

**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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INDEPENDENT AUDITOR'S REPORT

October 4, 2023

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the 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, 2023, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis For Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BOCES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As discussed in Note 19 to the financial statements, during the year ended June 30, 2023 the BOCES adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 96 – Subscription-Based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management For the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the BOCES' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities For the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 BOCES' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BOCES' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of account A431-School Districts, Schedule of project expenditures - capital projects fund, and Schedule of net investment in capital assets but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2023 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, 2023

The following is a discussion and analysis of the BOCES' financial performance for the year ended June 30, 2023. 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 \$13,897,337, inclusive of the prior period adjustment in the amount of \$416,004 noted on table A-3. The primary factor contributing was the actuarial change of the net pension asset in 2022 of \$101,427,740 to a net pension liability in 2023 of \$41,234,562.
- The current total net position is a deficit in the amount of \$796,049,211. 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 \$832,042,647 at June 30, 2023. 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 program expenditures in excess of revenues of \$17,912,686. In addition, the general revenues were \$3,599,345, which included \$2,441,439 in interest earnings.
- Program revenues included \$441,294,087 in Charges for Services and \$17,813,635 in Operating Grants and Contributions.
- BOCES total General Fund revenue for 2023 was \$432,588,107. \$347,401,308 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 2023-2024, \$30,645,545 of the surplus from the prior year will be returned. During 2022-2023, \$15,329,547 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

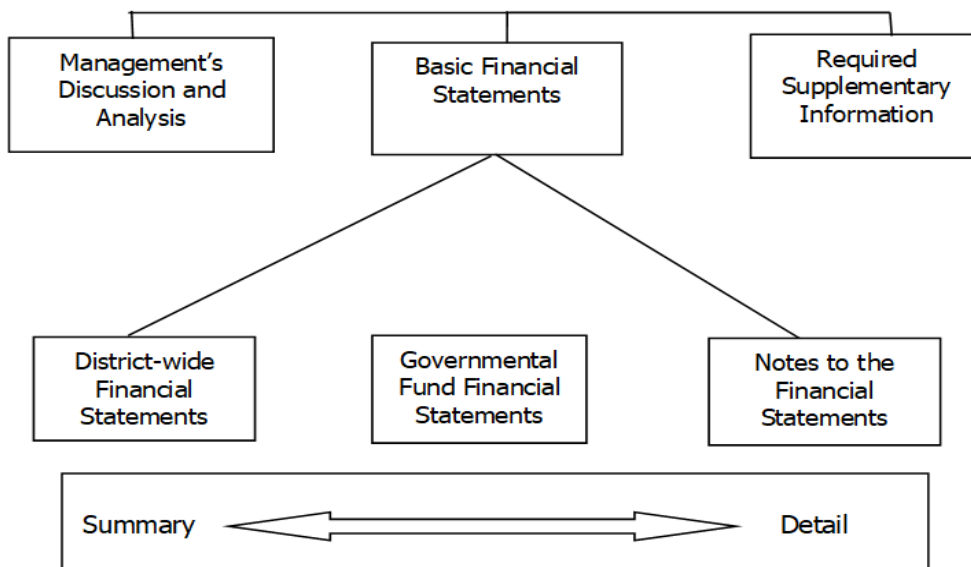
Management's Discussion and Analysis (Unaudited)

June 30, 2023

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, 2023

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, 2023

Figure A-2 Condensed Statement of Net position

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Change
Current and other assets	\$ 187,182,369	\$ 175,478,840	\$ 11,703,529	6.7%
Net pension asset	-	101,427,740	(101,427,740)	100.0%
Lease receivable	3,929,088	4,204,954	(275,866)	100.0%
Capital assets	92,744,612	86,019,295	6,725,317	7.8%
Total assets	283,856,069	367,130,829	(83,274,760)	-22.7%
Deferred outflows of resources	193,850,527	200,427,760	(6,577,233)	-3.3%
Current liabilities	91,989,868	76,588,749	15,401,119	20.1%
Net pension liability	41,234,562	-	41,234,562	100.0%
Other long-term liabilities	890,826,664	826,395,678	64,430,986	7.8%
Total liabilities	1,024,051,094	902,984,427	121,066,667	13.4%
Deferred inflows of resources	249,704,713	446,726,036	(197,021,323)	-44.1%
Net position:				
Investment in capital assets	71,725,357	63,676,666	8,048,691	12.6%
Restricted	73,383,074	71,846,211	1,536,863	2.1%
Unrestricted	(941,157,642)	(917,674,751)	(23,482,891)	2.6%
Total net position	\$ (796,049,211)	\$ (782,151,874)	\$ (13,897,337)	1.8%

Unrestricted net position decreased to (\$941,157,642) for the year ended June 30, 2023, down \$23,482,891 from the (\$917,674,751) balance for 2022. This resulted primarily from the change of net pension asset to a liability resulting in an increase in liabilities of \$41,234,562.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited)
June 30, 2023

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, 2023 and 2022 is as follows:

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percent Change
Revenues				
Program revenue:	(restated)			
Charges for services	\$ 441,294,087	\$ 404,515,048	\$ 36,779,039	9.1%
Operating grants	17,813,635	15,951,342	1,862,293	11.7%
General revenue:				
Use of money and property	2,441,439	251,990	2,189,449	868.9%
Sale of property and compensation for loss	497,920	294,137	203,783	69.3%
Miscellaneous	659,986	4,090,582	(3,430,596)	-83.9%
Total revenue	\$ 462,707,067	\$ 425,103,099	\$ 37,603,968	8.8%
Expenses				
Administration	\$ 51,293,727	\$ 42,684,339	\$ 8,609,388	20.2%
Occupational instruction	46,978,836	37,011,899	9,966,937	26.9%
Instruction for special education	227,560,511	184,156,143	43,404,368	23.6%
Itinerant services	7,201,930	5,936,418	1,265,512	21.3%
General instruction	16,021,352	12,679,736	3,341,616	26.4%
Instruction support	31,140,664	33,951,853	(2,811,189)	-8.3%
Other services	93,950,391	77,042,888	16,907,503	21.9%
Internal services	765,156	880,397	(115,241)	-13.1%
Debt service	357,104	365,519	(8,415)	100.0%
Food Service Program	1,750,737	1,391,662	359,075	25.8%
Total expenses	477,020,408	396,100,854	80,919,554	20.4%
Changes in net position	(14,313,341)	29,002,245	(43,315,586)	-149.4%
FUND BALANCES - beginning of year, as previously stated	(782,151,874)	(811,154,119)	29,002,245	-3.6%
PRIOR PERIOD ADJUSTMENT	416,004	-	416,004	100.0%
FUND BALANCES - beginning of year, as restated	(781,735,870)	-	(781,735,870)	100.0%
FUND BALANCES - end of year	\$ (796,049,211)	\$ (782,151,874)	\$ (13,897,337)	1.8%

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Management's Discussion and Analysis (Unaudited)
June 30, 2023**

Changes in Net Position

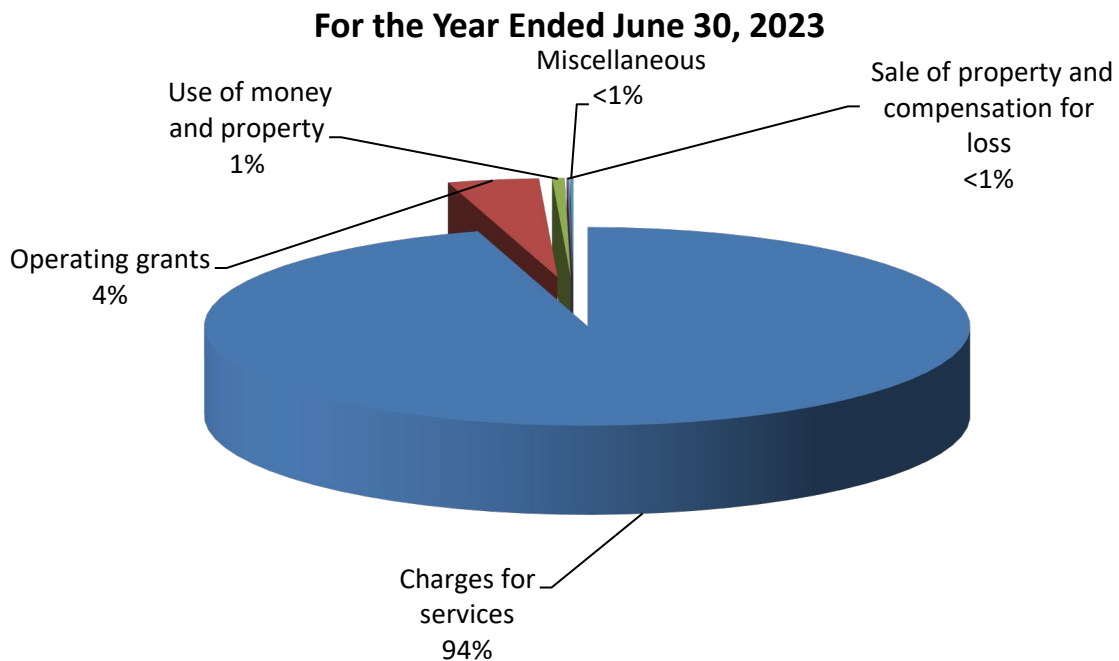
The BOCES' revenues increased by \$37,603,968 in 2023 or 8.8%. The major factors that contributed to the increase were:

- Charges for Services increased by \$36,779,039 as a result of an increase in program participation.
- An increase in use of money and property by \$2,189,449 due to an increase in the interest rates.

The BOCES' expenses for the year increased by \$80,919,554 or 20.4%.

- The primary reasons for this increase were due to a \$43,404,368 increase for Instruction for special education and a \$9,966,937 increase for Instruction for Occupational instruction. Also a change in Other Services of \$16,907,503.

