claims and claim adjustment expenses	2,971,901	2,767,534
Claim payments	<u>(3,012,605)</u>	<u>(3,451,827)</u>
Unpaid claims at year end	<u>\$ 5,188,071</u>	<u>\$ 5,228,775</u>

##### Health Benefits Program

The BOCES participates in a health benefit program for selected employees through the East End Health Plan, a consortium of school districts from the east end of Long Island. The benefit program's administrator is responsible for the approval, processing and payment of claims. This is billed to the BOCES at an established rate based on the number of participants. The BOCES is responsible for contributions to cover their share of the benefits and administrative costs. The trust for the plan reports on a calendar year end. In the event the plan experiences a shortfall, a special assessment against participating districts may be imposed. The BOCES is not aware of any additional assessments related to claims incurred through June 30, 2019.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Notes to the Financial Statements**

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**12. OPERATING LEASES**

Short-term operating leases, predominantly of one to five-year duration, have been negotiated for the use of certain classrooms and facilities. All lease payments are expensed when paid and totaled \$5,029,210 for the year. Future minimum rental payments under the terms of the renewal lease are payable as follows:

Plan's Year Ended June 30:

2020	\$	4,292,476
2021		3,997,314
2022		3,925,847
2023		2,939,422
2024		2,314,415
2025-2030		5,001,195

**13. FUND BALANCES**

(a) The following is a summary of the change in General Fund restricted reserve funds during the year ended June 30, 2019:

	Beginning Balance	Increase / Decrease	Ending Balance
Restricted			
General Fund			
Employee Benefit Accrued Liability	\$ 36,391,266	\$ 739,222	\$ 37,130,488
Retirement Contribution Reserve	21,909,941	(1,741,475)	20,168,466
Teacher Retirement Contribution Reserve	-	1,713,899	1,713,899
Unemployment Insurance	459,929	(21,128)	438,801
Workers Compensation	5,228,775	(40,705)	5,188,070
Total General Fund Restricted	<u>\$ 63,989,911</u>	<u>\$ 649,813</u>	<u>\$ 64,639,724</u>

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Notes to the Financial Statements**

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(b) The following is the disaggregation of the fund balance that is reported in summary on the Governmental Fund's Balance Sheet at June 30, 2019:

	General	School Lunch	Special Aid	Capital	Total
Nonspendable	\$ -	\$ 2,662	\$ -	\$ -	\$ 2,662
Restricted					
Employee Benefit Accrued Liability	37,130,488	-	-	-	37,130,488
Retirement Contribution Reserve	20,168,466	-	-	-	20,168,466
Teacher Retirement Contribution Reserve	1,713,899	-	-	-	1,713,899
Unemployment Insurance Reserve	438,801	-	-	-	438,801
CTE Equipment	-	-	-	1,795,948	1,795,948
Workers' Compensation Reserve	5,188,070	-	-	-	5,188,070
Total Restricted	<u>64,639,724</u>	<u>-</u>	<u>-</u>	<u>1,795,948</u>	<u>66,435,672</u>
Assigned					
Administration	374,999	-	-	-	374,999
Occupational Instruction	1,229,631	-	-	-	1,229,631
Instruction for Special Needs	1,729,387	-	2,343,701	-	4,073,088
Itinerant Services	25,788	-	-	-	25,788
General Instruction	47,292	-	-	-	47,292
Instruction Support	170,003	-	-	-	170,003
Other Services	1,026,510	-	-	-	1,026,510
Capital Projects	-	-	-	1,331,370	1,331,370
School Lunch	-	224,015	-	-	224,015
Total Assigned	<u>4,603,610</u>	<u>224,015</u>	<u>2,343,701</u>	<u>1,331,370</u>	<u>8,502,696</u>
Total Fund Balance	<u>\$ 69,243,334</u>	<u>\$ 226,677</u>	<u>\$ 2,343,701</u>	<u>\$ 3,127,318</u>	<u>\$ 74,941,030</u>

# EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

## Notes to the Financial Statements

June 30, 2019

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### 14. CONTINGENCIES AND COMMITMENTS

#### Grants

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

#### Construction Commitments

The BOCES' Board has authorized various capital projects for a total of \$12,745,014. Through June 30, 2019, the BOCES has outstanding construction commitments of \$651,154.

#### Litigation

The BOCES is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the BOCES' insurance coverage. However, it is not possible to determine the BOCES' potential exposure, if any, at this time.

#### Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, School Lunch Fund, Special Aid Funds, and Capital Projects Funds. At June 30, 2019, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds.

Significant encumbrances included in governmental fund balances are as follows:

	<u>General</u>
Administration	\$ 374,999
Occupational Instruction	1,229,631
Instruction for Special Needs	1,729,387
Itinerant Services	25,788
General Instruction	47,292
Instruction Support	170,003
Other Services	<u>1,026,510</u>
	<u>\$ 4,603,610</u>

### 15. NET POSITION DEFICIT - BOCES-WIDE

The BOCES-wide Net Position had total net position deficit of \$717,555,076. The deficit is primarily the result of the implementation of GASB Statement 75, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which required the recognition of an unfunded liability of \$867,753,299 at June 30, 2019. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.



**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance with <u>Actual</u>
<b>REVENUE</b>				
Administration	\$ 46,189,177	\$ 46,215,912	\$ 43,065,636	\$ (3,150,276)
Occupational instruction	36,991,267	39,037,303	36,828,959	(2,208,344)
Instruction for special education	159,797,076	169,770,059	167,454,270	(2,315,789)
Itinerant services	7,620,059	7,877,986	5,992,652	(1,885,334)
General instruction	14,710,988	17,726,023	14,876,830	(2,849,193)
Instruction support	23,767,740	27,424,610	25,187,015	(2,237,595)
Other services	66,892,319	78,607,163	74,918,321	(3,688,842)
Internal services	-	3,468,403	287,092	(3,181,311)
Total revenues	355,968,626	390,127,459	368,610,775	(21,516,684)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	392,979	392,979
Total revenues and other sources	<u>\$ 355,968,626</u>	<u>\$ 390,127,459</u>	<u>\$ 369,003,754</u>	<u>\$ (21,123,705)</u>

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Actual</u>
<b>EXPENDITURES</b>					
Administration	\$ 44,389,177	\$ 44,635,912	\$ 39,684,690	\$ 374,999	\$ 4,576,223
Occupational instruction	36,991,267	39,026,303	36,227,946	1,229,631	1,568,726
Instruction for special education	159,497,076	169,770,059	162,220,220	1,729,387	5,820,452
Itinerant services	7,620,059	7,877,986	5,980,884	25,788	1,871,314
General instruction	14,710,988	17,726,023	14,561,088	47,292	3,117,643
Instruction support	23,767,740	27,424,610	24,177,795	170,003	3,076,812
Other services	66,892,319	78,607,163	71,709,413	1,026,510	5,871,240
Internal services	-	3,168,403	72,584	-	3,095,819
Total expenditures	353,868,626	388,236,459	354,634,620	4,603,610	28,998,229
<b>OTHER FINANCING USES</b>					
Return of surplus	-	-	13,942,821	-	(13,942,821)
Transfers to other funds	2,100,000	1,891,000	1,805,178	-	85,822
Total expenditures and other uses	<u>\$ 355,968,626</u>	<u>\$ 390,127,459</u>	<u>\$ 370,382,619</u>	<u>\$ 4,603,610</u>	<u>\$ 15,141,230</u>
NET CHANGE IN FUND BALANCES			(1,378,865)		
FUND BALANCE - beginning of year			<u>70,622,199</u>		
FUND BALANCE - end of year			<u>\$ 69,243,334</u>		

See accompanying independent auditor's report.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)  
For the Year Ended June 30, 2019**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years * (Dollar amounts displayed in thousands)					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability (asset)	0.1542738%	0.1575942%	0.1570195%	0.1605447%	0.1537894%	0.1537894%
Proportionate share of the net pension liability (asset)	\$ (10,930.8)	\$ (5,086.3)	\$ (14,753.9)	\$ (25,767.9)	\$ (5,195.4)	\$ (6,949.5)
Covered-employee payroll	\$ 48,243.2	\$ 47,446.6	\$ 45,568.5	\$ 43,977.1	\$ 42,128.9	\$ 44,467.4
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-22.66%	-10.72%	-32.38%	-58.59%	-12.33%	-15.63%
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	98.24%	94.70%	90.60%	97.90%	97.20%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years * (Dollar amounts displayed in thousands)					
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the net pension liability (asset)	0.5260950%	0.5263820%	0.5280410%	0.5167190%	0.5324080%	0.5448290%
Proportionate share of the net pension liability (asset)	\$ 9,513.2	\$ 4,001.0	\$ (5,655.5)	\$ 53,670.7	\$ 59,306.9	\$ 3,586.4
Covered-employee payroll	\$ 85,694.9	\$ 83,424.1	\$ 81,481.2	\$ 77,618.2	\$ 78,639.1	\$ 79,805.7
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.10%	4.80%	-6.94%	69.15%	75.42%	4.49%
Plan fiduciary net position as a percentage of the total pension liability (asset)	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

