

**EASTERN SUFFOLK BOARD OF COOPERATIVE
EDUCATION SERVICES**

**Financial Statements and Required Reports Under the
Uniform Guidance
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, 2021

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INDEPENDENT AUDITOR'S REPORT

October 13, 2021

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 and each major fund of Eastern Suffolk Board of Cooperative Education Services (the BOCES) as of and for the year ended June 30, 2021, 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 and each major fund of the BOCES as of June 30, 2021, 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.

Emphasis of Matters - Change in Accounting Principle

As discussed in Note 18 to the financial statements, during the year ended June 30, 2021 the BOCES adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84 – Fiduciary Activities. Our opinions are not modified with respect to this matter.

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 13, 2021 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 (Unaudited)

June 30, 2021

The following is a discussion and analysis of the BOCES' financial performance for the year ended June 30, 2021. 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 \$34,189,933. The primary factor contributing to this decrease was due to the expense of Other Postemployment Benefits in the amount of \$65,910,217.
- The current total net position is a deficit in the amount of \$811,154,119. The deficit is primarily the result 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 \$1,027,700,653 at June 30, 2021. 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 \$37,568,384. In addition, the general revenues were \$3,242,110, which included \$150,693 in interest earnings.
- Program revenues included \$380,487,318 in Charges for Services and \$14,195,674 in Operating Grants and Contributions.
- BOCES total General Fund revenue for 2021 was \$373,693,331. \$300,162,217 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 2021-2022, \$17,721,611 of the surplus from the prior year will be returned. During 2020-2021, \$21,635,787 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.
- 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.

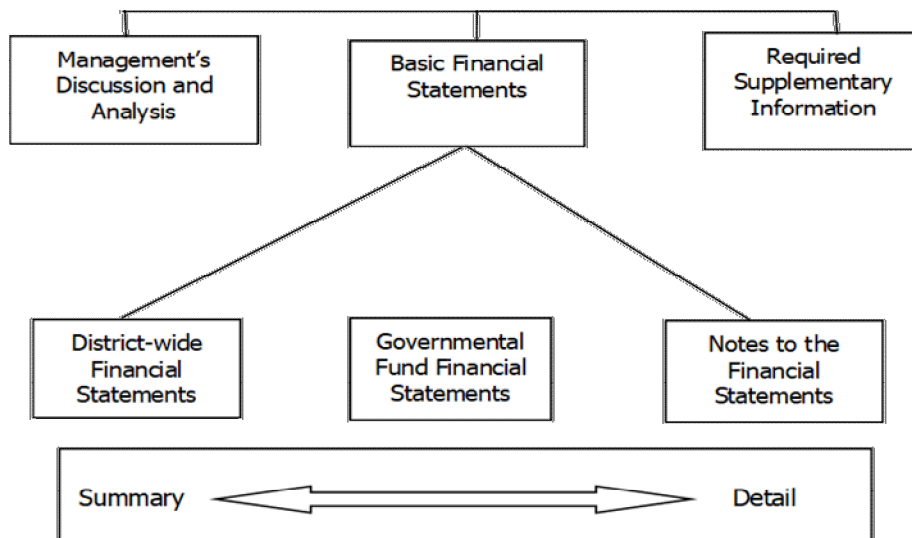
EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited) June 30, 2021

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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited) June 30, 2021

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 one type of fund:

- **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 17 and 19 which reconciles the BOCES-wide financial statements to the fund financial statements.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited) June 30, 2021

Figure A-2 Condensed Statement of Net position

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Percent Change
Current and other assets	\$ 160,393,997	\$ 181,051,830	\$ (20,657,833)	-11.4%
Net pension asset	-	13,864,956	(13,864,956)	-100.0%
Capital assets	<u>67,180,489</u>	<u>66,523,539</u>	<u>656,950</u>	1.0%
Total assets	<u>227,574,486</u>	<u>261,440,325</u>	<u>(33,865,839)</u>	-13.0%
Deferred outflows of resources	<u>239,977,059</u>	<u>256,019,039</u>	<u>(16,041,980)</u>	-6.3%
Current liabilities	71,422,003	99,174,027	(27,752,024)	-28.0%
Net pension liability	14,493,609	40,353,725	(25,860,116)	-64.1%
Other long-term liabilities	<u>1,073,428,159</u>	<u>1,049,737,827</u>	<u>23,690,332</u>	2.3%
Total liabilities	<u>1,159,343,771</u>	<u>1,189,265,579</u>	<u>(29,921,808)</u>	-2.5%
Deferred inflows of resources	<u>119,361,893</u>	<u>105,157,971</u>	<u>14,203,922</u>	13.5%
Net position:				
Investment in capital assets	58,466,391	56,965,621	1,500,770	2.6%
Restricted	70,667,512	70,571,927	95,585	0.1%
Unrestricted	<u>(940,288,022)</u>	<u>(904,501,734)</u>	<u>(35,786,288)</u>	4.0%
Total net position	<u>\$ (811,154,119)</u>	<u>\$ (776,964,186)</u>	<u>\$ (34,189,933)</u>	4.4%

Unrestricted net position decreased to (\$940,288,022) for the year ended June 30, 2021, down (\$35,786,288) from the (\$904,501,734) balance for 2020. This resulted primarily from the increase in the other post-employment benefits liability of \$26,978,706 from changes in assumptions of GASB 75 and a decrease in current assets of \$20,657,833 along with a change in deferred pension and OPEB outflows of \$16,041,980.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited) June 30, 2021

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, 2021 and 2020 is as follows:

	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Percent Change
Revenues				
Program revenue:				
Charges for services	\$ 380,487,318	\$ 377,726,270	\$ 2,761,048	0.7%
Operating grants	14,195,674	13,552,479	643,195	4.7%
General revenue:				
Use of money and property	150,693	830,099	(679,406)	-81.8%
Sale of property and compensation for loss	485,765	638,636	(152,871)	-23.9%
Miscellaneous	2,605,652	718,827	1,886,825	262.5%
Total revenue	\$ 397,925,102	\$ 393,466,311	\$ 4,458,791	1.1%
Expenses				
Administration	\$ 45,782,090	\$ 47,196,778	\$ (1,414,688)	-3.0%
Occupational instruction	44,918,870	48,151,344	(3,232,474)	-6.7%
Instruction for special education	211,060,488	232,251,522	(21,191,034)	-9.1%
Itinerant services	8,142,051	8,720,086	(578,035)	-6.6%
General instruction	9,793,079	14,113,307	(4,320,228)	-30.6%
Instruction support	29,537,739	28,746,686	791,053	2.8%
Other services	80,291,798	72,259,522	8,032,276	11.1%
Internal services	1,396,321	291,735	1,104,586	378.6%
Food Service Program	1,328,940	1,144,441	184,499	16.1%
Total expenses	432,251,376	452,875,421	(20,624,045)	-4.6%
Changes in net position	(34,326,274)	(59,409,110)	25,082,836	-42.2%
FUND BALANCES - beginning of year, as previously reported	(776,964,186)	(717,555,076)	(59,409,110)	8.3%
RESTATEMENT (NOTE 18)	136,341	-	136,341	100.0%
FUND BALANCES - beginning of year, as restated	(776,827,845)	(717,555,076)	(59,272,769)	8.3%
FUND BALANCES - end of year	\$ (811,154,119)	\$ (776,964,186)	(34,189,933)	4.4%

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited) June 30, 2021

Changes in Net Position

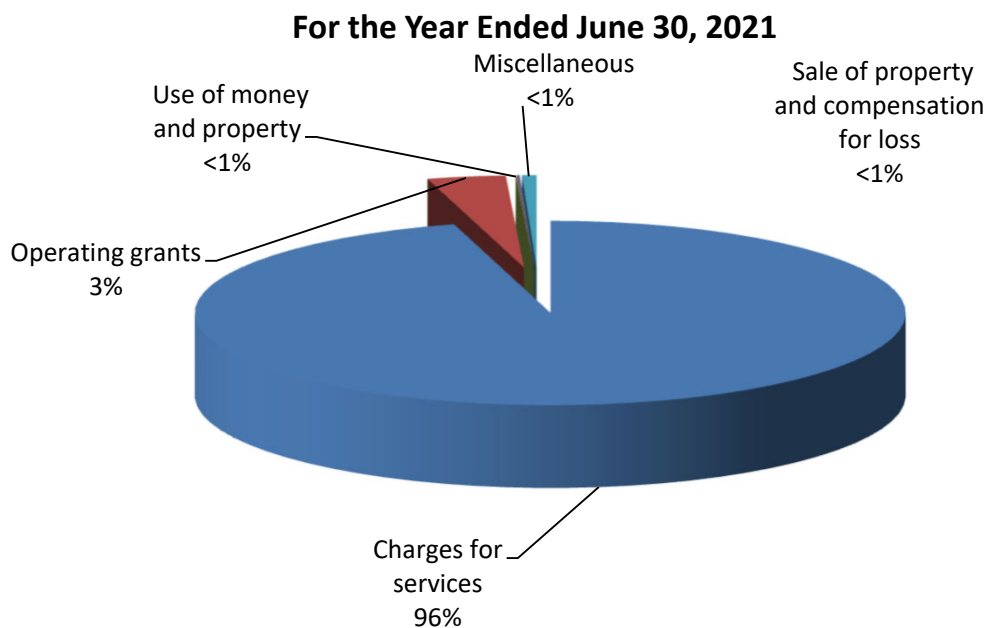
The BOCES' revenues increased by \$4,458,791 in 2021 or 1.1%. The major factors that contributed to the increase were:

- Charges for Services increased by \$2,761,048 as a result of result of an increase in program participation.
- An increase in Operating Grants by \$643,195 due to an increase in the grant programs.