Figure A-4 Revenue Sources



EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited)

June 30, 2023

For the Year Ended June 30, 2022

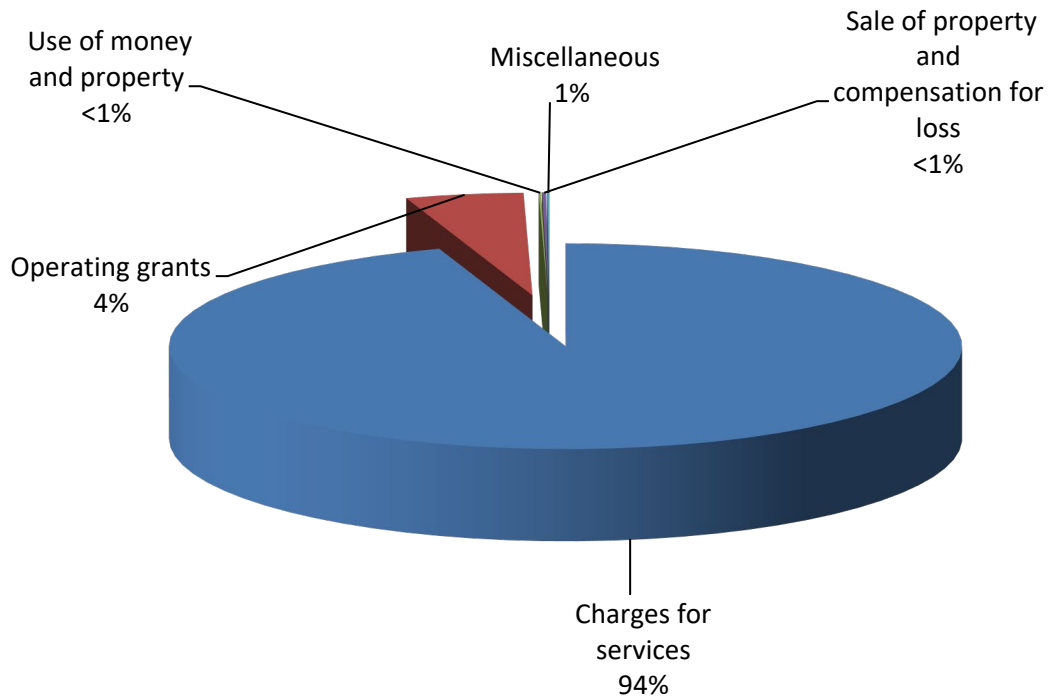
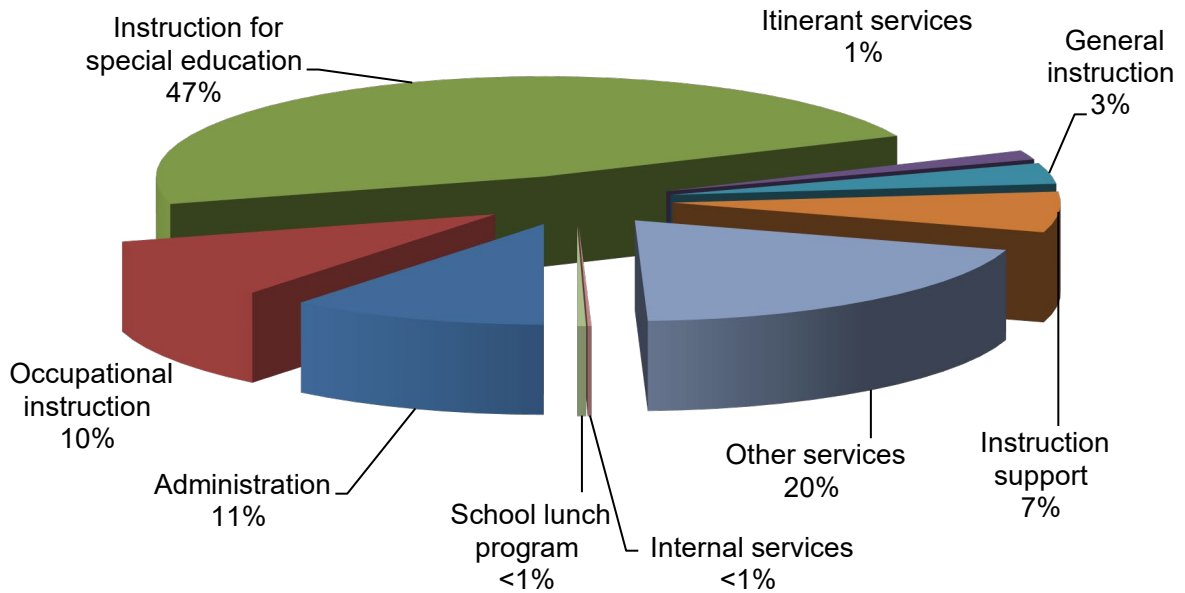


Figure A-5 Sources of Expenses

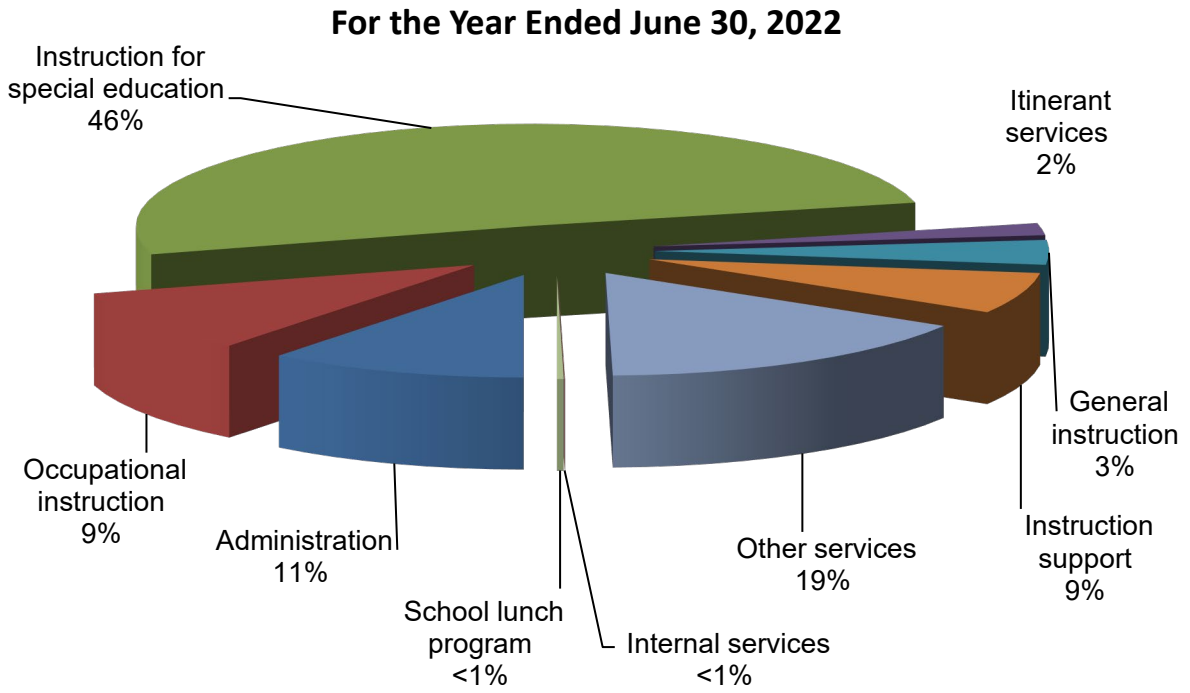
For the Year Ended June 30, 2023



EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited)

June 30, 2023



EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited)
June 30, 2023

At June 30, 2023, the BOCES' governmental funds reported combined fund balance of \$92,419,669 which is a decrease of \$6,498,773 over the prior year. This is due to an excess of expenditures over revenues for the year. A summary of the change in fund balance by fund is as follows:

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)
General Fund			
Nonspendable	\$ 357,065	\$ 975	\$ 356,090
Restricted			
Unemployment insurance reserve	2,225,975	2,300,000	(74,025)
Employee benefit accrued liability reserve	37,825,101	37,200,148	624,953
Retirement contribution reserve	26,300,000	25,059,363	1,240,637
Teacher retirement contribution reserve	5,691,638	5,949,710	(258,072)
Total Restricted	<u>72,042,714</u>	<u>70,509,221</u>	<u>1,533,493</u>
Assigned			
Administration	484,723	575,627	(90,904)
Occupational Instruction	1,569,797	3,194,155	(1,624,358)
Instruction for special needs	3,188,708	7,730,500	(4,541,792)
Itinerant services	3,784	184	3,600
General instruction	77,907	122,634	(44,727)
Instructional support	184,820	3,754,510	(3,569,690)
Other services	369,598	1,280,115	(910,517)
Total Assigned	<u>5,879,337</u>	<u>16,657,725</u>	<u>(10,778,388)</u>
Unassigned	<u>(357,065)</u>	<u>(957)</u>	<u>(356,108)</u>
Total General Fund	<u>77,922,051</u>	<u>87,166,964</u>	<u>(9,244,913)</u>
School Lunch Fund			
Nonspendable	8,598	5,742	2,856
Assigned	264,806	272,279	(7,473)
Total School Lunch Fund	<u>273,404</u>	<u>278,021</u>	<u>(4,617)</u>
Special Aid Fund			
Nonspendable	73,104	66,693	6,411
Assigned	4,606,211	3,330,881	1,275,330
Total Special Aid Fund	<u>4,679,315</u>	<u>3,397,574</u>	<u>1,281,741</u>
Capital Fund			
Restricted - CTE Reserve	1,250,039	1,215,718	34,321
Assigned	8,204,539	6,738,893	1,465,646
Total Capital Fund	<u>9,454,578</u>	<u>7,954,611</u>	<u>1,499,967</u>
Miscellaneous Special Revenue Fund			
Restricted	90,321	121,272	(30,951)
Total Miscellaneous Special Revenue Fund	<u>90,321</u>	<u>121,272</u>	<u>(30,951)</u>
Total	<u>\$ 92,419,669</u>	<u>\$ 98,918,442</u>	<u>\$ (6,498,773)</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Management's Discussion and Analysis (Unaudited)

June 30, 2023

General Fund Budgetary Highlights

- The difference between the original approved budget of \$396,018,067 and the amended budget of \$457,133,558 is \$61,115,491 or 15.4%. The increase is due to the request for additional services from component school districts. The budgetary comparison information can be found on Page 59 which presents both original and amended budget totals compared with actual results for the General Fund for the year ended June 30, 2023.
- Actual expenditures and other financing uses, were under the amended budget by \$14,756,805 or 3.2%, and actual revenues and other financing sources were below the amended budget by \$24,001,700 or 5.3%.