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

See accompanying independent auditor's report.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Contributions - Pension Plans (Unaudited)  
For the Year Ended June 30, 2019**

<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 6,832.4	\$ 6,935.0	\$ 6,793.1	\$ 8,181.8	\$ 7,391.3	\$ 8,556.1	\$ 8,512.2	\$ 7,324.8	\$ 4,940.5	\$ 3,173.7
Contributions in relation to the contractually required contribution	<u>6,832.4</u>	<u>6,935.0</u>	<u>6,793.1</u>	<u>8,181.8</u>	<u>7,391.3</u>	<u>8,556.1</u>	<u>8,512.2</u>	<u>7,324.8</u>	<u>4,940.5</u>	<u>3,173.7</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 48,243.2	\$ 47,446.6	\$ 45,568.5	\$ 43,977.1	\$ 42,128.9	\$ 44,467.4	\$ 46,812.0	\$ 46,276.8	\$ 45,351.3	\$ 44,444.3
Contributions as a percentage of covered-employee payroll	14.16%	14.62%	14.91%	18.60%	17.54%	19.24%	18.18%	15.83%	10.89%	7.14%

<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>	Last 10 Plan Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$ 8,398.1	\$ 9,777.3	\$ 10,804.4	\$ 13,606.5	\$ 12,778.9	\$ 9,449.0	\$ 9,160.9	\$ 7,550.2	\$ 5,572.8	\$ 6,727.5
Contributions in relation to the contractually required contribution	<u>8,398.1</u>	<u>9,777.3</u>	<u>10,804.4</u>	<u>13,606.5</u>	<u>12,778.9</u>	<u>9,449.0</u>	<u>9,160.9</u>	<u>7,550.2</u>	<u>5,572.8</u>	<u>6,727.5</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 85,694.9	\$ 83,424.1	\$ 81,481.2	\$ 77,618.2	\$ 78,639.1	\$ 79,805.7	\$ 82,456.0	\$ 86,711.6	\$ 90,028.9	\$ 88,172.2
Contributions as a percentage of covered-employee payroll	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%	8.71%	6.19%	7.63%

See accompanying independent auditor's report.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
For the Year Ended June 30, 2019**

(Dollar amounts displayed in thousands)	Last 10 Fiscal Years *	
	2019	2018
Total OPEB Liability		
Service cost	\$ 21,870.30	\$ 23,000.65
Interest	\$ 30,953.34	\$ 28,509.10
Changes of benefit terms	\$ -	\$ -
Differences between expected and actual experience	\$ -	\$ (37,234.37)
Changes in assumptions	\$ 48,731.72	\$ -
Benefit payments	\$ (23,298.03)	\$ (21,122.96)
<b>Total change in total OPEB liability</b>	<b>\$ 78,257.32</b>	<b>\$ (6,847.57)</b>
<b>Total OPEB liability - beginning</b>	<b>\$ 789,495.98</b>	<b>\$ 796,343.55</b>
<b>Total OPEB liability - ending</b>	<b>\$ 867,753.30</b>	<b>\$ 789,495.98</b>
<b>Covered-employee payroll</b>	<b>\$ 127,416.1</b>	<b>\$ 119,791.8</b>
<b>Total OPEB liability as a percentage of covered employee payroll</b>	<b>681.04%</b>	<b>659.06%</b>

**Notes to Required Supplementary Information:**

**Changes of assumptions.** Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following reflects the discount rate used each period:

Discount rate	3.51%	3.87%
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The BOCES' net OPEB liability is not funded. Therefore, the liability is the net position of the plan. The BOCES currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

**Actuarial Assumptions**

The actuarial methods and assumptions used to calculate the total OPEB liability are described in Note 10 to the financial statements.

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

See accompanying independent auditor's report.