The BOCES' expenses for the year decreased by \$20,624,045 or 4.6%.

- The primary reasons for this decrease were due to a \$21,191,034 decrease for Instruction for special education and a \$3,232,474 decrease for Instruction for Occupational instruction.

Figure A-4 Revenue Sources



EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited)
June 30, 2021

For the Year Ended June 30, 2020

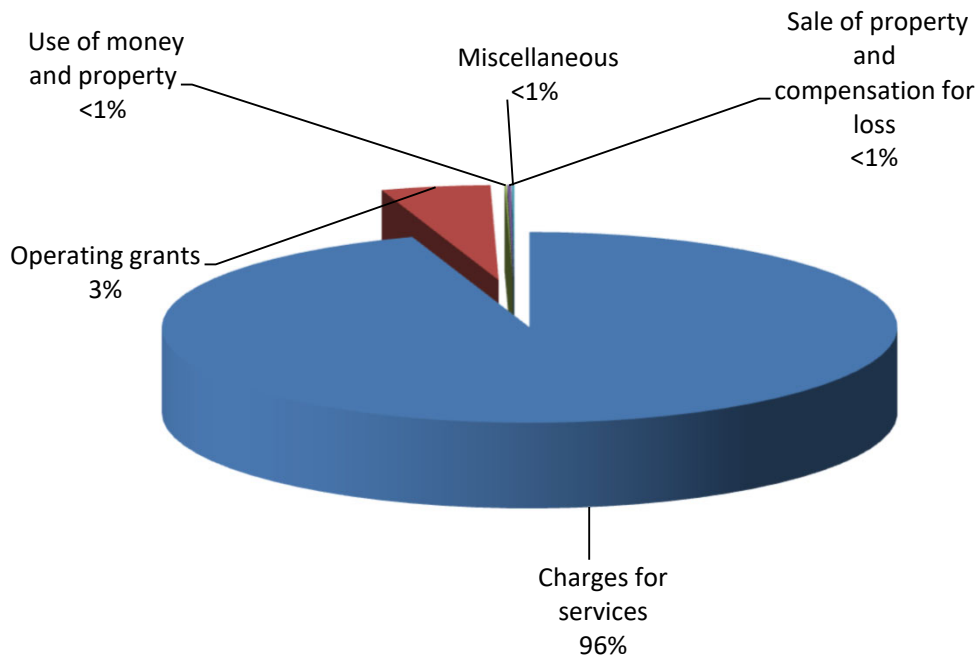
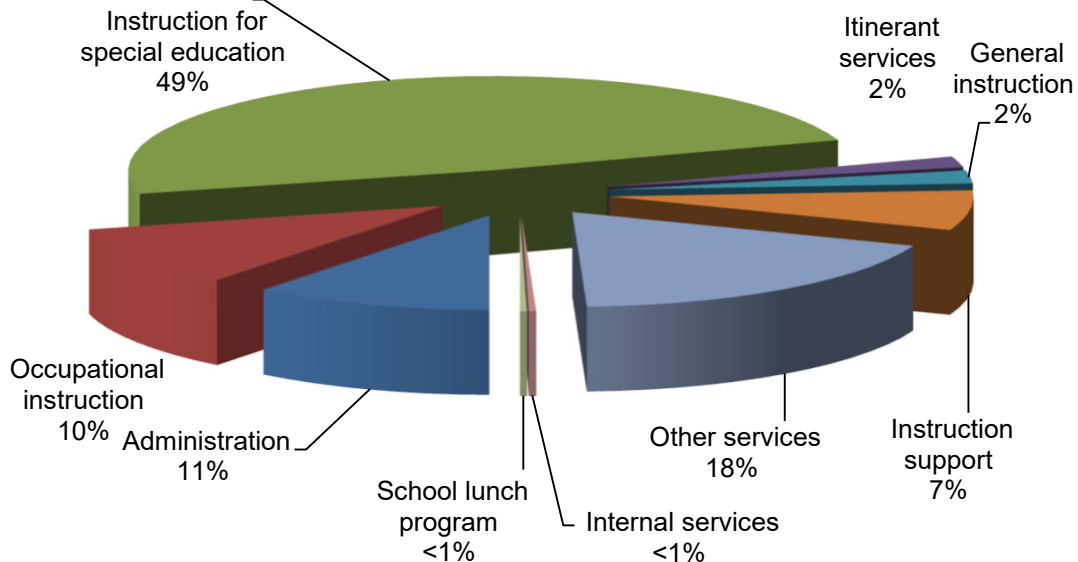


Figure A-5 Sources of Expenses

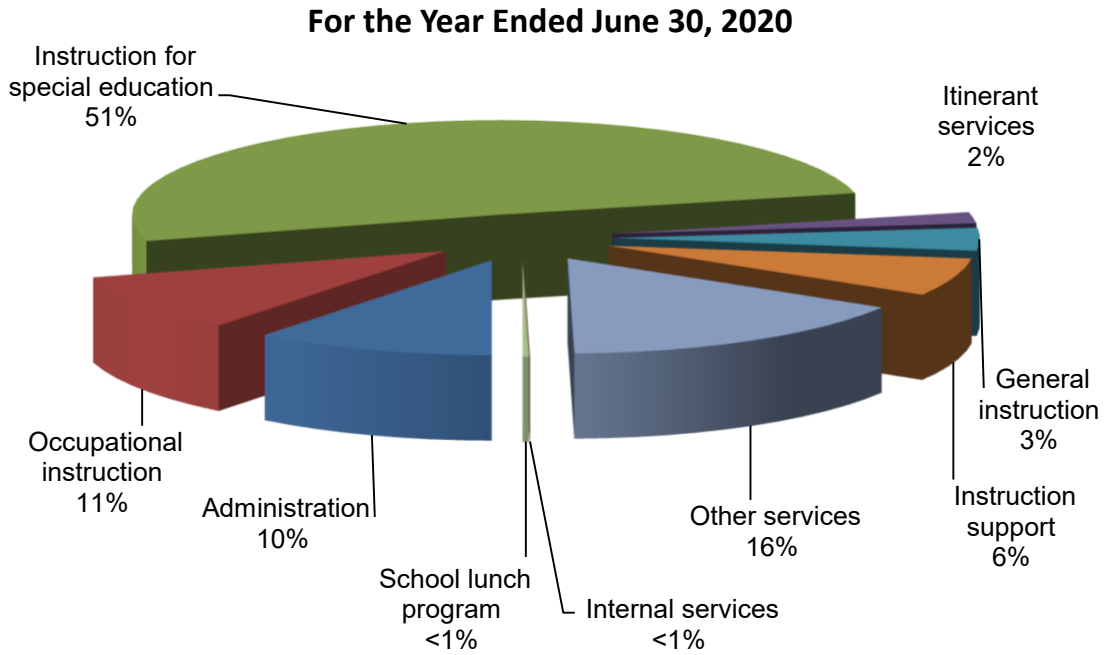
For the Year Ended June 30, 2021



EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited)

June 30, 2021



EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited) June 30, 2021

At June 30, 2021, the BOCES' governmental funds reported combined fund balance of \$88,971,994 which is an increase of \$7,092,043 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 2021	Fiscal Year 2020	Increase (Decrease)
General Fund			
Nonspendable	\$ 329,084	\$ 975	\$ 328,109
Restricted			
Unemployment insurance reserve	2,300,000	2,262,166	37,834
Employee benefit accrued liability reserve	37,013,408	36,977,588	35,820
Retirement contribution reserve	24,872,250	23,572,250	1,300,000
Teacher retirement contribution reserve	4,911,411	3,495,485	1,415,926
Workers' compensation reserve	-	2,480,374	(2,480,374)
Total Restricted	<u>69,097,069</u>	<u>68,787,863</u>	<u>309,206</u>
Assigned			
Administration	237,481	208,147	29,334
Occupational Instruction	1,386,133	1,223,681	162,452
Instruction for special needs	2,000,188	1,895,528	104,660
Itinerant services	119	33	86
General instruction	42,628	35,407	7,221
Instructional support	3,383,880	615,940	2,767,940
Other services	1,218,900	885,873	333,027
Total Assigned	<u>8,269,329</u>	<u>4,864,609</u>	<u>3,404,720</u>
Unassigned	<u>(329,084)</u>	-	<u>(329,084)</u>
Total General Fund	<u>77,366,398</u>	<u>73,653,447</u>	<u>3,712,951</u>
School Lunch Fund			
Nonspendable	3,146	3,465	(319)
Assigned	292,802	230,303	62,499
Total School Lunch Fund	<u>295,948</u>	<u>233,768</u>	<u>62,180</u>
Special Aid Fund			
Nonspendable	69,018	66,693	2,325
Assigned	3,981,627	3,163,956	817,671
Total Special Aid Fund	<u>4,050,645</u>	<u>3,230,649</u>	<u>819,996</u>
Capital Fund			
Restricted - CTE Reserve	1,421,888	1,784,064	(362,176)
Assigned	5,688,560	2,978,023	2,710,537
Total Capital Fund	<u>7,110,448</u>	<u>4,762,087</u>	<u>2,348,361</u>
Miscellaneous Special Revenue Fund			
Restricted	148,555	-	148,555
Total Miscellaneous Special Revenue Fund	<u>148,555</u>	-	<u>148,555</u>
Total	<u>\$ 88,971,994</u>	<u>\$ 81,879,951</u>	<u>\$ 7,092,043</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited)

June 30, 2021

General Fund Budgetary Highlights

- The difference between the original approved budget of \$382,548,345 and the amended budget of \$407,512,508 is \$24,964,163 or 6.5%. The increase is due to the request for additional services from component school districts. The budgetary comparison information can be found on Page 58 which presents both original and amended budget totals compared with actual results for the General Fund for the year ended June 30, 2021.
- Actual expenditures and other financing uses, were under the amended budget by \$37,215,125 or 9.1%, and actual revenues and other financing sources were below the amended budget by \$33,502,174 or 8.2%.