Capital Assets

At June 30, 2023 and 2022, the BOCES had \$92,744,612 and \$86,019,295, 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/amortization at June 30, 2023 and 2022, is as follows:

Capital Assets (Net of Depreciation)

Category	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)
Land	\$ 6,306,650	\$ 6,306,650	\$ -
Technology in process	890,356	311,072	579,284
Construction in progress	1,959	13,749	(11,790)
Buildings and improvements	41,723,961	34,423,628	7,300,333
Equipment and furniture	30,079,918	30,031,891	48,027
Leased assets	13,234,783	14,932,305	(1,697,522)
Subscription assets	506,985	-	506,985
Total	<u>\$ 92,744,612</u>	<u>\$ 86,019,295</u>	<u>\$ 6,725,317</u>

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

Depreciation expense for the BOCES totaled \$11,715,118 and \$11,632,311 for the years ended June 30, 2023 and 2022, respectively.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Management's Discussion and Analysis (Unaudited)
June 30, 2023**

Long-Term Liabilities

At June 30, 2023 and 2022, the BOCES had total long-term debt of \$932,061,226 and \$829,565,949, respectively. A summary of the long-term debt at June 30, 2023 and 2022, is as follows:

Category	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)
Installment Purchase Debt	\$ 5,641,397	\$ 5,762,992	(121,595)
Compensated Absences	37,825,101	37,200,147	624,954
Total Other Postemployment Benefits	832,042,647	770,023,173	62,019,474
Deferred Payment Plan Debt	1,665,092	1,396,269	268,823
Lease Liability	13,652,427	15,183,368	(1,530,941)
Net Pension Liability	41,234,562	-	41,234,562
Total	\$ 932,061,226	\$ 829,565,949	\$ 102,495,277

FACTORS BEARING ON THE BOCES FUTURE

Although state aid for education was at record levels for the 23-24 budget year, budgeting for the future will continue to be challenging due to inflationary pressures, labor shortages, supply chain disruptions, expiration of federal stimulus programs 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 2023-2024 fiscal year was approved for the amount of \$437,143,844 or a 10.38% increase from the previous year's original budget. This increase was primarily due to rising costs, increased service commitments from component districts and changes to collective bargaining agreements.

In 2022-23, 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, 2023**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash and cash equivalents	\$ 16,242,701
Restricted cash and cash equivalents	311,177
Investments	37,912,130
Receivables:	
Due from other governments	32,042,222
Due from components, net	93,605,902
Lease receivables	2,737,949
Accrued Interest receivable	18,816
Accounts receivable	3,872,705
Inventories	8,598
Prepaid expenses	430,169
Total current assets	<u>187,182,369</u>

NONCURRENT ASSETS:

Capital assets, nondepreciable	7,198,965
Capital assets, net of accumulated depreciation	85,545,647
Lease receivables	3,929,088
Total non-current assets	<u>96,673,700</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension related - ERS	21,969,211
Pension related - TRS	52,280,707
Other post employment benefits related	119,600,609
Total deferred outflow of resources	<u>193,850,527</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Due to components - refund of surplus	30,645,545
Due to components - state aid	28,018,708
Due to:	
Other governments	677
Teachers' retirement system	11,334,194
Employees' retirement system	1,594,082
Accounts payable	10,935,565
Accrued liabilities	5,001,958
Subscription liability, due within one year	60,339
Other liabilities	4,269,434
Unearned revenue	129,366
Total current liabilities	<u>91,989,868</u>

NONCURRENT LIABILITIES:

Long term liabilities:	
Due within one year	8,984,130
Due in more than one year	923,077,096
Total noncurrent liabilities	<u>932,061,226</u>

DEFERRED INFLOWS OF RESOURCES

Pension related - ERS	1,936,109
Pension related - TRS	4,333,735
Lease related	6,753,467
Other post employment benefits related	236,681,402
Total deferred inflows of resources	<u>249,704,713</u>

NET POSITION

Net Investment in capital assets	71,725,357
Restricted	73,383,074
Unrestricted	(941,157,642)
TOTAL NET POSITION	<u>\$ (796,049,211)</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, 2023**

	Program Revenue			Net (Expense) Revenue and Net Position
	Expenses	Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS:				
Administration	\$ 51,293,727	\$ 47,429,796	\$ 114	\$ (3,863,817)
Occupational instruction	46,978,836	44,424,305	297,523	(2,257,008)
Instruction for special education	227,560,511	201,674,739	14,157,831	(11,727,941)
Itinerant services	7,201,930	6,686,718	-	(515,212)
General instruction	16,021,352	15,522,946	5,176	(493,230)
Instruction support	31,140,664	29,473,274	1,340,679	(326,711)
Other services	93,950,391	95,966,863	13,572	2,030,044
Internal services	765,156	109,830	228,169	(427,157)
Debt service	357,104	-	-	(357,104)
School lunch program	1,750,737	5,616	1,770,571	25,450
TOTAL FUNCTIONS AND PROGRAMS	\$ 477,020,408	\$ 441,294,087	\$ 17,813,635	\$ (17,912,686)
GENERAL REVENUE:				
Interest and earnings				2,441,439
Sale of property and compensation for loss				497,920
Miscellaneous				659,986
TOTAL GENERAL REVENUE				3,599,345
CHANGE IN NET POSITION				(14,313,341)
NET POSITION - beginning of year, as previously stated				(782,151,874)
RESTATEMENT (Note 19)				416,004
NET POSITION - beginning of year, as restated				(781,735,870)
NET POSITION - end of year				\$ (796,049,211)

The accompanying notes are an integral part of these statements.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Balance Sheet - Governmental Funds
June 30, 2023**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Miscellaneous Special Revenue	
ASSETS						
Cash and cash equivalents - Unrestricted	\$ 16,240,682	\$ 1,118	\$ 901	\$ -	\$ -	\$ 16,242,701
Cash and cash equivalents - Restricted	220,856	-	-	-	90,321	311,177
Investments	37,912,130	-	-	-	-	37,912,130
Receivables:						
Due from other governments	28,018,708	3,913,069	110,445	-	-	32,042,222
Due from Components	90,129,068	3,476,834	-	-	-	93,605,902
Due from other funds	1,676,369	-	266,043	9,513,955	-	11,456,367
Lease receivable	6,667,037	-	-	-	-	6,667,037
Accounts receivable	3,872,705	-	-	-	-	3,872,705
Inventory	-	-	8,598	-	-	8,598
Prepaid expenditures	357,065	73,104	-	-	-	430,169
TOTAL ASSETS	\$ 185,094,620	\$ 7,464,125	\$ 385,987	\$ 9,513,955	\$ 90,321	\$ 202,549,008
LIABILITIES						
Due to component - refund of surplus	\$ 30,645,545	\$ -	\$ -	\$ -	\$ -	\$ 30,645,545
Due to components - state aid	28,018,708	-	-	-	-	28,018,708
Due to:						
Other governments	665	-	12	-	-	677
Other funds	9,779,998	1,676,369	-	-	-	11,456,367
Teachers' retirement system	11,334,194	-	-	-	-	11,334,194
Employees' retirement system	1,594,082	-	-	-	-	1,594,082
Accounts payable	10,473,419	292,230	110,539	59,377	-	10,935,565
Accrued liabilities	4,303,057	688,877	-	-	-	4,991,934
Overpayments and collections in advance	1	-	-	-	-	1
Other liabilities	4,269,433	-	-	-	-	4,269,433
Unearned revenue	-	127,334	2,032	-	-	129,366
TOTAL LIABILITIES	100,419,102	2,784,810	112,583	59,377	-	103,375,872
DEFERRED INFLOW OF RESOURCES						
Deferred inflow of resources - Lease	6,753,467	-	-	-	-	6,753,467
TOTAL DEFERRED INFLOWS	6,753,467	-	-	-	-	6,753,467
FUND BALANCES						
Nonspendable	357,065	73,104	8,598	-	-	438,767
Restricted	72,042,714	-	-	1,250,039	90,321	73,383,074
Assigned	5,879,337	4,606,211	264,806	8,204,539	-	18,954,893
Unassigned	(357,065)	-	-	-	-	(357,065)
TOTAL FUND BALANCES	77,922,051	4,679,315	273,404	9,454,578	90,321	92,419,669
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 185,094,620	\$ 7,464,125	\$ 385,987	\$ 9,513,955	\$ 90,321	\$ 202,549,008

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, 2023**

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

Total governmental fund balance	\$ 92,419,669
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Amounts reported 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 as a whole, and their original costs are expensed annually over their useful lives.