**OTHER INFORMATION (UNAUDITED)**

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Account A431 - School Districts (Unaudited)  
For the Year Ended June 30, 2019**

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July 1, 2018 - Debit (Credit) balance	\$ 43,039,085
Debits	
Billings to school districts	328,642,029
Refund of balances due school districts	11,369,863
Adjustment - credits to school districts	
Revenues in excess of expenditures	2,028,677
Encumbrances - June 30, 2019	4,603,610
Other adjustments	-
Total debits	<u>346,644,179</u>
Credits	
Collections from school districts	324,546,733
Adjustment - credits to school districts	
Revenues in excess of expenditures	13,942,821
Encumbrances - June 30, 2018	6,632,288
Other adjustments	-
Total credits	<u>345,121,842</u>
June 30, 2019 - Debit (Credit) balance	<u>\$ 44,561,422</u>
Accounts receivable components	\$ 58,504,243
School district accounts	<u>(13,942,821)</u>
Balance, end of year	<u>\$ 44,561,422</u>

See accompanying independent auditor's report.



**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Project Expenditures - Capital Projects Fund (Unaudited)  
For the Year Ended June 30, 2019**

Project Title	Budget June 30, 2018	Budget June 30, 2019	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2019
			Prior Years	Current Years	Total		Proceeds of Obligations	Local Sources	Total	
Capital Project - Greenhouse	\$ 232,898	\$ 232,898	\$ 83,944	\$ -	\$ 83,944	\$ 148,954	\$ -	\$ 232,898	\$ 232,898	\$ 148,954
Armory Improvements	850,000	1,650,000	407,937	962,975	1,370,912	279,088	-	1,650,000	1,650,000	279,088
Sequoya Phase II	1,600,000	2,150,000	128,466	1,701,503	1,829,969	320,031	-	2,150,000	2,150,000	320,031
Sequoya Phase III	4,000,000	4,000,000	158,814	3,366,632	3,525,446	474,554	-	4,000,000	4,000,000	474,554
OTI Capital Armory	-	750,000	-	748,124	748,124	1,876	-	750,000	750,000	1,876
Capital Projects - Unallocated	626,867	106,867	-	-	-	106,867	-	106,867	106,867	106,867
Career Education (CTE Reserve)	1,886,717	1,917,208	-	121,260	121,260	1,795,948	-	1,917,208	1,917,208	1,795,948
Technology Coser	-	3,855,249	-	3,855,249	3,855,249	-	3,855,249	-	3,855,249	-
<b>SUBTOTAL</b>	<b>\$ 9,196,482</b>	<b>\$ 14,662,222</b>	<b>\$ 779,161</b>	<b>\$ 10,755,743</b>	<b>\$ 11,534,904</b>	<b>\$ 3,127,318</b>	<b>\$ 3,855,249</b>	<b>\$ 10,806,973</b>	<b>\$ 14,662,222</b>	<b>\$ 3,127,318</b>

See accompanying independent auditor's report.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Net Investment in Capital Assets (Unaudited)  
For the Year Ended June 30, 2019**

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Capital assets, net	\$ 69,138,954
Deduct:	
Installment purchase debt	4,717,204
Deferred payment plan debt	2,657,254
Energy performance contract	<u>481,730</u>
Net investment in capital assets	<u>\$ 61,282,766</u>

See accompanying independent auditor's report.

**REQUIRED REPORTS UNDER THE UNIFORM  
GUIDANCE**

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

October 8, 2019

To the Board Of Education of  
Eastern Suffolk Board of Cooperative Education Services

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Eastern Suffolk BOCES (the BOCES), as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the BOCES’ basic financial statements, and have issued our report thereon dated October 8, 2019.

**Internal Control Over Financial Reporting**

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

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

**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***

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

October 8, 2019

To the Board of Education  
Eastern Suffolk Board of Cooperative Education Services

**Report on Compliance for Each Major Federal Program**

We have audited the Eastern Suffolk Board of Cooperative Education Services (the BOCES) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the BOCES' major federal programs for the year ended June 30, 2019. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the BOCES' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the BOCES'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 the major federal program. However, our audit does not provide a legal determination of the BOCES' compliance.

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

### **Opinion on Each Major Federal Program**

In our opinion, the Eastern Suffolk Board of Cooperative Education Services 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, 2019.