Capital Assets

At June 30, 2021 and 2020, the BOCES had \$67,180,489 and \$66,523,539, 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, 2021 and 2020, is as follows:

Capital Assets (Net of Depreciation)

<u>Category</u>	<u>Fiscal Year 2021</u>	<u>Fiscal Year 2020</u>	<u>Increase (Decrease)</u>
Land	\$ 6,306,650	\$ 6,306,650	\$ -
Technology in process	772,936	302,495	470,441
Construction in progress	21,505	-	21,505
Buildings and improvements	29,715,845	31,362,867	(1,647,022)
Equipment and furniture	<u>30,363,553</u>	<u>28,551,527</u>	<u>1,812,026</u>
Total	<u>\$ 67,180,489</u>	<u>\$ 66,523,539</u>	<u>\$ 656,950</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 \$11,377,791 and \$10,996,144 for the years ended June 30, 2021 and 2020, respectively.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited) June 30, 2021

Long-Term Liabilities

At June 30, 2021 and 2020, the BOCES had total long-term debt of \$1,073,428,159 and \$1,049,737,826, respectively. A summary of the long-term debt at June 30, 2021 and 2020, is as follows:

Category	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)
Installment Purchase Debt	\$ 6,257,006	\$ 6,536,047	(279,041)
Compensated Absences	37,013,408	36,977,588	35,820
Other Postemployment Benefits	1,027,700,653	1,000,721,947	26,978,706
Deferred Payment Plan Debt	2,457,092	2,775,588	(318,496)
Workers' Compensation Claims Payable	-	2,480,374	(2,480,374)
Energy Performance Contract	-	246,282	(246,282)
Total	\$ 1,073,428,159	\$ 1,049,737,826	\$ 23,690,333

FACTORS BEARING ON THE BOCES FUTURE

Although state aid for education was at record levels for the 2021-22 budget year, budgeting for the future will continue to be challenging due to the ongoing COVID-19 pandemic and the uncertain state of the economy. The BOCES will continue to carefully monitor financial conditions and adjust as necessary to future budget challenges.

The general fund budget for the 2021-2022 fiscal year was approved for the amount of \$375,299,950 or 1.89% decrease from the previous year's original budget. This decrease was primarily due to decrease in the special education budget.

In 2020-21, the 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, 2021**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash and cash equivalents	\$ 63,789,110
Restricted cash and cash equivalents	1,570,183
Receivables:	
Due from other governments	28,610,226
Due from components, net	62,528,686
Accounts Receivable	3,494,544
Inventories	3,146
Prepaid expenditures	<u>398,102</u>
Total current assets	<u>160,393,997</u>

NONCURRENT ASSETS:

Capital assets, net of accumulated depreciation	<u>67,180,489</u>
Total non-current assets	<u>67,180,489</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension related - ERS	32,195,261
Pension related - TRS	49,349,476
Other post employment benefits related	<u>158,432,322</u>
Total deferred outflow of resources	<u>239,977,059</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Due to components - refund of surplus	17,721,611
Due to components - state aid	24,985,103
Due to:	
Other governments	434
Teachers' retirement system	9,342,282
Employees' retirement system	1,879,568
Accounts payable	9,490,922
Accrued liabilities	2,834,571
Overpayments and collections in advance	114,446
Other liabilities	4,798,170
Unearned revenue	<u>254,896</u>
Total current liabilities	<u>71,422,003</u>

NONCURRENT LIABILITIES:

Net pension liability - proportionate share ERS	147,169
Net pension liability - proportionate share TRS	14,346,440
Long term liabilities:	
Due within one year	5,450,485
Due in more than one year	<u>1,067,977,674</u>
Total noncurrent liabilities	<u>1,087,921,768</u>

DEFERRED INFLOWS OF RESOURCES

Pension related - ERS	43,342,515
Pension related - TRS	7,832,406
Other post employment benefits related	<u>68,186,972</u>
Total deferred inflows of resources	<u>119,361,893</u>

NET POSITION

Net Investment in capital assets	58,466,391
Restricted	70,667,512
Unrestricted	<u>(940,288,022)</u>
TOTAL NET POSITION	<u>\$ (811,154,119)</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, 2021

	Program Revenue			Net (Expense) Revenue and Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS:				
Administration	\$ 45,782,090	\$ 43,851,167	\$ -	\$ (1,930,923)
Occupational instruction	44,918,870	37,850,571	318,313	(6,749,986)
Instruction for special education	211,060,488	177,868,986	11,509,661	(21,681,841)
Itinerant services	8,142,051	6,504,391	-	(1,637,660)
General instruction	9,793,079	8,524,150	-	(1,268,929)
Instruction support	29,537,739	26,497,425	1,229,669	(1,810,645)
Other services	80,291,798	79,367,418	-	(924,380)
Internal services	1,396,321	15,141	-	(1,381,180)
School lunch program	1,328,940	8,069	1,138,031	(182,840)
TOTAL FUNCTIONS AND PROGRAMS	\$ 432,251,376	\$ 380,487,318	\$ 14,195,674	\$ (37,568,384)
GENERAL REVENUE:				
Interest and earnings				150,693
Sale of property and compensation for loss				485,765
Miscellaneous				2,605,652
TOTAL GENERAL REVENUE				3,242,110
CHANGE IN NET POSITION				(34,326,274)
Net POSITION - beginning of year, as previously reported				(776,964,186)
RESTATEMENT (NOTE 18)				136,341
NET POSITION - beginning of year, as restated				(776,827,845)
NET POSITION - end of year				\$ (811,154,119)

The accompanying notes are an integral part of these statements.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Balance Sheet - Governmental Funds
June 30, 2021**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Miscellaneous Special Revenue	
ASSETS						
Cash - Unrestricted	\$ 63,787,610	\$ 1,100	\$ 400	\$ -	\$ -	\$ 63,789,110
Cash - Restricted	1,421,628	-	-	-	148,555	1,570,183
Receivables:						
Due from other governments	24,985,103	3,425,567	199,556	-	-	28,610,226
Due from Components	61,656,226	872,460	-	-	-	62,528,686
Due from other funds	-	786,817	206,461	7,131,953	-	8,125,231
Accounts receivable	3,494,544	-	-	-	-	3,494,544
Inventory	-	-	3,146	-	-	3,146
Prepaid expenditures	329,084	69,018	-	-	-	398,102
TOTAL ASSETS	\$ 155,674,195	\$ 5,154,962	\$ 409,563	\$ 7,131,953	\$ 148,555	\$ 168,519,228
LIABILITIES						
Due to component - refund of surplus	\$ 17,721,611	\$ -	\$ -	\$ -	\$ -	\$ 17,721,611
Due to components - state aid	24,985,103	-	-	-	-	24,985,103
Due to:						
Other governments	409	-	25	-	-	434
Other funds	8,125,231	-	-	-	-	8,125,231
Teachers' retirement system	9,342,282	-	-	-	-	9,342,282
Employees' retirement system	1,879,568	-	-	-	-	1,879,568
Accounts payable	8,990,743	369,722	108,952	21,505	-	9,490,922
Accrued liabilities	2,215,630	618,604	337	-	-	2,834,571
Overpayments and collections in advance	114,446	-	-	-	-	114,446
Other liabilities	4,798,170	-	-	-	-	4,798,170
Unearned revenue	134,604	115,991	4,301	-	-	254,896
TOTAL LIABILITIES	78,307,797	1,104,317	113,615	21,505	-	79,547,234
FUND BALANCES						
Nonspendable	329,084	69,018	3,146	-	-	401,248
Restricted	69,097,069	-	-	1,421,888	148,555	70,667,512
Assigned	8,269,329	3,981,627	292,802	5,688,560	-	18,232,318
Unassigned	(329,084)	-	-	-	-	(329,084)
TOTAL FUND BALANCES	77,366,398	4,050,645	295,948	7,110,448	148,555	88,971,994
TOTAL LIABILITIES AND FUND BALANCES	\$ 155,674,195	\$ 5,154,962	\$ 409,563	\$ 7,131,953	\$ 148,555	\$ 168,519,228

The accompanying notes are an integral part of these statements.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Reconciliation of Total Governmental Fund Balance to Government-Wide Net Position
June 30, 2021**

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

Total governmental fund balance	\$ 88,971,994
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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	165,783,038
Accumulated Depreciation	<u>(98,602,549)</u>
	<u>67,180,489</u>

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.