Original Cost of Capital Assets	207,270,239
Accumulated Depreciation	<u>(114,525,627)</u>
	<u>92,744,612</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	74,249,918
Net Pension Liability - Proportionate Share ERS	(31,602,677)
Net Pension Liability - Proportionate Share TRS	(9,631,885)
Deferred Inflows - Pensions	<u>(6,269,844)</u>
	<u>26,745,512</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	(1,665,092)
Installment Purchase Debt	(5,641,397)
Total Other Postemployment Benefit Liabilities	(832,042,647)
Deferred Outflow - OPEB	119,600,609
Deferred Inflow - OPEB	(236,681,402)
Compensated Absences Payable	(37,825,101)
Lease Liabilities	(13,652,427)
Subscription Liabilities	(60,339)
Accrued Interest	<u>8,792</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ (796,049,211)</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, 2023**

	Governmental Fund Types					Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	Miscellaneous Special Revenue	
REVENUE:						
Charges for services	\$ 92,012	\$ 12,571,938	\$ -	\$ -	\$ -	\$ 12,663,950
Charges to components - administration	20,503,212	-	-	-	-	20,503,212
Charges to components - service programs	326,898,096	-	-	-	-	326,898,096
Charges to non-components and other BOCES	37,956,796	-	-	-	-	37,956,796
Interest and earnings	2,399,485	-	3	34,321	467	2,434,276
Sale of property and compensation for loss	494,080	3,840	-	-	-	497,920
Miscellaneous	41,767,448	1,425,059	463	-	150,449	43,343,419
Refund of prior year's expenditures	582,984	-	-	-	-	582,984
State and local sources	1,628,341	7,248,032	37,202	-	-	8,913,575
Federal sources	265,653	6,901,038	1,733,369	-	-	8,900,060
Sales - School lunch	-	-	5,616	-	-	5,616
Total revenue	432,588,107	28,149,907	1,776,653	34,321	150,916	462,699,904
EXPENDITURES:						
Administration	44,656,407	-	-	-	181,867	44,838,274
Occupational instruction	43,138,265	-	-	-	-	43,138,265
Instruction for special education	171,417,382	26,529,336	-	-	-	197,946,718
Itinerant services	6,521,020	-	-	-	-	6,521,020
General instruction	14,710,120	-	-	-	-	14,710,120
Instruction support	33,376,709	-	-	-	-	33,376,709
Other services	90,599,907	-	-	-	-	90,599,907
Internal services	547,127	-	-	-	-	547,127
School lunch program	-	-	1,815,891	-	-	1,815,891
Debt service - principal	3,979,706	-	-	-	-	3,979,706
Debt service - interest	352,415	-	-	-	-	352,415
Capital outlay	-	-	-	6,726,922	-	6,726,922
Total expenditures	409,299,058	26,529,336	1,815,891	6,726,922	181,867	444,553,074
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	23,289,049	1,620,571	(39,238)	(6,692,601)	(30,951)	18,146,830
OTHER SOURCES AND (USES):						
Proceeds of debt issuance	-	-	-	3,659,287	-	3,659,287
Proceeds from lease issuance	-	-	-	2,135,752	-	2,135,752
Proceeds from subscriptions	204,921	-	-	-	-	204,921
Return of surplus	(30,645,545)	-	-	-	-	(30,645,545)
Transfer from other funds	338,830	-	34,621	2,397,529	-	2,770,980
Transfer to other funds	(2,432,150)	(338,830)	-	-	-	(2,770,980)
Total other sources (uses)	(32,533,944)	(338,830)	34,621	8,192,568	-	(24,645,585)
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER SOURCES (USES)	(9,244,895)	1,281,741	(4,617)	1,499,967	(30,951)	(6,498,755)
FUND BALANCES - beginning of year	87,166,946	3,397,574	278,021	7,954,611	121,272	98,918,424
FUND BALANCES - end of year	\$ 77,922,051	\$ 4,679,315	\$ 273,404	\$ 9,454,578	\$ 90,321	\$ 92,419,669

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, 2023**

Net changes in fund balance - Total governmental funds \$ (6,498,755)

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 capital outlays exceeded depreciation and amortization expense and loss on disposal in the period.

Depreciation and amortization expense	(15,929,584)	
Leases	2,283,016	
Subscription	204,921	
Loss on disposal	(637,421)	
Capital outlays	<u>20,268,393</u>	6,189,325

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	121,595	
Deferred payment plan debt	(268,823)	
Other Post employment liabilities	(6,333,343)	
Accrued interest	20,516	
Compensated absences	(624,954)	
Subscription liability	59,649	
Lease liability	<u>1,530,941</u>	(5,494,419)

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

Teachers' retirement system	(2,495,031)	
Employees' retirement system	<u>(6,014,461)</u>	<u>(8,509,492)</u>

Change in net position - Governmental activities \$ (14,313,341)

The accompanying notes are an integral part of these statements.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

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 County, 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, 2023

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, 2023

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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements June 30, 2023

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, 2023, the BOCES' held \$37,912,130 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 and Lease Receivables

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

Inventories

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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

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

Capital assets also include lease assets and subscription-based information technology agreements (SBITA) with a term greater than one year. The BOCES does not implement a capitalization threshold for these assets. These assets are amortized on a straight-line basis over the term of the agreement.

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.

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.

Lease-related amounts are recognized at the inception of the leases in which the BOCES is the lessor. The deferred inflow of resources is recorded in the amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease. See Note 8.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements June 30, 2023

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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

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.

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

Miscellaneous Special Revenue Fund is used to account for the activity of the extraclassroom activity funds as well as certain scholarships with which the BOCES has administrative involvement.

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, 2023.
- 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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

- Unassigned – Includes all other fund net positions that do not meet the definition of the above 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.

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		\$396,018,067
Encumbrances from prior year		<u>16,657,725</u>
Original Budget		412,675,792
Shared services budget revisions:		
Administration	(514,741)	
Occupational instruction	(378,706)	
Instruction for special needs	12,479,403	
Itinerant services	459,757	
General instruction	3,975,785	
Instructional support	6,115,020	
Other services	12,973,288	
Internal services	<u>9,347,960</u>	<u>44,457,766</u>
Revised budget		<u>\$457,133,558</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

(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.

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, 2023, the reported amount of the BOCES' deposits was \$16,553,878 and the bank balances of \$47,135,960. Of the bank balances, \$1,099,113 was covered by federal depository insurance and the remaining \$46,036,847 was covered by collateral held in the BOCES' name.

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 \$311,177 of which \$220,856 is in the General Fund which represents funds held for future Occupational Education Equipment expenditures and \$90,321 in the Miscellaneous Special Revenue Fund which represents funds held for extra classroom activities and scholarships.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

5. INVESTMENT POOL

The BOCES participates in the New York State Cooperative Liquid Asset 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 with other participants. At June 30, 2023, the BOCES held \$37,912,130 in investments consisting of various investments in securities issued by the United States and its agencies. NYCLASS is rated 'AAAm' from Standard & Poor's. The investments are highly liquid, and the amount held represents the amortized cost of the investment pool shares, which are considered to approximate fair value. There are no limitations or restrictions on withdrawals in the NYCLASS. Additional information concerning NYCLASS, including the annual report, can be found on its website at <https://www.newyorkclass.org/>.

6. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2023, consisted of:

General Fund:		
New York State		\$ 28,018,708
Special Aid Fund:		
New York State Education Department	3,636,996	
ACCES	103,640	
NYS OPWDD	76,628	
OASIS	87,172	
US Department of Education	8,633	
School Lunch Fund:		
Federal and State School Lunch		
Reimbursements	110,445	
Total		<u>\$ 32,042,222</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

	July 1, 2022 Balance (restated)	Additions	Deletions	June 30, 2023 Balance
Governmental activities				
Capital assets that are not depreciated:				
Land	\$ 6,306,650	\$ -	\$ -	\$ 6,306,650
Construction in progress	13,749	1,960	13,750	1,959
Technology in progress	311,072	890,354	311,070	890,356
Total non-depreciable historical cost	<u>6,631,471</u>	<u>892,314</u>	<u>324,820</u>	<u>7,198,965</u>
Capital assets that are depreciated:				
Buildings and improvements	83,762,758	9,780,587	6,393	93,536,952
Furniture and equipment	82,955,961	10,235,728	6,542,546	86,649,143
Total depreciable historical cost	<u>166,718,719</u>	<u>20,016,315</u>	<u>6,548,939</u>	<u>180,186,095</u>
Less accumulated depreciation:				
Buildings and improvements	49,339,130	2,473,878	17	51,812,991
Furniture and equipment	52,924,070	9,241,240	5,596,085	56,569,225
Total accumulated depreciation	<u>102,263,200</u>	<u>11,715,118</u>	<u>5,596,102</u>	<u>108,382,216</u>
Total depreciable cost, net	<u>64,455,519</u>	<u>8,301,197</u>	<u>952,837</u>	<u>71,803,879</u>
Lease Assets				
Building	15,520,569	1,695,587	1,463,869	15,752,287
Equipment	158	-	158	-
Land	2,502,358	-	-	2,502,358
Classrooms and facilities	655,880	587,429	119,760	1,123,549
Total Lease Assets	<u>18,678,965</u>	<u>2,283,016</u>	<u>1,583,787</u>	<u>19,378,194</u>
Less lease accumulated amortization:				
Building	3,087,923	3,217,512	1,463,869	4,841,566
Equipment	92	66	158	-
Land	417,060	417,060	-	834,120
Classrooms and facilities	241,585	345,900	119,760	467,725
Total lease accumulated amortization	<u>3,746,660</u>	<u>3,980,538</u>	<u>1,583,787</u>	<u>6,143,411</u>
Total lease depreciable cost, net	<u>14,932,305</u>	<u>(1,697,522)</u>	<u>-</u>	<u>13,234,783</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

Subscription Assets				
Subscriptions	<u>535,992</u>	<u>204,921</u>	<u>-</u>	<u>740,913</u>
Total Subscription Assets	<u>535,992</u>	<u>204,921</u>	<u>-</u>	<u>740,913</u>
Less subscription accumulated amortization:				
Subscriptions	<u>-</u>	<u>233,928</u>	<u>-</u>	<u>233,928</u>
Total subscription accumulated amortization	<u>-</u>	<u>233,928</u>	<u>-</u>	<u>233,928</u>
Total subscription depreciable cost, net	<u>535,992</u>	<u>(29,007)</u>	<u>-</u>	<u>506,985</u>
Total capital assets, net	<u>\$ 86,555,287</u>	<u>\$ 7,466,982</u>	<u>\$ 1,277,657</u>	<u>\$ 92,744,612</u>

Depreciation and amortization expense for the year ended June 30, 2023, was allocated to specific functions as follows:

	Depreciation	Amortization
Administration	\$ 1,202,211	\$ -
Occupational instruction	1,156,090	-
Instruction for special education	5,418,014	4,214,466
Itinerant services	174,843	-
General instruction	394,410	-
Instruction support	894,979	-
Other services	2,425,883	-
Food services	48,688	-
	<u>\$ 11,715,118</u>	<u>\$ 4,214,466</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