### **Report on Internal Control over Compliance**

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

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

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

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

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Expenditures	Amounts Provided to Subrecipients
<b>U.S. Department of Agriculture</b>				
<i>Child Nutrition Cluster</i>				
Pass-Through New York State Education Department				
National School Lunch Program (Noncash food donations)	10.555	N/A	\$ 54,792	\$ -
School Breakfast Program	10.553	N/A	312,098	-
National School Lunch Program	10.555	N/A	497,608	-
<i>Total Child Nutrition Cluster</i>			<u>864,498</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>864,498</u>	<u>-</u>
<b>U.S. Department of Labor</b>				
<i>WIOA Cluster</i>				
Pass-Through New York State Education Department				
WIOA Youth Activities	17.259	DOL01-c18310GG	96,068	-
<i>Total WIOA Cluster</i>			<u>96,068</u>	<u>-</u>
Total U.S. Department of Labor			<u>96,068</u>	<u>-</u>
<b>U.S. Department of Education</b>				
<i>Student Financial Assistance Cluster</i>				
Direct				
Federal Direct Student Loans	84.268	N/A	1,006,415	-
Federal Pell Grant Program	84.063	N/A	667,686	-
<i>Total Student Financial Assistance Cluster</i>			<u>1,674,101</u>	<u>-</u>
Arts in Education	84.351	U351D140037	229,575	-
Pass-Through New York State Education Department				
Adult Education - Basic Grants to States	84.002	2338-19-3189	122,500	-
Adult Education - Basic Grants to States	84.002	2338-19-3143	436,055	-
Adult Education - Basic Grants to States	84.002	0138-19-2049	241,716	-
Adult Education - Basic Grants to States	84.002	0040-19-3019	299,999	-
<i>Total Adult Education - Basic Grants to States</i>			<u>1,100,270</u>	<u>-</u>
Migrant Education - State Grant Program	84.011	0035-19-0009	453,240	-
Migrant Education - State Grant Program	84.011	0035-18-0009	99,044	-
<i>Total Migrant Education - State Grant Program</i>			<u>552,284</u>	<u>-</u>
Vocational Education - Basic Grants to States	84.048	8000-19-0012	840,695	-
Vocational Education - Basic Grants to States	84.048	8000-19-9025	69,816	-
<i>Total Vocational Education - Basic Grants to States</i>			<u>910,511</u>	<u>-</u>
Education for Homeless Children and Youth	84.196	0212-19-3002	73,128	-
Education for Homeless Children and Youth	84.196	0212-19-3001	59,830	-
<i>Total Education for Homeless Children and Youth</i>			<u>132,958</u>	<u>-</u>
English Language Acquisition State Grants	84.365	0293-19-3285	159,728	-
English Language Acquisition State Grants	84.365	0293-18-3285	39,662	-
English Language Acquisition State Grants	84.365	0293-19-1724	139,711	-
English Language Acquisition State Grants	84.365	0293-18-1724	41,854	-
<i>Total English Language Acquisition State Grants</i>			<u>380,955</u>	<u>-</u>
Pass-Through Riverhead Central School District				
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	N/A	76,941	-
Total U.S. Department of Education			<u>5,057,595</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 6,018,161</u>	<u>\$ -</u>

See accompanying independent auditor's report.



**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Notes to Schedule of Expenditures of Federal Awards**

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**1. GENERAL**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Eastern Suffolk BOCES (BOCES), under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a portion of the operations of the BOCES it is not intended to and does not present the financial position, changes in net position, or cash flows for the BOCES.

**2. BASIS OF ACCOUNTING**

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

**3. INDIRECT COSTS**

Indirect costs are included in the reported expenditures to the extent they are included in the financial reports used as the source for the expenditures presented.

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

**4. MATCHING COSTS**

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

**5. NONMONETARY ASSISTANCE**

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. During the year ended June 30, 2019, the BOCES received food commodities totaling \$54,792 (CFDA No. 10.555).

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Schedule of Findings and Questioned Costs  
For the year ended June 30, 2019**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

Significant deficiencies identified?

Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?

Yes  No

Significant deficiencies identified ?

Yes  None reported

Type of auditor's report issued on compliance for major federal programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes  No

Identification of major federal programs:

CFDA Number(s)    Name of Federal Program or Cluster

10.555 and 10.553    Child Nutrition Cluster

84.268 and 84.063    Student Financial Assistance Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

Yes     No

**Section II - Financial Statement Findings**

None reported

**Section III - Federal Awards Findings and Questioned Costs**

None reported