Deferred Outflows - Pensions	81,544,737
Net Pension Liability - Proportionate Share ERS	(147,169)
Net Pension Liability - Proportionate Share TRS	(14,346,440)
Deferred Inflows - Pensions	<u>(51,174,921)</u>
	<u>15,876,207</u>

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	(2,457,092)
Installment Purchase Debt	(6,257,006)
Other Postemployment Benefit Liabilities	(1,027,700,653)
Deferred Outflow - OPEB	158,432,322
Deferred Inflow - OPEB	(68,186,972)
Compensated Absences Payable	<u>(37,013,408)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (811,154,119)</u>
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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, 2021

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Miscellaneous Special Revenue	
REVENUE:						
Charges for services	\$ 97,250	\$ 10,623,851	\$ -	\$ -	\$ -	\$ 10,721,101
Charges to components - administration	19,613,617	-	-	-	-	19,613,617
Charges to components - service programs	280,548,600	-	-	-	-	280,548,600
Charges to non-components and other BOCES	28,662,034	-	-	-	-	28,662,034
Interest and earnings	145,742	-	-	4,931	20	150,693
Sale of property and compensation for loss	484,696	1,069	-	-	-	485,765
Miscellaneous	40,020,831	897,452	936	260	47,491	40,966,970
Refund of prior year's expenditures	2,572,579	-	-	-	-	2,572,579
State and local sources	1,547,982	4,672,825	29,934	-	-	6,250,741
Federal sources	-	6,836,836	1,108,097	-	-	7,944,933
Sales - School lunch	-	-	8,069	-	-	8,069
Total revenue	<u>373,693,331</u>	<u>23,032,033</u>	<u>1,147,036</u>	<u>5,191</u>	<u>47,511</u>	<u>397,925,102</u>
EXPENDITURES:						
Administration	41,265,840	-	-	-	35,297	41,301,137
Occupational instruction	37,344,303	-	-	-	-	37,344,303
Instruction for special education	154,298,173	21,894,727	-	-	-	176,192,900
Itinerant services	6,389,471	-	-	-	-	6,389,471
General instruction	8,206,082	-	-	-	-	8,206,082
Instruction support	23,864,295	-	-	-	-	23,864,295
Other services	76,839,351	-	-	-	-	76,839,351
Internal services	1,165,554	-	-	-	-	1,165,554
School lunch program	-	-	1,364,202	-	-	1,364,202
Capital outlay	-	-	-	3,273,714	-	3,273,714
Total expenditures	<u>349,373,069</u>	<u>21,894,727</u>	<u>1,364,202</u>	<u>3,273,714</u>	<u>35,297</u>	<u>375,941,009</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>24,320,262</u>	<u>1,137,306</u>	<u>(217,166)</u>	<u>(3,268,523)</u>	<u>12,214</u>	<u>21,984,093</u>
OTHER SOURCES AND (USES):						
Proceeds of debt issuance	-	-	-	2,866,884	-	2,866,884
Return of surplus	(17,895,275)	-	-	-	-	(17,895,275)
Transfer from other funds	317,003	-	279,346	2,750,000	-	3,346,349
Transfer to other funds	(3,029,039)	(317,310)	-	-	-	(3,346,349)
Total other sources (uses)	<u>(20,607,311)</u>	<u>(317,310)</u>	<u>279,346</u>	<u>5,616,884</u>	<u>-</u>	<u>(15,028,391)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>3,712,951</u>	<u>819,996</u>	<u>62,180</u>	<u>2,348,361</u>	<u>12,214</u>	<u>6,955,702</u>
FUND BALANCES - beginning of year, as previously reported	<u>73,653,447</u>	<u>3,230,649</u>	<u>233,768</u>	<u>4,762,087</u>	<u>-</u>	<u>81,879,951</u>
RESTATEMENT (NOTE 18)	-	-	-	-	136,341	136,341
FUND BALANCES - beginning of year, as restated	<u>73,653,447</u>	<u>3,230,649</u>	<u>233,768</u>	<u>4,762,087</u>	<u>136,341</u>	<u>82,016,292</u>
FUND BALANCES - end of year	<u>\$ 77,366,398</u>	<u>\$ 4,050,645</u>	<u>\$ 295,948</u>	<u>\$ 7,110,448</u>	<u>\$ 148,555</u>	<u>\$ 88,971,994</u>

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, 2021**

Net changes in fund balance - Total governmental funds \$ 6,955,702

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	(11,377,791)	
Loss on disposal	(538,728)	
Capital outlays	<u>12,573,469</u>	656,950

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	279,041	
Deferred payment plan debt	318,496	
Energy performance contract	246,282	
Other Post employment liabilities	(37,055,427)	
Accrued interest on energy performance contract	2,148	
Compensated absences	(35,820)	
Workers' compensation claims	<u>2,480,374</u>	(33,764,906)

(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	(11,110,784)	
Employees' retirement system	<u>2,936,764</u>	<u>(8,174,020)</u>

Change in net position - Governmental activities \$ (34,326,274)

The accompanying notes are an integral part of these statements.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

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, career and technical 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. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the BOCES business office. The BOCES accounts for the activity for various student organizations in the Miscellaneous Special Revenue fund.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

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. 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. Separate statements for each fund category, governmental, 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.
- *Miscellaneous Special Revenue Fund:* This fund accounts for proceeds from various funding sources, which may be restricted by a donor or designated by the BOCES for specific purposes. The transactions of the Extraclassroom Activity Funds and Scholarships are included in this fund.

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, 2021

Basis of Accounting and Measurement Focus

The BOCES-wide 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). 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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

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. Actual results could differ from these estimates, particularly given the economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be significant.

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.

The BOCES' participates in the New York Cooperative Liquid Assets Securities System (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby it holds a portion of the investments in cooperation's with other participants. At June 30, 2021, the BOCES' held \$800 in investments consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' by S&P Global Ratings. The investments are highly liquid and the amount held represents the cost of the investment pool shares, which are considered to approximate fair value. Due to the highly liquid nature of these investments, they are classified as cash equivalents in the financial statements. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

Receivables

Receivables are shown net of an allowance for uncollectibles. There was an allowance for uncollectibles at June 30, 2021 in the amount of \$26,752.

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 BOCES' 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, 2021

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.

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, 2021

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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

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.

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 and certain prepaid expenses.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

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

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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.

Miscellaneous special revenue fund

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 Miscellaneous Special Revenue 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, 2021.
- 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, 2021

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		\$382,548,345
Encumbrances from prior year		<u>4,865,575</u>
Original Budget		387,413,920
Shared services budget revisions:		
Administration	(177,763)	
Occupational instruction	(645,356)	
Instruction for special needs	(1,217,411)	
Itinerant services	270,985	
General instruction	500,968	
Instructional support	6,611,548	
Other services	10,755,654	
Internal services	<u>3,999,963</u>	<u>20,098,588</u>
Revised budget		<u>\$407,512,508</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, 2021

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, 2021

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

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

At June 30, 2021, the reported amount of the BOCES' deposits was \$65,359,293 and the bank balances of \$94,419,477. Of the bank balances, \$1,349,924 was covered by federal depository insurance and the remaining \$93,069,553 was covered by collateral held in the BOCES' name.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

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4. RESTRICTED CASH

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and cash equivalents total \$1,570,183 of which \$1,421,628 is in the General Fund which represents funds held for future Occupational Education Equipment expenditures and \$148,555 in the Miscellaneous Special Revenue Fund which represents funds held for extra classroom activities and scholarships.

5. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2021, consisted of:

General Fund:		
New York State	\$	24,985,103
Special Aid Fund:		
New York State Education Department		2,663,824
ACCES		59,725
Suffolk County		11,550
NYS OPWDD		60,420
NYS OFCS		74,230
NYS DOL		34,064
US Department of Education		521,754
School Lunch Fund:		
Federal and State School Lunch Reimbursements		199,556
Total	\$	<u>28,610,226</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

6. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2021, were as follows:

	July 1, 2020 Balance	Additions	Deletions	June 30, 2021 Balance
Governmental activities				
Capital assets that are not depreciated:				
Land	\$ 6,306,650	\$ -	\$ -	\$ 6,306,650
Construction in progress	-	21,505	-	21,505
Technology in progress	302,495	772,936	302,495	772,936
	<u>6,609,145</u>	<u>794,441</u>	<u>302,495</u>	<u>7,101,091</u>
Total non-depreciable historical cost				
	<u>6,609,145</u>	<u>794,441</u>	<u>302,495</u>	<u>7,101,091</u>
Capital assets that are depreciated:				
Buildings and improvements	76,458,601	575,763	61,282	76,973,082
Furniture and equipment	75,632,489	11,505,760	5,429,384	81,708,865
	<u>152,091,090</u>	<u>12,081,523</u>	<u>5,490,666</u>	<u>158,681,947</u>
Total depreciable historical cost				
	<u>152,091,090</u>	<u>12,081,523</u>	<u>5,490,666</u>	<u>158,681,947</u>
Less accumulated depreciation:				
Buildings and improvements	45,095,734	2,163,493	1,990	47,257,237
Furniture and equipment	47,080,962	9,214,298	4,949,948	51,345,312
	<u>92,176,696</u>	<u>11,377,791</u>	<u>4,951,938</u>	<u>98,602,549</u>
Total accumulated depreciation				
	<u>92,176,696</u>	<u>11,377,791</u>	<u>4,951,938</u>	<u>98,602,549</u>
Total depreciable cost, net				
	<u>59,914,394</u>	<u>703,732</u>	<u>538,728</u>	<u>60,079,398</u>
Total capital assets, net				
	<u>\$ 66,523,539</u>	<u>\$ 1,498,173</u>	<u>\$ 841,223</u>	<u>\$ 67,180,489</u>

Depreciation expense for the year ended June 30, 2021, was allocated to specific functions as follows:

Administration	\$ 1,263,868
Occupational instruction	1,143,760
Instruction for special education	5,395,981
Itinerant services	195,693
General instruction	252,412
Instruction support	730,902
Other services	2,353,392
Food services	41,783
	<u>\$ 11,377,791</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

7. INTERFUND BALANCES AND ACTIVITY

Interfund balances and activities at June 30, 2021, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	\$ -	\$ 8,125,231	\$ 317,003	\$ 3,029,039
Special aid fund	786,817	-	-	317,310
School lunch fund	206,461	-	279,346	-
Capital fund	7,131,953	-	2,750,000	-
Total governmental activities	<u>\$ 8,125,231</u>	<u>\$ 8,125,231</u>	<u>\$ 3,346,349</u>	<u>\$ 3,346,349</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 \$2,750,000 from the General Fund to the Capital Fund to fund the local portion of capital projects.
- The BOCES transferred \$279,039 from the General Fund to the School Lunch Fund to supplement operations.
- The BOCES transferred \$317,003 from the Special Aid Fund to the General fund to close completed projects.
- The BOCES transferred \$307 from the Special Aid Fund to the School Lunch Fund to supplement the Summer Food costs.
- The Interfund receivables and payables exist for cash flow purposes. The balances are expected to be repaid during the next fiscal year.