8. LEASE AGREEMENTS

LESSEE AGREEMENTS

The BOCES leases various buildings and equipment, primarily buildings that are rented out as well as a few equipment leases. The leases contain various inception dates and remaining terms of 5-132 months and some of the agreements do contain renewal options. Lease agreements are summarized as follows:

Description	Interest Rate / Discount Rate	Total Lease Liability
Tatonka BAC Agreement	3.65%	\$ 1,135,073
Commack Old Farms Fully Approved	3.65%	166,646
Connetquot CSD - Arthur Premm Learning	3.65%	4,106,929
Triangle Properties LLC Admin Offices	3.65%	223,695
Suffolk Cooperative Library System	2.16%	14,902
Robert E. Stafford	2.16%	13,135
Sayville UFSD - Greene Ave	2.16%	2,421,538
Sachem CSD Sequoya Classrooms	2.16%	2,771,457
Sachem CSD Samoset Classrooms	2.16%	128,654
Sachem CSD Tecumseh	2.16%	571,514
Port Jefferson UFSD Property	2.16%	1,723,819
North Ocean Properties	2.16%	115,626
Lindenhurst UFSD Classrooms	2.16%	20,925
East Moriches UFSD Classrooms and Offices	2.16%	98,047
East Islip SD Classrooms	2.16%	46,880
Sachem CSD Classrooms and Offices	2.16%	37,454
Islip SD Classrooms	2.16%	56,133
Total Lease Liability		<u>\$ 13,652,427</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Notes to the Financial Statements
June 30, 2023**

Activity of lease liabilities for the year ended June 30, 2023 is summarized as follows:

Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
\$ 15,183,368	\$ 2,135,752	\$ 3,666,693	\$ 13,652,427	\$ 3,312,788

Annual requirements to amortize long-term obligations and related interest are as follows:

At fiscal year end June 30, 2023	Principal	Interest	Total
2024	\$ 3,312,788	\$ 279,134	\$ 3,591,922
2025	2,638,196	205,924	2,844,120
2026	2,110,534	147,517	2,258,051
2027	2,043,352	102,704	2,146,056
2028	938,287	69,622	1,007,909
2029-2033	2,609,270	106,269	2,715,539
Total	<u>\$ 13,652,427</u>	<u>\$ 911,170</u>	<u>\$ 14,563,597</u>

LESSOR AGREEMENTS

The BOCES leases equipment and copiers to its various component districts totaling 52 agreements at a rate between 1.40% to 4.82% for a term of 3 to 60 months. Over the term of the lease, the BOCES will receive \$6,667,037 related to the lease. During the year, the BOCES recognized \$3,296,519 as lease revenue and \$6,753,467 as deferred inflows.

Activity of lease inflows for the year ended June 30, 2023 is summarized as follows:

	As of 6/30/2023
Lease Revenue	
Equipment	\$ 2,550,420
Copy Machine	746,099
Total Lease Revenue	<u>3,296,519</u>
Interest Revenue	<u>161,944</u>
Total Revenue	<u>\$ 3,458,463</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Notes to the Financial Statements
June 30, 2023**

Future minimum lease payments due to the BOCES are as follows:

At fiscal year end June 30, 2023	Principal	Interest	Total
2024	\$ 2,737,949	\$ 172,654	\$ 2,910,603
2025	1,964,952	109,788	2,074,740
2026	1,072,793	62,345	1,135,138
2027	621,279	28,621	649,900
2028	270,064	5,886	275,950
Total	<u>\$ 6,667,037</u>	<u>\$ 379,294</u>	<u>\$ 7,046,331</u>

9. SUBSCRIPTION BASED INFORMATION TECHNOLOGY AGREEMENTS

The BOCES has various subscriptions, primarily for software programs. The subscriptions contain various inception dates and remaining terms of 22-37 months and do not contain renewal options. Subscription agreements are summarized as follows:

Description	Interest Rate / Discount Rate	Total Subscription Liability
Marcum Technology's	3.54%	<u>\$ 60,339</u>
Total Initial Lease Liability		<u>\$ 60,339</u>

Activity of subscription liabilities for the year ended June 30, 2023 is summarized as follows:

(restated) Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
\$ 119,988	\$ 204,921	\$ 264,570	\$ 60,339	\$ 60,339

Annual requirements to amortize long-term obligations and related interest are as follows:

At fiscal year end June 30, 2023	Principal	Interest	Total
2024	\$ 60,339	\$ 2,171	\$ 62,510
Total	<u>\$ 60,339</u>	<u>\$ 2,171</u>	<u>\$ 62,510</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Notes to the Financial Statements
June 30, 2023**

10. INTERFUND BALANCES AND ACTIVITY

Interfund balances and activities at June 30, 2023, are as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	\$ 1,676,369	\$ 9,779,998	\$ 338,830	\$ 2,432,150
Special aid fund	-	1,676,369	-	338,830
School lunch fund	266,043	-	34,621	-
Capital fund	9,513,955	-	2,397,529	-
Total governmental activities	\$ 11,456,367	\$ 11,456,367	\$ 2,770,980	\$ 2,770,980

- 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 \$2,397,529 from the General Fund to the Capital Fund to fund the local portion of capital projects.
- The BOCES transferred \$34,621 from the General Fund to the School Lunch Fund to supplement
- The BOCES transferred \$338,830 from the Special Aid Fund to the General fund to close completed projects.
- The Interfund receivables and payables exist for cash flow purposes. The balances are expected to be repaid during the next fiscal year.

11. SHORT-TERM LIABILITIES

The BOCES had no transactions in short-term debt for the year ended June 30, 2023.

12. 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	\$ 5,762,992	\$ 2,380,784	\$ 2,502,379	\$ 5,641,397	2,250,835
Deferred Payment Plan Debt	1,396,269	1,278,503	1,009,680	1,665,092	708,757
Other Liabilities:					
Compensated absences	37,200,147	3,982,012	3,357,058	37,825,101	2,711,750
Lease liability	15,183,368	2,135,752	3,666,693	13,652,427	3,312,788
Net pension liability - ERS	-	31,602,677	-	31,602,677	-
Net pension liability - TRS	-	9,631,885	-	9,631,885	-
Total other postemployment benefits	<u>770,023,173</u>	<u>90,788,499</u>	<u>28,769,025</u>	<u>832,042,647</u>	-
Total Governmental activities	\$829,565,949	\$141,800,112	\$ 39,304,835	\$932,061,226	\$ 8,984,130

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

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

The BOCES has entered into various debt 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, 2023, assets purchased under the agreements totaled \$43,933,278, and total accumulated depreciation for these assets was \$31,528,045.

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 06/30/2023
Sayville	12/18	11/23	3.47%	7,290
Sayville	2/19	11/23	3.26%	23,017
Connetquot	3/19	11/23	3.19%	99,173
East Quoque	3/19	11/23	3.18%	24,197
William Floyd	3/19	11/23	3.21%	60,773
Hauppauge	5/19	5/24	3.03%	69,764
Bayport-Blue Point	10/19	5/24	2.32%	47,680
Sayville	12/19	11/24	2.32%	72,506
William Floyd	1/20	11/24	2.50%	225,768
William Floyd	5/20	5/25	1.74%	1,020,211
Bayport-Blue Point	8/20	5/25	1.41%	65,089
William Floyd	11/20	11/23	1.29%	191,171
Sayville	1/21	11/25	1.41%	203,624
Eastport/South Manor	4/21	11/25	1.62%	136,454
Bayport-Blue Point	8/21	5/26	1.54%	159,135
Center Moriches	8/21	5/26	1.54%	118,741
William Floyd	11/21	5/26	1.88%	245,731
Sayville	1/22	11/26	1.92%	228,584
Shoreham-Wading River	4/22	12/25	2.94%	159,549
William Floyd	8/22	12/26	3.41%	320,857
Center Moriches	7/22	5/26	3.60%	122,486
Eastport South Manor	3/23	11/27	4.46%	215,230
Sayville	3/23	11/27	4.61%	727,480
Riverhead	4/23	11/27	4.82%	406,456
Bayport-Blue Point	4/23	11/27	4.82%	177,802
Shoreham-Wading River	5/23	5/27	4.47%	236,146
Center Moriches	6/23	5/27	4.40%	276,483
				<u>\$ 5,641,397</u>

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

At fiscal year end June 30, 2023	Principal	Interest	Total
2024	\$ 2,250,835	\$ 154,114	\$ 2,404,949
2025	1,672,042	100,835	1,772,877
2026	955,266	58,422	1,013,688
2027	577,361	27,229	604,590
2028	185,893	4,381	190,274
Total	<u>\$ 5,641,397</u>	<u>\$ 344,981</u>	<u>\$ 5,986,378</u>

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

Description	Issue Date	Final Maturity	Outstanding at 06/30/2023
New Hyde Park	9/18	10/23	2,426
Central Islip	2/19	2/24	36,946
Connetquot	10/19	10/23	14,009
Hauppauge	11/19	11/23	24,958
Central Islip	12/19	12/24	68,749
West Islip	2/20	2/24	928
South Country	2/20	2/24	21,559
Comsewogue	5/20	4/24	6,776
Connetquot	7/20	8/24	6,858
Shoreham-Wading River	8/20	8/25	73,928
East Islip	11/20	11/24	55,280
Connetquot	2/21	2/25	2,907
Sayville	2/21	2/25	4,767
West Islip	2/21	2/25	126,601
Bayport-Blue Point	4/21	4/25	28,635
Bayport-Blue Point	5/21	5/25	10,731
Brentwood	7/21	7/25	34,552
South Country	2/20	2/24	1,029
Connetquot	7/22	7/26	16,027
Sachem	7/22	7/24	309,910
East Quogue	7/22	7/26	9,909
Springs	7/22	6/25	21,444
Connetquot	7/22	6/26	19,647
Miller Place	12/22	11/26	174,276
South Country	1/23	1/27	8,748
East Islip	2/23	1/27	5,872
Connetquot	2/23	1/27	43,221
East Quogue	3/23	3/27	26,167
Eastport/South Manor	4/23	4/28	340,411
BOCES			167,821
			<u>\$ 1,665,092</u>

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At fiscal year end June 30, 2023	<u>Principal</u>
2024	\$ 708,757
2025	473,959
2026	296,934
2027	126,751
2028	<u>58,691</u>
Total	<u>\$ 1,665,092</u>
	<u>Interest Costs</u>
Interest Paid	\$ 352,415
Plus: current year accrued interest	<u>4,689</u>
Total interest expense on long-term debt	<u>\$ 357,104</u>

13. 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, 2018, he was elected for a new term commencing January 1, 2019. 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, 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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

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>
2021	\$ 6,663,530
2022	\$ 7,587,466
2023	\$ 5,322,186

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

At June 30, 2023, the BOCES reported a liability of \$31,602,677 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2022. 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, 2023 and 2022, the BOCES' proportion was 0.1473728% and 0.1581562%, respectively.