8. SHORT-TERM LIABILITIES

Transactions in short-term debt for the year ended June 30, 2020 are as follows:

	Maturity	Interest Rate	Beginning	Issued	Redeemed	Ending
			Balance			Balance
RAN	4/30/2021	2.50%	\$ 15,000,000	\$ -	\$ 15,000,000	\$ -
RAN	10/30/2020	2.50%	15,000,000	-	15,000,000	-
			<u>\$ 30,000,000</u>	<u>\$ -</u>	<u>\$ 30,000,000</u>	<u>\$ -</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

9. LONG-TERM LIABILITIES

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Government activities:					
Installment Purchase Debt	\$ 6,536,047	\$ 1,959,159	\$ 2,238,200	\$ 6,257,006	2,103,330
Deferred Payment Plan Debt	2,775,588	907,725	1,226,221	2,457,092	1,112,940
Energy Performance Contract	246,282	-	246,282	-	-
Other Liabilities:					
Compensated absences	36,977,588	5,004,252	4,968,432	37,013,408	2,234,215
Workers' compensation	2,480,374	-	2,480,374	-	-
Total other postemployment benefits	<u>1,000,721,947</u>	<u>64,290,835</u>	<u>37,312,129</u>	<u>1,027,700,653</u>	<u>-</u>
Total Governmental activities	<u>\$ 1,049,737,826</u>	<u>\$ 72,161,971</u>	<u>\$ 48,471,638</u>	<u>\$ 1,073,428,159</u>	<u>\$ 5,450,485</u>

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, 2021, assets purchased under the agreements totaled \$42,907,069, and total accumulated depreciation for these assets was \$29,596,568.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

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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 06/30/2021
Connetquot	2/17	11/21	2.17%	86,090
Hauppauge	12/16	11/21	2.05%	11,520
East Quoque	10/17	10/22	2.20%	33,051
Center Moriches	1/18	11/22	2.45%	45,772
Connetquot	3/18	11/22	2.76%	265,210
Sayville	4/18	12/22	2.74%	30,102
Bayport-Blue Point	5/18	12/22	2.86%	43,416
Sayville	12/18	11/23	3.47%	35,228
Sayville	2/19	11/23	3.26%	111,456
Connetquot	3/19	11/23	3.19%	480,529
East Quoque	3/19	11/23	3.18%	117,254
William Floyd	3/19	11/23	3.21%	294,423
Hauppauge	5/19	5/24	3.03%	203,150
Bayport-Blue Point	10/19	5/24	2.32%	139,804
Sayville	12/19	11/24	2.32%	165,130
William Floyd	1/20	11/24	2.50%	514,018
William Floyd	5/20	5/25	1.74%	2,005,600
Bayport-Blue Point	8/20	5/25	1.41%	128,380
William Floyd	11/20	11/23	1.29%	943,701
Sayville	1/21	11/25	1.41%	361,458
Eastport/South Manor	4/21	11/25	1.62%	241,714
				<u>\$ 6,257,006</u>

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

At fiscal year end June 30, 2021	Principal	Interest	Total
2022	\$ 2,103,330	\$ 118,979	\$ 2,222,309
2023	1,906,956	73,749	1,980,705
2024	1,393,192	34,278	1,427,470
2025	784,496	10,903	795,399
2026	69,032	517	69,549
Total	<u>\$ 6,257,006</u>	<u>\$ 238,426</u>	<u>\$ 6,495,432</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

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

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Outstanding at 06/30/2021</u>
Eastport/South Manor	8/17	8/22	67,422
East Quogue	7/18	7/22	4,721
New Hyde Park	10/17	10/21	337
Connetquot	4/18	4/22	1,387
Comsewogue	3/18	3/22	25,674
Miller Place	4/18	4/22	33,197
New Hyde Park	3/18	3/22	673
Port Jefferson	5/18	5/22	4,168
Connetquot	5/18	5/22	23,749
Springs	10/18	10/21	3,328
Eastport/South Manor	7/18	7/22	5,004
Connetquot	9/18	9/22	2,965
Hauppauge	9/18	9/22	5,603
New Hyde Park	9/18	10/23	31,537
Port Jefferson	10/18	10/22	19,478
East Quogue	11/18	11/22	7,638
Connetquot	11/18	10/22	3,920
Brentwood	11/18	11/22	61,775
Bayport-Blue Point	12/18	12/22	50,370
Patchogue/Medford	12/18	12/22	63,240

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

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<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Outstanding at 06/30/2021</u>
East Islip	1/19	1/22	944
East Islip	1/19	1/22	1,570
Comsewogue	1/19	1/23	24,267
Central Islip	2/19	2/24	147,786
South Country	4/19	4/23	56,244
Port Jefferson	5/19	5/23	32,326
East Islip	4/19	4/22	2,766
Connetquot	6/19	5/23	5,284
Connetquot	7/19	7/23	53,422
William Floyd	7/19	7/23	191,075
Connetquot	10/19	10/23	126,082
Hauppauge	11/19	11/23	173,852
Central Islip	12/19	12/24	165,805
West Islip	2/20	2/24	4,111
South Country	2/20	2/24	95,473
Comsewogue	5/20	4/24	23,037
Connetquot	7/20	8/24	19,520
Shoreham-Wading River	8/20	8/25	144,898
East Islip	11/20	11/24	138,199
Connetquot	2/21	2/25	6,579
Sayville	2/21	2/25	10,788
West Islip	2/21	2/25	285,007
Bayport-Blue Point	4/21	5/25	83,798
BOCES	9/17	5/25	248,073
			<u>\$ 2,457,092</u>

At fiscal year end June 30, 2021	<u>Principal</u>
2022	\$ 1,112,940
2023	802,623
2024	386,588
2025	151,984
2026	2,957
Total	<u>\$ 2,457,092</u>

	<u>Interest Costs</u>
Interest Paid	\$ 597,088
Less: Interest accrued in the prior year	<u>(2,148)</u>
Total interest expense on long-term debt	<u>\$ 594,940</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2021

10. 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 (the System). 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 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, 2021, were paid.

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

	<u>Amount</u>
2019	\$ 6,832,422
2020	\$ 6,722,822
2021	\$ 6,663,530

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

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

At June 30, 2021, the BOCES reported a liability of \$147,169 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. 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, 2021 and 2020, the BOCES' proportion was 0.14779839% and 0.1523899%, respectively.

For the year ended June 30, 2021, the BOCES recognized pension expense of \$3,940,457. At June 30, 2021, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,797,328	\$ -
Changes of Assumptions	27,059,563	510,351
Net difference between projected and actual earnings on pension plan investments	-	42,275,495
Changes in proportion and differences between the BOCES, contributions and proportionate share of contributions	1,458,802	556,669
Contributions subsequent to the measurement date	1,879,568	-
	<u>\$ 32,195,261</u>	<u>\$ 43,342,515</u>

At June 30, 2021, \$1,879,568 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, 2022. 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
2022	\$ (2,092,068)
2023	(635,402)
2024	(2,168,862)
2025	(8,130,490)
Thereafter	-
	<u>\$(13,026,822)</u>

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Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Investment rate of return (net of investment expense, including inflation)	5.90%
Cost of living adjustment	1.40%
Salary scale	4.40%
Inflation rate	2.70%

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020.

The actuarial assumptions used in the April 1, 2020 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized below:

Asset Type	Target	Long-Term
	Allocations in %	Expected Real Rate of Return in %
Domestic equity	32.0	4.05
International equity	15.0	6.30
Private equity	10.0	6.75
Real estate	9.0	4.95
Opportunistic portfolio	3.0	4.50
Credit	4.0	3.63
Real asset	3.0	5.95
Fixed income	23.0	-
Cash	1.0	0.50
	<u>100</u>	

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Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 5.9 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 (4.9 percent) or 1-percentage-point higher (6.9 percent) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Proportionate Share of Net Pension Liability	\$ 40,848,324	\$ 147,169	\$ (37,388,822)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2021, were as follows (in thousands):

Total pension liability	\$ 220,680,157
Net position	220,580,583
Net pension liability (asset)	\$ 99,574
ERS net position as a percentage of total pension liability	99.95%

Payables to the Pension Plan

The BOCES has recorded an amount due to ERS in amount of \$1,879,568 at June 30, 2021. This amount represents the three months of the BOCES' fiscal year that will be covered in the ERS 2020-2021 billing cycle and has been accrued as an expenditure in the current year.

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

Plan Description

The BOCES participates in the New York Teachers' Retirement System (the System). 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.

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
2019	\$ 9,460,916
2020	\$ 7,808,365
2021	\$ 8,259,837

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

At June 30, 2021, the BOCES reported an liability of \$14,346,440 for its proportionate share of the net pension liability. The net pension asset was measured as of June 30, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2019. 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, 2021, the BOCES' proportion was 0.519183 percent, which was a decrease of 0.014494 percent from its proportion of 0.533677 percent as of June 30, 2020.

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For the year ended June 30, 2021, the BOCES recognized a pension expense of \$19,374,346. At June 30, 2021, 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	\$ 12,570,352	\$ 735,227
Changes of Assumptions	18,144,907	6,467,711
Net difference between projected and actual earnings on pension plan investments	9,369,483	-
Changes in proportion and differences between the BOCES, contributions and proportionate share of contributions	1,004,897	629,468
Contributions subsequent to the measurement date	8,259,837	-
	<u>\$ 49,349,476</u>	<u>\$ 7,832,406</u>

The BOCES recognized \$8,259,837 reported as deferred outflows of resources related to pensions resulting from BOCES contributions subsequent to the measurement date as of June 30, 2020 will be recognized as a reduction of the net pension asset in the year ended June 30, 2021. 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:	
2021	\$ 5,647,717
2022	11,340,739
2023	9,387,953
2024	5,802,531
2025	291,260
Thereafter	<u>787,033</u>
	<u>\$ 33,257,233</u>

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Actuarial Assumptions

The total pension liability at June 30, 2020 measurement date was determined by using an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The actuarial valuation used the following actuarial assumptions.

Investment rate of return 7.10% compounded annually, net of pension plan investment expense, including inflation.

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

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

Projected COLAs 1.3% compounded annually

Inflation rate 2.2%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2019, 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.

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Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2020 are summarized in the following table:

Asset Type	Target Allocations in %	Long-Term Expected Real Rate of Return in %
Domestic equity	33.0	7.1
International equity	16.0	7.7
Global equity	4.0	7.4
Real estate equity	11.0	6.8
Private equity	8.0	10.4
Domestic fixed income	16.0	1.8
Global bonds	2.0	1.0
High-yield bonds	1.0	3.9
Private debt	1.0	5.2
Real estate debt	7.0	3.6
Cash equivalents	1.0	0.7
	100	

Discount Rate

The discount rate used to calculate the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from BOCES will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 liability (asset) calculated using the discount rate of 7.10 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 (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Proportionate Share of Net Pension Liability (asset)	\$ 90,621,517	\$ 14,346,440	\$ (49,667,679)

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Pension Plan Fiduciary Net Position

The components of the current year net pension liability (asset) of the employers as of June 30, 2020, were as follows (amounts in thousands):

Total pension liability	\$ 123,242,776
Net position	<u>120,479,505</u>
Net pension liability (asset)	<u>\$ 2,763,271</u>
NYSTRS net position as a percentage of total pension liability	97.76%

Payable to the Pension Plan

The BOCES has recorded an amount due to TRS in amount of \$9,342,282 in the General Fund at June 30, 2021. This amount represents \$8,259,837 BOCES contribution and \$1,082,445 employees contribution for the 2020-2021 fiscal year that will be made in 2021-2022 and has been accrued as an expenditure in the current year.

11. 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. No assets are accumulated in a trust that meets the criteria of GASB 75, paragraph 4.

(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 Plan 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.

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(c) Employees Covered by Benefit Terms

At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	2,562
Active employees	2,118
Total participants	<u>4,680</u>

(d) Total OPEB Liability

The BOCES' total OPEB liability of \$1,027,700,653 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2019.

(e) Changes in Total OPEB Liability

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

	<u>Total OPEB Liability</u>
Balance at June 30, 2020	<u>\$ 1,000,721,947</u>
Changes for the year:	
Service cost	41,573,215
Interest on total OPEB liability	22,717,620
Changes of the benefit terms	-
Effect of demographic gains or losses	(16,570,825)
Changes in assumptions or other inputs	8,113,489
Differences between expected and actual experience	-
Benefit payments	<u>(28,854,793)</u>
Net changes	<u>26,978,706</u>
Balance at June 30, 2021	<u>\$ 1,027,700,653</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 (1.16 percent) or 1 percentage point higher (3.16 percent) than the current discount rate:

	1% Decrease (1.16%)	Current Discount (2.16%)	1% Increase (3.16%)
Total OPEB Liability	<u>\$ 1,211,329,205</u>	<u>\$ 1,027,700,653</u>	<u>\$ 881,546,745</u>

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(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 (5.60 declining to 3.10 percent) or 1 percentage point higher (7.60 declining to 5.10 percent) than the current healthcare cost trend rate:

	Healthcare		
	1% Decrease	Current Discount	1% Increase
Total OPEB Liability	<u>\$ 852,022,876</u>	<u>\$ 1,027,700,653</u>	<u>\$ 1,258,587,946</u>

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

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

For the year ended June 30, 2021, the BOCES recognized OPEB expense of \$65,910,217. At June 30, 2021, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 52,783,375
Changes of Assumptions	<u>158,432,322</u>	<u>15,403,597</u>
	<u>\$ 158,432,322</u>	<u>\$ 68,186,972</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:	
2022	\$ 18,190,207
2023	18,190,207
2024	19,159,689
2025	22,379,056
2026	11,939,832
Thereafter	<u>386,359</u>
	<u>\$ 90,245,350</u>

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Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019 rolled forward to June 30, 2021, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Valuation date	July 1, 2019
Measurement date	June 30, 2021
Inflation rate	2.60%
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	6.60% for 2020 decreasing to an ultimate rate of 4.1% by 2076
Discount rate	2.16%
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.

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 2.21% in June 30, 2020 to 2.16% percent in June 30, 2021.

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

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.

12. 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>2021</u>	<u>2020</u>
Unpaid claims at beginning of year	\$ 2,480,374	\$ 5,188,071
Incurred claims and claim adjustment expenses	-	-
Claim payments	<u>(2,480,374)</u>	<u>(2,707,697)</u>
Unpaid claims at year end	<u>\$ -</u>	<u>\$ 2,480,374</u>

Health Benefits Program

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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, 2021.

13. 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 \$4,042,240 for the year. Future minimum rental payments under the terms of the renewal lease are payable as follows:

Plan's Year Ended June 30:

2022	\$	4,042,894
2023		3,045,713
2024		2,347,530
2025		1,579,335
2026		1,222,506
2026-2030		2,225,221

14. FUND BALANCES

(a) The following is a summary of the change in General Fund restricted reserve funds during the year ended June 30, 2021:

	Beginning Balance	Increase / (Decrease)	Ending Balance
Restricted			
General Fund			
Employee Benefit Accrued Liability	\$ 36,977,588	\$ 35,820	\$ 37,013,408
Retirement Contribution Reserve	23,572,250	1,300,000	24,872,250
Teacher Retirement Contribution Reserve	3,495,485	1,415,926	4,911,411
Unemployment Insurance	2,262,166	37,834	2,300,000
Workers Compensation	2,480,374	(2,480,374)	-
Total General Fund Restricted	<u>\$ 68,787,863</u>	<u>\$ 309,206</u>	<u>\$ 69,097,069</u>

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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, 2021:

	General	School Lunch	Special Aid	Capital	Special Revenue	Total
Nonspendable	\$ 329,084	\$ 3,146	\$ 69,018	\$ -	\$ -	\$ 401,248
Restricted						
Employee Benefit						
Accrued Liability	37,013,408	-	-	-	-	37,013,408
Retirement						
Contribution						
Reserve	24,872,250	-	-	-	-	24,872,250
Teacher						
Retirement						
Contribution						
Reserve	4,911,411	-	-	-	-	4,911,411
Career Education						
Instructional						
Equipment						
Reserve	-	-	-	1,421,888	-	1,421,888
Unemployment						
Insurance Reserve	2,300,000	-	-	-	-	2,300,000
Workers'						
Compensation						
Reserve	-	-	-	-	-	-
Other	-	-	-	-	148,555	148,555
Total Restricted	<u>69,097,069</u>	<u>-</u>	<u>-</u>	<u>1,421,888</u>	<u>148,555</u>	<u>70,667,512</u>
Assigned						
Administration	237,481	-	-	-	-	237,481
Occupational						
Instruction	1,386,133	-	-	-	-	1,386,133
Instruction for						
Special Needs	2,000,188	-	3,981,627	-	-	5,981,815
Itinerant Services	119	-	-	-	-	119
General						
Instruction	42,628	-	-	-	-	42,628
Instruction						
Support	3,383,880	-	-	-	-	3,383,880
Other Services	1,218,900	-	-	-	-	1,218,900
Capital Projects	-	-	-	5,688,560	-	5,688,560
School Lunch	-	292,802	-	-	-	292,802
Total Assigned	<u>8,269,329</u>	<u>292,802</u>	<u>3,981,627</u>	<u>5,688,560</u>	<u>-</u>	<u>18,232,318</u>
Unassigned	<u>(329,084)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(329,084)</u>
Total Fund Balance	<u>\$ 77,366,398</u>	<u>\$ 295,948</u>	<u>\$ 4,050,645</u>	<u>\$ 7,110,448</u>	<u>\$ 148,555</u>	<u>\$ 88,971,994</u>

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15. 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 \$15,723,630. Through June 30, 2021, the BOCES has outstanding construction commitments of \$306,330.

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, 2021, 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	\$ 237,481
Occupational Instruction	1,386,133
Instruction for Special Needs	2,000,188
Itinerant Services	119
General Instruction	42,628
Instruction Support	3,383,880
Other Services	1,218,898
	<u>\$ 8,269,327</u>

16. NET POSITION DEFICIT - BOCES-WIDE

The BOCES-wide Net Position had total net position deficit of \$811,154,119. The deficit is primarily the result 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 \$1,027,700,653 at June 30, 2021. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

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17. COVID-19 PANDEMIC

The United States is presently in the midst of a national health emergency related to a virus commonly known as the Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a nation, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of the situation on the BOCES and its future results and financial position is not presently determinable.