For the year ended June 30, 2023, the BOCES recognized pension expense of \$11,598,614. At June 30, 2023, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,365,932	\$ 887,522
Changes of Assumptions	15,348,298	169,627
Net difference between projected and actual earnings on pension plan investments	-	185,664
Changes in proportion and differences between the BOCES, contributions and proportionate share of contributions	1,660,899	693,296
Contributions subsequent to the measurement date	1,594,082	-
	<u>\$ 21,969,211</u>	<u>\$ 1,936,109</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

At June 30, 2023, \$1,594,082 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, 2024. 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
2024	\$ 4,549,012
2025	(1,395,820)
2026	6,711,183
2027	8,574,645
Thereafter	-
	<u>\$ 18,439,020</u>

Actuarial Assumptions

The total pension liability at March 31, 2023 was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023. 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	1.50%
Salary scale	4.40%
Inflation rate	2.90%

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-2021.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

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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 Allocations in %	Long-Term Expected Real Rate of Return in %
Domestic equity	32.0	4.30
International equity	15.0	6.85
Private equity	10.0	7.50
Real estate	9.0	4.60
Opportunistic portfolio	3.0	5.38
Credit	4.0	5.43
Real asset	3.0	5.84
Fixed income	23.0	1.50
Cash	1.0	-
	100	

Discount Rate

The discount rate used to calculate the total pension asset 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	\$ 76,370,115	\$ 31,602,677	\$ (5,805,726)

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2022, were as follows (in thousands):

Total pension liability (asset)	\$ 232,627,259
Net position	<u>211,183,223</u>
Net pension liability (asset)	<u>\$ 21,444,036</u>
ERS net position as a percentage of total pension liability (asset)	90.78%

Payables to the Pension Plan

The BOCES has recorded an amount due to ERS in amount of \$1,594,082 at June 30, 2023. This amount represents the three months of the BOCES' fiscal year that will be covered in the ERS 2022-2023 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.

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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

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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
2021	\$ 8,259,837
2022	\$ 8,627,588
2023	\$ 9,789,683

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

At June 30, 2023, the BOCES reported an liability of \$9,631,885 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. 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, 2023, the BOCES' proportion was 0.501950 percent, which was a decrease of 0.008748 percent from its proportion of 0.510698 percent as of June 30, 2022.

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Notes to the Financial Statements

June 30, 2023

For the year ended June 30, 2023, the BOCES recognized a pension expense of \$12,367,267. At June 30, 2023, 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	\$ 10,092,996	\$ 193,006
Changes of Assumptions	18,684,227	3,879,996
Net difference between projected and actual earnings on pension plan investments	12,445,309	-
Changes in proportion and differences between the BOCES, contributions and proportionate share of contributions	1,268,493	260,733
Contributions subsequent to the measurement date	9,789,682	-
	<u>\$ 52,280,707</u>	<u>\$ 4,333,735</u>

The BOCES recognized \$9,789,682 reported as deferred outflows of resources related to pensions resulting from BOCES contributions subsequent to the measurement date as of June 30, 2022 will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. 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:	
2023	\$ 7,407,151
2024	3,939,623
2025	(1,389,632)
2026	24,732,640
2027	3,271,566
Thereafter	<u>195,942</u>
	<u>\$ 38,157,290</u>

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Actuarial Assumptions

The total pension liability at June 30, 2022 measurement date was determined by using an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. The actuarial valuation used the following actuarial assumptions.

Investment rate of return 6.95% 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.

<u>Service</u>	<u>Rate</u>
5	5.18%
15	3.64%
25	2.50%
35	1.95%

Projected COLAs 1.3% compounded annually

Inflation rate 2.40%

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2021, 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, 2015 and June 30, 2020.

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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Notes to the Financial Statements

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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, 2022 are summarized in the following table:

Asset Type	Target Allocations in %	Long-Term Expected Real Rate of Return in %
Domestic equity	33.0	6.5
International equity	16.0	7.2
Global equity	4.0	6.9
Real estate equity	11.0	6.2
Private equity	8.0	9.9
Domestic fixed income	16.0	1.1
Global bonds	2.0	0.6
Private debt	2.0	5.3
Real estate debt	6.0	2.4
High-yield bonds	1.0	3.3
Cash equivalents	1.0	(0.3)
	<u>100</u>	

Discount Rate

The discount rate used to calculate the total pension liability was 6.95%. 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 6.95 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 (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Proportionate Share of Net Pension Liability (asset)	<u>\$ 88,810,491</u>	<u>\$ 9,631,885</u>	<u>\$ (56,956,804)</u>

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Notes to the Financial Statements

June 30, 2023

Pension Plan Fiduciary Net Position

The components of the current year net pension liability (asset) of the employers as of June 30, 2021, were as follows (amounts in thousands):

Total pension liability (asset)	\$ 133,883,474
Net position	<u>131,964,582</u>
Net pension liability (asset)	<u>\$ 1,918,892</u>
NYSTRS net position as a percentage of total pension liability (asset)	98.6%

Payable to the Pension Plan

The BOCES has recorded an amount due to TRS in amount of \$11,334,194 in the General Fund at June 30, 2023. This amount represents \$9,789,683 BOCES contribution and \$1,544,511 employees contribution for the 2022-2023 fiscal year that will be made in 2023-2024 and has been accrued as an expenditure in the current year.

14. 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.

(c) Employees Covered by Benefit Terms

At July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefit payments	2,698
Active employees	<u>2,037</u>
Total participants	<u><u>4,735</u></u>

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(d) Total OPEB Liability

The BOCES' total OPEB liability of \$832,042,647 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2021.

(e) Changes in Total OPEB Liability

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

	Total OPEB Liability
Balance at June 30, 2022	<u>\$770,023,173</u>
Changes for the year:	
Service cost	26,233,561
Interest on total OPEB liability	27,682,705
Changes in assumptions or other inputs	36,872,233
Benefit payments	<u>(28,769,025)</u>
Net changes	<u>62,019,474</u>
Balance at June 30, 2023	<u><u>\$832,042,647</u></u>

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

The following presents the total OPEB liability of the BOCES, as well as what the BOCES' total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65 percent) or 1 percentage point higher (4.65 percent) than the current discount rate:

	1% Decrease (2.65%)	Current Discount (3.65%)	1% Increase (4.65%)
Total OPEB Liability	<u>\$964,547,199</u>	<u>\$832,042,647</u>	<u>\$724,935,534</u>

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

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

	Healthcare		
	1% Decrease	Current Discount	1% Increase
Total OPEB Liability	<u>\$702,683,109</u>	<u>\$832,042,647</u>	<u>\$998,099,219</u>

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

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

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

For the year ended June 30, 2023, the BOCES recognized OPEB expense of \$35,102,368. At June 30, 2023, 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	\$ 135,633,460	\$ -
Changes of Assumptions	<u>101,047,942</u>	<u>119,600,609</u>
	<u>\$ 236,681,402</u>	<u>\$ 119,600,609</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:

2024	\$ (17,844,416)
2025	(14,625,049)
2026	(25,064,273)
2027	(36,617,746)
2028	(24,118,738)
Thereafter	<u>1,189,429</u>
	<u>\$ (117,080,793)</u>

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021 rolled forward to June 30, 2023, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Valuation date	July 1, 2021
Measurement date	June 30, 2023
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	5.1% for 2020 decreasing to an ultimate rate of 4.1% in 54 years
Discount rate	3.65%
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.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

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

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% in June 30, 2022 to 3.65% percent in June 30, 2023.

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.

15. 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.

Health Benefits Program

The BOCES participates in a health benefit program for selected employees through the East End Health Plan, a consortium of school districts from the east end of Long Island. The benefit program's administrator is responsible for the approval, processing and payment of claims. This is billed to the BOCES at an established rate based on the number of participants. The BOCES is responsible for contributions to cover their share of the benefits and administrative costs. The trust for the plan reports on a calendar year end. In the event the plan experiences a shortfall, a special assessment against participating districts may be imposed. The BOCES is not aware of any additional assessments related to claims incurred through June 30, 2023.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Notes to the Financial Statements
June 30, 2023**

16. FUND BALANCES

(a) The following is a summary of the change in General Fund restricted reserve funds during the year ended June 30, 2023:

	Beginning Balance	Increase / (Decrease)	Ending Balance
Restricted			
General Fund			
Employee Benefit Accrued Liability	\$ 37,200,148	\$ 624,953	\$ 37,825,101
Retirement Contribution Reserve	25,059,363	1,240,637	26,300,000
Teacher Retirement Contribution Reserve	5,949,710	(258,072)	5,691,638
Unemployment Insurance	2,300,000	(74,025)	2,225,975
Total General Fund Restricted	<u>\$ 70,509,221</u>	<u>\$ 1,533,493</u>	<u>\$ 72,042,714</u>

(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, 2023:

	General	School Lunch	Special Aid	Capital	Special Revenue	Total
Nonspendable	\$ 357,065	\$ 8,598	\$ 73,104	\$ -	\$ -	\$ 438,767
Restricted						
Employee Benefit Accrued Liability	37,825,101	-	-	-	-	37,825,101
Retirement Contribution Reserve	26,300,000	-	-	-	-	26,300,000
Teacher Retirement Contribution Reserve	5,691,638	-	-	-	-	5,691,638
Career Education Instructional Equipment Reserve	-	-	-	1,250,039	-	1,250,039
Unemployment Insurance Reserve	2,225,975	-	-	-	-	2,225,975
Other	-	-	-	-	90,321	90,321
Total Restricted	<u>72,042,714</u>	<u>-</u>	<u>-</u>	<u>1,250,039</u>	<u>90,321</u>	<u>73,383,074</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Notes to the Financial Statements
June 30, 2023**