On December 27, 2020, the President signed into law the Higher Education Emergency Relief Fund Act, 2021 (HEERF Act). The HEERF Act authorizes funding for a second Education Stabilization Fund to prevent, prepare for and respond to the coronavirus. The BOCES is expected to receive \$273,594 in Higher Education Emergency Relief Fund (HEERF 1) funds, \$524,450 in Higher Education Emergency Relief Fund (HEERF 2) funds, and \$921,724 in Higher Education Emergency Relief Fund (HEERF 3) funds.

On March 11, 2021, the President signed into law the American Rescue Plan Act of 2021 (ARP). These funds are focused on supporting the safe return to in-person instruction and continuity of services, addressing the impact of lost instructional time through summer or extended school programs, responding to students' academic, social, and emotional needs, and addressing the disproportionate impact of the coronavirus on economically disadvantaged students, children with disabilities, English learners, racial and ethnic minorities, migrant students, students experiencing homelessness, and children and youth in foster care.

18. CHANGE IN ACCOUNTING PRINCIPLE

The BOCES adopted GASB Statement No. 84, Fiduciary Activities, during the year ended June 30, 2021. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Notes to the Financial Statements
June 30, 2021**

	Governmental Activities			Net position
	Cash	Accrued/Other Liabilities	Due to Fiduciary Funds	
Balance at June 30, 2020, as previously reported	\$ 85,637,461	\$ (4,564,376)	\$ (4,777,635)	\$ 776,964,186
Restatement of beginning balance - Adoption of GASB Statement No. 84	177,701	(4,818,995)	4,777,635	(136,341)
Balance at July 1, 2020, as restated	<u>85,815,162</u>	<u>(9,383,371)</u>	<u>-</u>	<u>776,827,845</u>
	General Fund			
	Cash	Due to Other Funds	Accrued/Other Liabilities	
Balance at June 30, 2020, as previously reported	\$ 85,635,501	\$ (5,180,313)	\$ (4,564,376)	
Restatement of beginning balance - Adoption of GASB Statement No. 84	41,360	4,777,635	(4,818,995)	
Balance at July 1, 2020, as restated	<u>85,676,861</u>	<u>(402,678)</u>	<u>(9,383,371)</u>	
	Miscellaneous Special Revenue Fund			
	Cash	Accrued/Other Liabilities	Net position	
Balance at June 30, 2020, as previously reported	\$ -	\$ -	\$ -	
Restatement of beginning balance - Adoption of GASB Statement No. 84	136,341	-	(136,341)	
Balance at July 1, 2020, as restated	<u>136,341</u>	<u>-</u>	<u>(136,341)</u>	
	Aggregate Remaining Funds - Agency Fund			
	Cash	Due from Other Funds	Accrued/Other Liabilities	
Balance at June 30, 2020, as previously reported	\$ 166,470	\$ 4,777,635	\$ (4,944,105)	
Restatement of beginning balance - Adoption of GASB Statement No. 84	(166,470)	(4,777,635)	4,944,105	
Balance at July 1, 2020, as restated	<u>-</u>	<u>-</u>	<u>-</u>	
	Aggregate Remaining Funds - Private Purpose Trust			
	Cash	Accrued/Other Liabilities	Net position	
Balance at June 30, 2020, as previously reported	\$ 11,231	\$ -	\$ (11,231)	
Restatement of beginning balance - Adoption of GASB Statement No. 84	(11,231)	-	11,231	
Balance at July 1, 2020, as restated	<u>-</u>	<u>-</u>	<u>-</u>	

**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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance with <u>Actual</u>
REVENUE				
Administration	\$ 47,581,719	\$ 47,479,005	\$ 44,218,657	\$ (3,260,348)
Occupational instruction	39,830,592	40,408,925	38,324,527	(2,084,398)
Instruction for special education	173,920,622	174,598,742	166,791,568	(7,807,174)
Itinerant services	7,703,840	7,974,857	6,523,515	(1,451,342)
General instruction	15,918,304	16,454,683	8,759,175	(7,695,508)
Instruction support	23,958,359	31,185,849	27,813,888	(3,371,961)
Other services	73,704,909	85,346,404	79,830,795	(5,515,609)
Internal services	<u>(400,000)</u>	<u>3,734,043</u>	<u>1,431,206</u>	<u>(2,302,837)</u>
Total revenues	382,218,345	407,182,508	373,693,331	(33,489,177)
OTHER FINANCING SOURCES				
Transfers in	<u>330,000</u>	<u>330,000</u>	<u>317,003</u>	<u>(12,997)</u>
Total revenues and other sources	<u>\$ 382,548,345</u>	<u>\$ 407,512,508</u>	<u>\$ 374,010,334</u>	<u>\$ (33,502,174)</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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Actual</u>
EXPENDITURES					
Administration	\$ 44,750,719	\$ 44,782,078	\$ 41,265,840	\$ 237,481	\$ 3,278,757
Occupational instruction	39,830,592	40,408,925	37,344,303	1,386,133	1,678,489
Instruction for special education	173,920,622	174,598,742	154,298,173	2,000,188	18,300,381
Itinerant services	7,703,840	7,974,857	6,389,471	119	1,585,267
General instruction	15,918,304	16,454,683	8,206,082	42,628	8,205,973
Instruction support	23,958,359	31,185,849	23,864,295	3,383,880	3,937,674
Other services	73,704,909	85,346,404	76,839,351	1,218,898	7,288,155
Internal services	<u>(400,000)</u>	<u>3,734,043</u>	<u>1,165,554</u>	<u>-</u>	<u>2,568,489</u>
Total expenditures	379,387,345	404,485,581	349,373,069	8,269,327	46,843,185
OTHER FINANCING USES					
Return of surplus	-	-	17,895,275	-	(17,895,275)
Transfers to other funds	<u>3,161,000</u>	<u>3,026,927</u>	<u>3,029,039</u>	<u>-</u>	<u>(2,112)</u>
Total expenditures and other uses	<u>\$ 382,548,345</u>	<u>\$ 407,512,508</u>	<u>\$ 370,297,383</u>	<u>\$ 8,269,327</u>	<u>\$ 28,945,798</u>
NET CHANGE IN FUND BALANCES			\$ 3,712,951		
FUND BALANCE - beginning of year			<u>73,653,447</u>		
FUND BALANCE - end of year			<u>\$ 77,366,398</u>		

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)
For the Year Ended June 30, 2021**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years * (Dollar amounts displayed in thousands)							
	<u>2021</u>	<u>2020</u>	<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)	0.1477983%	0.1523899%	0.1542738%	0.1575942%	0.1570195%	0.1605447%	0.1537894%	0.1537894%
Proportionate share of the net pension liability (asset)	\$ 147.2	\$ 40,353.7	\$ 10,930.8	\$ 5,086.3	\$ 14,753.9	\$ 25,767.9	\$ 5,195.4	\$ 6,949.5
Covered-employee payroll	\$ 49,841.6	\$ 48,349.8	\$ 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	0.30%	83.46%	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)	99.95%	86.39%	96.27%	98.24%	94.70%	90.60%	97.90%	97.20%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years * (Dollar amounts displayed in thousands)							
	<u>2020</u>	<u>2019</u>	<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)	0.5191830%	0.5336770%	0.5260950%	0.5263820%	0.5280410%	0.5167190%	0.5324080%	0.5448290%
Proportionate share of the net pension liability (asset)	\$ 14,346.4	\$ (13,865.0)	\$ (9,513.2)	\$ (4,001.0)	\$ 5,655.5	\$ (53,670.7)	\$ (59,306.9)	\$ (3,586.4)
Covered-employee payroll	\$ 86,672.0	\$ 88,130.5	\$ 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	16.55%	-15.73%	-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)	97.80%	102.17%	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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Contributions - Pension Plans (Unaudited)
For the Year Ended June 30, 2021**

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years* (Dollar amounts displayed in thousands)									
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 6,663.5	\$ 6,722.8	\$ 6,832.4	\$ 6,935.0	\$ 6,793.1	\$ 8,181.8	\$ 7,391.3	\$ 8,556.1	\$ 8,512.2	\$ 7,324.8
Contributions in relation to the contractually required contribution	<u>6,663.5</u>	<u>6,722.8</u>	<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>
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	\$ 49,841.6	\$ 48,349.8	\$ 48,243.2	\$ 47,446.6	\$ 45,568.5	\$ 43,977.1	\$ 42,128.9	\$ 44,467.4	\$ 46,812.0	\$ 46,276.8
Contributions as a percentage of covered-employee payroll	13.37%	13.90%	14.16%	14.62%	14.91%	18.60%	17.54%	19.24%	18.18%	15.83%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years* (Dollar amounts displayed in thousands)									
	<u>2020</u>	<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>
Contractually required contribution	\$ 8,259.8	\$ 7,808.4	\$ 8,398.1	\$ 9,777.3	\$ 10,804.4	\$ 13,606.5	\$ 12,778.9	\$ 9,449.0	\$ 9,160.9	\$ 7,550.2
Contributions in relation to the contractually required contribution	<u>8,259.8</u>	<u>7,808.4</u>	<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>
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	\$ 86,672.0	\$ 88,130.5	\$ 85,694.9	\$ 83,424.1	\$ 81,481.2	\$ 77,618.2	\$ 78,639.1	\$ 79,805.7	\$ 82,456.0	\$ 86,711.6
Contributions as a percentage of covered-employee payroll	9.53%	8.86%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%	11.11%	8.71%

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

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
For the Year Ended June 30, 2021**

(Dollar amounts displayed in thousands)	Last 10 Fiscal Years *			
	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 41,573	\$ 28,345	\$ 21,870	\$ 23,001
Interest	22,718	30,874	30,953	28,509
Changes of benefit terms	(16,571)	-	-	-
Differences between expected and actual experience	-	-	-	(37,234)
Effect on demographic gains or losses	-	(75,244)	-	-
Changes in assumptions	8,113	177,199	48,732	-
Benefit payments	(28,855)	(28,205)	(23,298)	(21,123)
Total change in total OPEB liability	26,979	132,969	78,257	(6,848)
Total OPEB liability - beginning	1,000,722	867,753	789,496	796,344
Total OPEB liability - ending	\$ 1,027,701	\$ 1,000,722	\$ 867,753	\$ 789,496
Covered-employee payroll	\$ 126,614	\$ 126,614	\$ 127,416	\$ 119,792
Total OPEB liability as a percentage of covered employee payroll	811.68%	790.37%	681.04%	659.06%

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	2.16%	2.21%	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.

The healthcare trend costs rates have been reset to an initial rate of 6.6% decreasing annually to an ultimate rate of 4.1% by 2076.

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

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

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

OTHER INFORMATION (UNAUDITED)

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Schedule of Account A431 - School Districts (Unaudited)

For the Year Ended June 30, 2021

July 1, 2020 - Debit (Credit) balance	\$ 45,026,906
Debits	
Billings to school districts	328,872,706
Refund of balances due school districts	21,635,787
Adjustment - credits to school districts	
Expenditures in excess of revenues	(3,403,745)
Encumbrances - June 30, 2021	8,269,329
Other adjustments	-
Total debits	<u>355,374,077</u>
Credits	
Collections from school districts	333,879,174
Adjustment - credits to school districts	
Revenues in excess of expenditures	17,895,275
Encumbrances - June 30, 2020	4,865,584
Other adjustments - refunded prior year credits	(173,664)
Total credits	<u>356,466,369</u>
June 30, 2021 - Debit (Credit) balance	<u>\$ 43,934,614</u>
Accounts receivable components	\$ 61,656,226
School district accounts	<u>(17,721,611)</u>
Balance, end of year	<u>\$ 43,934,615</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SE

**Schedule of Project Expenditures - Capital Projects Fund (Unaudited)
For the Year Ended June 30, 2021**

Project Title	Budget June 30, 2020	Budget June 30, 2021	Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2021
			Prior Years	Current Years	Total		Proceeds of Obligations	Local Sources	Total	
Capital Project - Greenhouse	\$ 232,898	\$ 232,897	\$ 83,945	\$ -	\$ 83,945	\$ 148,952	\$ -	\$ 232,897	\$ 232,897	\$ 148,952
Armory Improvements	1,650,000	1,650,000	1,472,742	17,958	1,490,700	159,300	-	1,650,000	1,650,000	159,300
Sequoia Phase II	2,131,988	2,131,998	2,131,998	-	2,131,998	-	-	2,131,998	2,131,998	-
Sequoia Phase III	3,724,933	3,724,933	3,724,933	-	3,724,933	-	-	3,724,933	3,724,933	-
OTI Capital Armory	748,123	748,123	748,123	-	748,123	-	-	748,123	748,123	-
James Hines HVAC	-	2,288,195	-	21,505	21,505	2,266,690	-	2,288,195	2,288,195	\$ 2,266,690
James Hines Roof	-	815,545	-	-	-	815,545	-	815,545	815,545	\$ 815,545
Capital Projects - Unallocated	2,651,813	2,298,073	-	-	-	2,298,073	-	2,298,073	2,298,073	2,298,073
Career Education	1,828,675	1,833,866	44,612	367,366	411,978	1,421,888	-	1,833,866	1,833,866	\$ 1,421,888
Technology Closer	-	2,866,885	-	2,866,885	2,866,885	-	2,866,885	-	2,866,885	-
SUBTOTAL	\$ 12,968,430	\$ 18,590,515	\$ 8,206,353	\$ 3,273,714	\$ 11,480,067	\$ 7,110,448	\$ 2,866,885	\$ 15,723,630	\$ 18,590,515	\$ 7,110,448

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Net Investment in Capital Assets (Unaudited)
For the Year Ended June 30, 2021**

Capital assets, net	\$ 67,180,489
Deduct:	
Installment purchase debt	6,257,006
Deferred payment plan debt	<u>2,457,092</u>
Net investment in capital assets	<u>\$ 58,466,391</u>

**REQUIRED REPORTS UNDER 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 13, 2021

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 and each major fund of the Eastern Suffolk Board of Cooperative Education Services (the BOCES), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, 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.

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 financial statements. 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 13, 2021

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, 2021. 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' 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.

Opinion on Each Major Federal Program

In our opinion, the BOCES complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Agency or Pass-through Number	Expenditures	Amounts Provided to Subrecipients
U.S. Department of Agriculture				
<i>Child Nutrition Cluster</i>				
Pass-Through New York State Education Department				
National School Lunch Program (Noncash food donations)	10.555	N/A	\$ 78,866	\$ -
School Breakfast Program	10.553	N/A	346,092	-
National School Lunch Program	10.555	N/A	528,785	-
Summer Food Service Program	10.559	N/A	154,354	-
Child Nutrition Discretionary Grants Limited Availability	10.579	0005-20-0027	3,235	-
<i>Total Child Nutrition Cluster</i>			<u>1,111,332</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,111,332</u>	<u>-</u>
U.S. Department of Labor				
<i>WIOA Cluster</i>				
Pass-Through New York State Education Department				
WIOA Adult Programs	17.258	DOL01-C181310G	1,193	-
WIOA Youth Activities	17.259	DOL01-C18386G	74,911	-
<i>Total WIOA Cluster</i>			<u>76,104</u>	<u>-</u>
Total U.S. Department of Labor			<u>76,104</u>	<u>-</u>
U.S. Department of Education				
<i>Student Financial Assistance Cluster</i>				
Direct				
Federal Direct Student Loans	84.268	N/A	1,010,948	-
Federal Pell Grant Program	84.063	N/A	634,031	-
<i>Total Student Financial Assistance Cluster</i>			<u>1,644,979</u>	<u>-</u>
COVID-19 Higher Education Emergency Relief Fund - Student Aid	84.425E	P425E205559-2	170,976	-
COVID-19 Higher Education Emergency Relief Fund - Institutional	84.425F	P425F205077-2	524,449	-
<i>Total COVID-19 Education Stabilization Fund</i>			<u>695,425</u>	<u>-</u>
Pass-Through New York State Education Department				
Adult Education - Basic Grants to States	84.002	2338-21-3189	122,500	-
Adult Education - Basic Grants to States	84.002	2338-21-3143	439,741	-
Adult Education - Basic Grants to States	84.002	0138-21-2049	248,444	-
Adult Education - Basic Grants to States	84.002	0040-21-3019	98,039	-
<i>Total Adult Education - Basic Grants to States</i>			<u>908,724</u>	<u>-</u>
Migrant Education - State Grant Program	84.011	0035-21-0009	432,775	-
Migrant Education - State Grant Program	84.011	0035-20-0009	107,301	-
<i>Total Migrant Education - State Grant Program</i>			<u>540,076</u>	<u>-</u>
Vocational Education - Basic Grants to States	84.048	8000-21-0012	769,043	-
Vocational Education - Basic Grants to States	84.048	8000-21-9025	67,906	-
<i>Total Vocational Education - Basic Grants to States</i>			<u>836,949</u>	<u>-</u>
Education for Homeless Children and Youth	84.196	0212-21-3090	97,334	-
Education for Homeless Children and Youth	84.196	0212-21-3091	76,902	-
Education for Homeless Children and Youth	84.196	0212-21-3092	83,433	-
Education for Homeless Children and Youth	84.196	0212-21-3093	83,230	-
Education for Homeless Children and Youth	84.196	0212-21-3094	100,779	-
Education for Homeless Children and Youth	84.196	0212-21-3095	74,132	-
<i>Total Education for Homeless Children and Youth Cluster</i>			<u>515,810</u>	<u>-</u>
English Language Acquisition State Grants	84.365	0293-21-3285	99,527	-
English Language Acquisition State Grants	84.365	0293-20-3285	81,393	-
English Language Acquisition State Grants	84.365	0293-21-1724	73,307	-
English Language Acquisition State Grants	84.365	0293-20-1724	53,412	-
<i>Total English Language Acquisition State Grants</i>			<u>307,639</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	103,733	-
Total U.S. Department of Education			<u>5,553,335</u>	<u>-</u>
U.S. Department of Veteran Affairs				
Direct				
Post-9/11 Veterans Educational Assistance	64.028	N/A	9,070	-
<i>Total Post-9/11 Veterans Educational Assistance</i>			<u>9,070</u>	<u>-</u>
Total Department of Veteran Affairs			<u>9,070</u>	<u>-</u>
Total expenditures of federal awards			<u>\$ 6,749,841</u>	<u>\$ -</u>

See accompanying independent auditor's report.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2021**

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, 2021. 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 generally accepted accounting principles, 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, 2021, the BOCES received food commodities totaling \$78,866 (Assistance Listing No. 10.555).

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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:

<u>Assistance Listing(s)</u>	<u>Name of Federal Program or Cluster</u>
84.063 and 84.268	Student Financial Assistance Cluster
84.048	Vocational Education - Basic Grants to States

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

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

None reported.

Section III - Federal Awards Findings and Questioned Costs

None reported.