Assigned						
Administration	484,723	-	-	-	-	484,723
Occupational						
Instruction	1,569,797	-	-	-	-	1,569,797
Instruction for						
Special Needs	3,188,708	-	4,606,211	-	-	7,794,919
Itinerant Services	3,784	-	-	-	-	3,784
General Instruction	77,907	-	-	-	-	77,907
Instruction Support	184,820	-	-	-	-	184,820
Other Services	369,598	-	-	-	-	369,598
Internal services	-	-	-	-	-	-
Capital Projects	-	-	-	8,204,539	-	8,204,539
School Lunch	-	264,806	-	-	-	264,806
Total Assigned	<u>5,879,337</u>	<u>264,806</u>	<u>4,606,211</u>	<u>8,204,539</u>	<u>-</u>	<u>18,954,893</u>
Unassigned	<u>(357,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(357,065)</u>
Total Fund Balance	<u>\$ 77,922,051</u>	<u>\$ 273,404</u>	<u>\$ 4,679,315</u>	<u>\$ 9,454,578</u>	<u>\$ 90,321</u>	<u>\$ 92,419,669</u>

17. 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 \$13,571,837. Through June 30, 2023, the BOCES has outstanding construction commitments of \$405,179.

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, 2023, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Notes to the Financial Statements

June 30, 2023

Significant encumbrances included in governmental fund balances are as follows:

	<u>General</u>
Administration	\$ 484,723
Occupational Instruction	1,569,797
Instruction for Special Needs	3,188,708
Itinerant Services	3,784
General Instruction	77,907
Instruction Support	184,820
Other Services	369,598
	<u>\$ 5,879,337</u>

18. NET POSITION DEFICIT - BOCES-WIDE

The BOCES-wide Net Position had total net position deficit of \$796,049,211. 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 \$832,042,647 at June 30, 2023. Since New York State Laws provide no mechanism for funding the liability, the subsequent accruals are expected to increase the deficit in subsequent years.

19. CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2023, the BOCES implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription Based Information Technology Agreements (SBITA). GASB Statement No. 96 establishes requirements for recognition of an intangible right-of-use subscription asset and a corresponding subscription liability if certain criteria are met. A SBITA is defined as a contract that conveys control of the right to use another party's information technology (IT) software, as specified in the contract for a period of time, in an exchange or exchange-like transaction. These changes were incorporated in the BOCES 2023 financial statements and had an effect on the beginning net position as noted below.

	<u>Governmental Activities Net Position</u>
Balance at June 30, 2022, as previously reported:	\$ (782,151,874)
Adjustments:	
Net book value subscription assets	535,992
SBITA liability	<u>(119,988)</u>
Balance at June 30, 2022, as restated	<u>\$ (781,735,870)</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, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Final Budget Variance with <u>Actual</u>
REVENUE				
Administration	\$ 48,630,998	\$ 48,691,884	\$ 50,159,766	\$ 1,467,882
Occupational instruction	41,897,649	44,710,098	44,751,606	41,508
Instruction for special education	173,019,266	193,232,169	187,952,378	(5,279,791)
Itinerant services	7,262,432	7,722,373	6,686,828	(1,035,545)
General instruction	13,146,022	17,244,441	15,534,354	(1,710,087)
Instruction support	26,765,451	36,634,981	30,842,505	(5,792,476)
Other services	85,001,249	99,254,652	96,081,145	(3,173,507)
Internal services	<u>5,000</u>	<u>9,352,960</u>	<u>579,525</u>	<u>(8,773,435)</u>
Total revenues	395,728,067	456,843,558	432,588,107	(24,255,451)
OTHER FINANCING SOURCES				
Proceeds from subscriptions	-	-	204,921	204,921
Transfers in	<u>290,000</u>	<u>290,000</u>	<u>338,830</u>	<u>48,830</u>
Total revenues and other sources	<u>\$ 396,018,067</u>	<u>\$ 457,133,558</u>	<u>\$ 433,131,858</u>	<u>\$ (24,206,621)</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, 2023**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	Final Budget Variance with <u>Actual</u>
EXPENDITURES					
Administration	\$ 46,109,998	\$ 46,549,734	\$ 44,656,407	\$ 484,723	\$ 1,408,604
Occupational instruction	41,897,649	44,710,098	43,138,265	1,569,797	2,036
Instruction for special education	173,019,266	193,232,169	171,417,382	3,188,708	18,626,079
Itinerant services	7,262,432	7,722,373	6,521,020	3,784	1,197,569
General instruction	13,146,022	17,244,441	14,710,120	77,907	2,456,414
Instruction support	26,765,451	36,634,981	33,376,709	184,820	3,073,452
Other services	85,001,249	99,254,652	90,599,907	369,598	8,285,147
Debt service - principal	-	-	3,979,706	-	(3,979,706)
Debt service - interest	-	-	352,415	-	(352,415)
Internal services	<u>5,000</u>	<u>9,352,960</u>	<u>547,127</u>	<u>-</u>	<u>8,805,833</u>
Total expenditures	393,207,067	454,701,408	409,299,058	5,879,337	39,523,013
OTHER FINANCING USES					
Return of surplus	-	-	30,645,545	-	(30,645,545)
Transfers to other funds	<u>2,811,000</u>	<u>2,432,150</u>	<u>2,432,150</u>	<u>-</u>	<u>-</u>
Total expenditures and other uses	<u>\$ 396,018,067</u>	<u>\$ 457,133,558</u>	<u>\$ 442,376,753</u>	<u>\$ 5,879,337</u>	<u>\$ 8,877,468</u>
NET CHANGE IN FUND BALANCES			\$ (9,244,895)		
FUND BALANCE - beginning of year			<u>87,166,946</u>		
FUND BALANCE - end of year			<u>\$ 77,922,051</u>		

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)
For the Year Ended June 30, 2023**

	Last 10 Plan Fiscal Years * (Dollar amounts displayed in thousands)									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.1473728%	0.1581562%	0.1477983%	0.1523899%	0.1542738%	0.1575942%	0.1570195%	0.1605447%	0.1537894%	0.1537894%
Proportionate share of the net pension liability (asset)	\$ 31,602.7	\$ (12,928.6)	\$ 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	\$ 52,349.4	\$ 48,851.4	\$ 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	60.37%	-26.47%	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)	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.60%	97.90%	97.20%

	Last 10 Plan Fiscal Years * (Dollar amounts displayed in thousands)									
	<u>2022</u>	<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>
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN										
Proportion of the net pension liability (asset)	0.5019500%	0.5106980%	0.5191830%	0.5336770%	0.5260950%	0.5263820%	0.5280410%	0.5167190%	0.5324080%	0.5448290%
Proportionate share of the net pension liability (asset)	\$ 9,631.9	\$ (88,499.1)	\$ 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	\$ 105,378.7	\$ 88,036.4	\$ 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	9.14%	-100.53%	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)	98.60%	113.20%	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, 2023

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years* (Dollar amounts displayed in thousands)									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 6,376.3	\$ 7,587.5	\$ 6,663.5	\$ 6,722.8	\$ 6,832.4	\$ 6,935.0	\$ 6,793.1	\$ 8,181.8	\$ 7,391.3	\$ 8,556.1
Contributions in relation to the contractually required contribution	<u>6,376.3</u>	<u>7,587.5</u>	<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>
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	\$ 52,349.4	\$ 48,851.4	\$ 49,841.6	\$ 48,349.8	\$ 48,243.2	\$ 47,446.6	\$ 45,568.5	\$ 43,977.1	\$ 42,128.9	\$ 44,467.4
Contributions as a percentage of covered-employee payroll	12.18%	15.53%	13.37%	13.90%	14.16%	14.62%	14.91%	18.60%	17.54%	19.24%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Fiscal Years* (Dollar amounts displayed in thousands)									
	<u>2022</u>	<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>
Contractually required contribution	\$ 9,789.7	\$ 8,627.6	\$ 8,259.8	\$ 7,808.4	\$ 8,398.1	\$ 9,777.3	\$ 10,804.4	\$ 13,606.5	\$ 12,778.9	\$ 9,449.0
Contributions in relation to the contractually required contribution	<u>9,789.7</u>	<u>8,627.6</u>	<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>
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	\$ 105,378.7	\$ 88,036.4	\$ 88,672.0	\$ 86,672.0	\$ 85,694.9	\$ 83,424.1	\$ 81,481.2	\$ 77,618.2	\$ 78,639.1	\$ 79,805.7
Contributions as a percentage of covered-employee payroll	9.29%	9.80%	9.38%	9.01%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

* 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, 2023**

(Dollar amounts displayed in thousands)	Last 10 Fiscal Years *					
	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 26,234	\$ 33,573	\$ 41,573	\$ 28,345	\$ 21,870	\$ 23,001
Interest	27,683	22,626	22,718	30,874	30,953	28,509
Changes of benefit terms	-	1,561	(16,571)	-	-	-
Differences between expected and actual experience	-	-	-	-	-	(37,234)
Effect on demographic gains or losses	-	(150,124)	-	(75,244)	-	-
Changes in assumptions	36,872	(137,649)	8,113	177,199	48,732	-
Benefit payments	(28,769)	(27,665)	(28,855)	(28,205)	(23,298)	(21,123)
Total change in total OPEB liability	62,019	(257,677)	26,979	132,969	78,257	(6,848)
Total OPEB liability - beginning	770,023	1,027,701	1,000,722	867,753	789,496	796,344
Total OPEB liability - ending	\$ 832,043	\$ 770,023	\$ 1,027,701	\$ 1,000,722	\$ 867,753	\$ 789,496
Covered-employee payroll	\$ 128,001	\$ 128,001	\$ 126,614	\$ 126,614	\$ 127,416	\$ 119,792
Total OPEB liability as a percentage of covered employee payroll	650.03%	601.58%	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	3.65%	3.54%	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 5.1% 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, 2023

July 1, 2022 - Debit (Credit) balance	\$ 57,415,544
Debits	
Billings to school districts	385,908,676
Refund of balances due school districts	15,329,547
Adjustment - credits to school districts	
Expenditures in excess of revenues	10,778,389
Encumbrances - June 30, 2023	5,879,337
Other adjustments	86,434
Total debits	<u>417,982,383</u>
Credits	
Collections from school districts	368,524,700
Adjustment - credits to school districts	
Revenues in excess of expenditures	30,731,979
Encumbrances - June 30, 2022	16,657,726
Other adjustments - refunded prior year credits	-
Total credits	<u>415,914,405</u>
June 30, 2023 - Debit (Credit) balance	<u>\$ 59,483,522</u>
Accounts receivable components	\$ 90,129,068
School district accounts	<u>(30,645,545)</u>
Balance, end of year	<u>\$ 59,483,523</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SE

**Schedule of Project Expenditures - Capital Projects Fund (Unaudited)
For the Year Ended June 30, 2023**

Project Title	Budget		Expenditures			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2023
	June 30, 2022	June 30, 2023	Prior Years	Current Years	Total		Proceeds of Obligations	Local Sources	Total	
Capital Project - Greenhouse	\$ 232,898	\$ 232,898	\$ 124,897	\$ 12,361	\$ 137,258	\$ 95,640	\$ -	\$ 232,898	\$ 232,898	\$ 95,640
Armory Improvements	1,650,000	1,650,000	1,490,700	-	1,490,700	159,300	-	1,650,000	1,650,000	159,300
James Hines HVAC	2,288,195	2,288,195	912,673	162,938	1,075,611	1,212,584	-	2,288,195	2,288,195	\$ 1,212,584
James Hines Roof	815,545	815,545	31,102	-	31,102	784,443	-	815,545	815,545	\$ 784,443
BTC Flooring Project	1,110,000	1,110,000	-	286,773	286,773	823,227	-	1,110,000	1,110,000	\$ 823,227
MTC Flooring Project	890,000	890,000	6,444	397,024	403,468	486,532	-	890,000	890,000	\$ 486,532
HBW Roof Shingles	-	93,000	-	-	-	93,000	-	93,000	93,000	\$ 93,000
MTC Welding Shop HVAC	-	37,421	-	-	-	37,421	-	37,421	37,421	\$ 37,421
MTC Building Management Systems	-	75,000	-	-	-	75,000	-	75,000	75,000	\$ 75,000
BTC Building Management Systems	-	150,000	-	72,788	72,788	77,212	-	150,000	150,000	\$ 77,212
Capital Projects - Unallocated	2,318,073	4,360,181	-	-	-	4,360,181	-	4,360,181	4,360,181	4,360,181
Career Education	1,835,276	1,869,597	619,559	-	619,559	1,250,038	-	1,869,597	1,869,597	\$ 1,250,038
Technology Closer	-	<u>3,659,287</u>	-	<u>3,659,287</u>	<u>3,659,287</u>	-	<u>3,659,287</u>	-	<u>3,659,287</u>	-
SUBTOTAL	<u>\$ 11,139,987</u>	<u>\$ 17,231,124</u>	<u>\$ 3,185,375</u>	<u>\$ 4,591,171</u>	<u>\$ 7,776,546</u>	<u>\$ 9,454,578</u>	<u>\$ 3,659,287</u>	<u>\$ 13,571,837</u>	<u>\$ 17,231,124</u>	<u>\$ 9,454,578</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Net Investment in Capital Assets (Unaudited)
For the Year Ended June 30, 2023**

Capital assets, net	\$ 92,744,612
Deduct:	
Installment purchase debt	5,641,397
Deferred payment plan debt	1,665,092
Short term portion of lease liability	3,312,788
Long term portion of lease liability	10,339,639
Short term portion of Subscription liability	<u>60,339</u>
Net investment in capital assets	<u>\$ 71,725,357</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 4, 2023

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, 2023 and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated October 4, 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

October 4, 2023

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Eastern Suffolk Board of Cooperative Education Service (BOCES) compliance with the types of compliance requirements identified as subject to audit 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, 2023. The BOCES' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis For Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the BOCES and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the BOCES' compliance with the compliance requirements referred to above.

Responsibilities of Management For Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the BOCES' federal programs.

Auditor's Responsibilities For the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the BOCES' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the BOCES' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the BOCES' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the BOCES' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the BOCES' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the BOCES' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The BOCES' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the BOCES' response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The BOCES' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2023**

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>				
Direct				
National School Lunch Program (Noncash food donations)	10.555	N/A	80,179	-
Pass-Through New York State Education Department				
National School Lunch Program	10.555	N/A	954,743	-
Supply Chain Assistance	10.555	N/A	52,579	-
<i>Subtotal for AL#10.555</i>			1,087,501	-
School Breakfast Program	10.553	N/A	640,216	-
<i>Total Child Nutrition Cluster</i>			1,727,717	-
Direct				
Pandemic EBT Administrative Costs	10.649	N/A	5,652	-
<i>Total U.S. Department of Agriculture</i>			1,733,369	-
U.S. Department of Education				
<i>Student Financial Assistance Cluster</i>				
Direct				
Federal Direct Student Loans	84.268	N/A	1,415,679	-
Federal Pell Grant Program	84.063	N/A	715,885	-
<i>Total Student Financial Assistance Cluster</i>			2,131,564	-
COVID-19 - Higher Education Emergency Relief Fund - Student Aid	84.425E	P425E205559-20A	115,905	-
COVID-19 - Fund for the Improvement of Postsecondary Education	84.425N	P425N200912	113,902	-
<i>Total COVID-19 Education Stabilization Fund</i>			229,807	-
Pass-Through New York State Education Department				
Adult Education - Basic Grants to States	84.002	2396-23-1403	134,229	-
Adult Education - Basic Grants to States	84.002	2396-23-1404	147,348	-
Adult Education - Basic Grants to States	84.002	2338-23-1106	650,000	-
Adult Education - Basic Grants to States	84.002	0040-23-1204	299,278	-
Adult Education - Basic Grants to States	84.002	0138-23-1300	250,000	-
<i>Total Adult Education - Basic Grants to States</i>			1,480,855	-
Migrant Education - State Grant Program	84.011	0035-23-0009	528,544	-
Migrant Education - State Grant Program	84.011	0035-22-0009	123,976	-
<i>Total Migrant Education - State Grant Program</i>			652,520	-
Vocational Education - Basic Grants to States	84.048	8000-22-0012	195,101	-
Vocational Education - Basic Grants to States	84.048	8000-23-0012	545,359	-
Vocational Education - Basic Grants to States	84.048	8000-23-9025	94,670	-
<i>Total Vocational Education - Basic Grants to States</i>			835,130	-
COVID-19 - Education for Homeless Children and Youth	84.425W	5212-21-3095	10,682	-
COVID-19 - Education for Homeless Children and Youth	84.425W	5218-21-8230	21,542	-
COVID-19 - Education for Homeless Children and Youth	84.425W	5212-21-3092	23,190	-
COVID-19 - Education for Homeless Children and Youth	84.425W	5212-21-3094	23,683	-
COVID-19 - Education for Homeless Children and Youth	84.425W	5212-21-3090	13,771	-
COVID-19 - Education for Homeless Children and Youth	84.425W	5212-21-3093	17,507	-
COVID-19 - Education for Homeless Children and Youth	84.425W	5212-21-3091	35,607	-
<i>Total Education for Homeless Children and Youth Cluster</i>			145,982	-
English Language Acquisition State Grants	84.365	0293-23-3285	351,835	-
English Language Acquisition State Grants	84.365	0293-22-3285	50,142	-
<i>Total English Language Acquisition State Grants</i>			401,977	-
Twenty-First Century Community Learning Centers	84.287	0187-23-8084	706,070	-
<i>Total Twenty-First Century Community Learning Centers</i>			706,070	-

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Expenditures of Federal Awards
For the year ended June 30, 2023**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Agency or Pass-through Number	Expenditures	Amounts Provided to Subrecipients
U.S. Department of Health and Human Services				
Pass-Through New York State Education Department				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	CFA0143	<u>152,121</u>	-
Total Department of Health and Human Services			<u>152,121</u>	-
U.S. Department of Homeland Security				
Direct				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4480DRNY	<u>265,652</u>	-
Total Department of Homeland Security			<u>265,652</u>	-
 Total expenditures of federal awards			 <u>\$ 8,735,047</u>	 <u>\$ -</u>

The accompanying notes are an integral part of this schedule

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Notes to Schedule of Expenditures of Federal Awards
June 30, 2023**

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, 2023. 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 or the respective changes in the financial position of the governmental activities and each major fund of 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, 2023, the BOCES received food commodities totaling \$80,179 (Assistance Listing No. 10.555).

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

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>
84.268 & 84.063	Student Financial Aid Cluster
84.002	Adult Education - Basic Grants to States

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

\$ 750,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Findings

None reported.

Section III - Federal Awards Findings and Questioned Costs

Finding 2023-001 - Gramm-Leach-Bliley Act (GLBA) Compliance

Student Financial Aid Cluster - AL Numbers - 84.268, 84.063

Federal Agency - US Department of Education

Compliance Requirement - Special Tests and Provisions #12

Criteria: The BOCES is required to, per the GLBA, develop, implement, and maintain a comprehensive information security program that is written in one or more readily accessible parts and that addresses the seven elements required within the act.

Condition: The BOCES did not implement all seven of the required elements.

Cause: The written policies and procedures did not contain all the required elements as outlined in the GLBA.

Effect: The BOCES was not in compliance with all aspects of the GLBA.

Context: Inquiry, observation and examination of information received from the BOCES related to compliance with GLBA.

Auditor's Recommendation: The BOCES should review the GLBA requirements as soon as practical and implement and document all the required elements of GLBA.

View of Responsible Officials: ESBOCES will review the GLBA requirements, implement and document all the required elements of GLBA as soon as practical.