

**WESTERN SUFFOLK BOARD OF COOPERATIVE  
EDUCATION SERVICES**

**Financial Statements as of and for the Year Ended  
June 30, 2020  
Together with Independent  
Auditor's Report**

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

# WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

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June 30, 2020

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**INDEPENDENT AUDITOR'S REPORT**

December 8, 2020

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Western Suffolk BOCES (the BOCES) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the BOCES as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, Schedule of Revenue, Expenditures and Changes in Fund Balance -Budget and Actual - General Fund, Schedule of Proportionate share of Net Pension Liability (Asset), Schedule of Contributions - Pension Plan, Schedule of Change in Total OPEB Liability and Related Ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES’ basic financial statements. The supplemental information, as required by the New York State Education Department is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide assurance on them.

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

In accordance with *Government Auditing Standards* , we have also issued our report dated December 8, 2020 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.

*Bonadio & Co., LLP*

## WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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The following is a discussion and analysis of the Western Suffolk BOCES (the BOCES) financial performance for the fiscal year ended June 30, 2020. The section is a summary of the BOCES' financial activities based on currently known facts, decisions, or conditions. It is also based on both the Government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the BOCES' financial statements, which immediately follow this section.

#### Financial Highlights

For the year ended June 30, 2020 the total net position was a deficit of \$341,411,114, an decrease of \$23,833,841 from the prior year. This increase in the deficit is primarily the result of the changes in the actuarial information recorded related to pension liabilities and assets and the increase in the other postemployment benefit liability.

At the present time, the BOCES continues to show strong financial stability. In an effort to protect taxpayer resources from fiscal mismanagement, fraud or abuse, the BOCES continues to review and strengthen their internal controls posture. To this end, the Business Office staff meets regularly with upper management and its Audit Committee to ensure integrity in all activities.

#### 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 Government-wide statements. The fund financial statements concentrate on the BOCES most significant funds with all other non-major funds listed in total in one column.
- The *governmental funds* statements tell how basic services, such as regular and special education, were financed in the short-term, as well as what remains for future spending.
- *Fiduciary funds* statements provide information about the financial relationships in which the BOCES acts solely as a trustee or agent for the benefit of others.

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

**WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Management's Discussion and Analysis (Unaudited)**

**June 30, 2020**

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

**Figure A - 1**

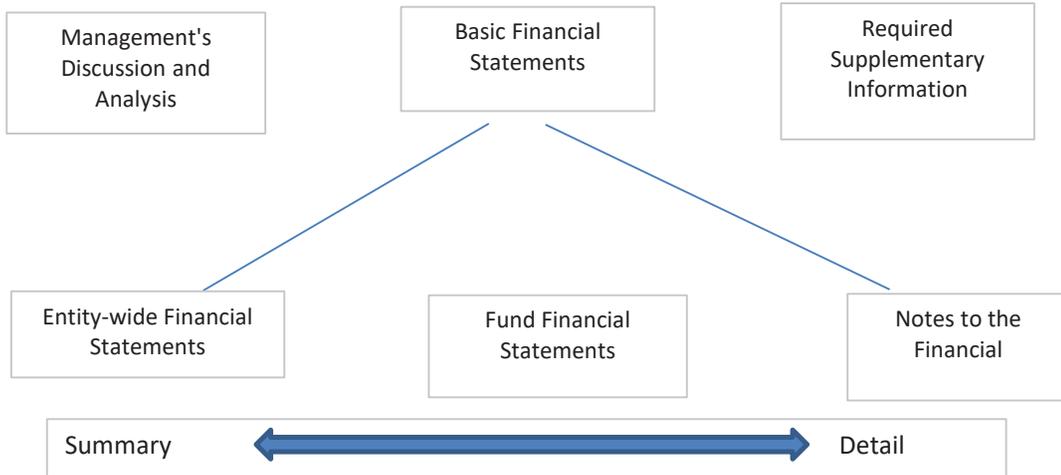


Figure A-2 summarizes the major features of the Western BOCES' financial statements, including a portion of the BOCES' activities they cover and the types of information they contain. The remainder of this overview section of MD&A highlights the structure and contents of each of the statements.

**WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Management’s Discussion and Analysis (Unaudited)**

**June 30, 2020**

**Figure A - 2 Major Features of the Government-wide and Fund Financial Statements**

Fund Financial Statements			
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenue, expenditures, and changes in fund balances.	Statement of fiduciary net position Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/deferred inflows-outflows of resources/ liability information	All assets, deferred inflows/outflows of resources, and liabilities, both financial and capital, short-term and long-term debt	Assets, deferred inflows/outflows of deferred resources, and liabilities that come due during the year or soon after; no capital assets or long term liabilities included.	All assets and liabilities, both short-term and long term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

**Government-wide Statements**

The Government-wide statements report information about 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/deferred outflows of resources and liabilities/deferred inflows of resources. All of the current year’s revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Government-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.

## WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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- 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.

Net position of the governmental activities differs from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (dollars) are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balances.

Government-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expenditures using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
  - Net investment in capital assets.
  - Restricted net position are those with constraints placed on use by external sources or imposed by law.
  - Unrestricted net position are net position that do not meet any of the above restrictions.

### Fund Financial Statements

The fund financial statements provide more detailed information about the BOCES 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. The funds have been established by the State of New York.

The BOCES has two kinds of funds:

- *Governmental Funds*: Most of the BOCES basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets 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 helps 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 Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the general fund, special aid fund, school lunch fund, and the capital projects fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

## WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

- *Fiduciary Funds*: The BOCES is the trustee, or fiduciary, for assets that belong to others, such as the scholarship fund and the student activities funds. The BOCES is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The BOCES excludes these activities from the Government-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

### FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

Figure A - 3 Condensed Statement of Net position (in thousands of dollars)

	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Current and other assets	\$ 114,794	\$ 107,390	6.9%
Net pension assets	6,770	4,686	44.5%
Capital assets	<u>84,081</u>	<u>82,820</u>	1.5%
Total assets	205,645	194,896	5.5%
Deferred outflows of resources	<u>89,492</u>	<u>31,876</u>	180.7%
Total assets and deferred outflows of resources	<u>295,137</u>	<u>226,772</u>	30.1%
Current liabilities	69,338	67,956	2.0%
Net pension liability	23,804	6,454	268.8%
Long-term liabilities	<u>524,731</u>	<u>452,685</u>	15.9%
Total liabilities	617,873	527,095	17.2%
Deferred inflows of resources	<u>18,674</u>	<u>17,254</u>	8.2%
Total liabilities and deferred inflows of resources	<u>636,548</u>	<u>544,349</u>	16.9%
Net position:			
Investment in capital assets	72,356	71,062	1.8%
Restricted	36,620	31,850	15.0%
Unrestricted	<u>(450,387)</u>	<u>(420,489)</u>	7.1%
Total net position	<u>\$ (341,411)</u>	<u>\$ (317,577)</u>	7.5%

## WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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#### Net Position

Current assets increased \$7.4 million mainly due to an increase in amounts due to the BOCES from districts related to the increase in remote services needed related to the COVID-19 pandemic. The net pension decreased \$23.8 million due to the change in the actuarial valuation related to pensions.

Current liabilities increased by \$1.4 million primarily due to an increase in accounts payable and offset by a decrease in accrued liabilities.

The net pension liability increased \$17.4 million and the deferred inflow of resources decreased \$1.4 million due to the changes in the actuarial valuation related to pensions.

Long-term liabilities increased by 15.9%, resulting from an increase in other post-employment benefits of \$70.6 million, \$710.4 thousand increase in installment purchase debt a decrease of \$201.1 thousand and an increase of \$21.4 million in compensated absences and workers compensation, respectively.

The net position of the BOCES has decreased by \$23.8 million mainly due to an increase in other post-employment benefits of approximate \$70.6 million and changes in the actuarial valuation for recording of pension liabilities.

## WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis (Unaudited) June 30, 2020

Figure A-4 Changes in Net position from Operating Results (in thousands of dollars)

<u>Revenue</u>	Fiscal Year 2020	Fiscal Year 2019	Percent Change
Program revenue:			
Charges for services	\$ 197,549	\$ 190,047	3.9%
Operating grants and contributions	6,129	6,391	-4.1%
General revenue:			
Use of money and property	373	429	-13.1%
Sale of property and compensation for loss	102	171	-40.3%
Miscellaneous	980	1,187	-17.5%
Rental income	69	85	-19.4%
Total revenue	<u>205,201</u>	<u>198,310</u>	3.5%
 <u>Expenses</u>			
Administration	15,559	11,013	41.3%
Occupational instruction	36,726	32,902	11.6%
Instruction for special education	115,896	102,405	13.2%
Itinerant services	185	259	-28.4%
General instruction	10,895	9,206	18.3%
Instruction support	27,725	24,189	14.6%
Other services	12,292	12,583	-2.3%
Internal services	2,414	2,512	-3.9%
School lunch program	1,499	1,617	-7.3%
Return of surplus	5,845	4,902	19.2%
Total expenses	<u>229,035</u>	<u>201,588</u>	13.6%
 Change in net position	 <u>\$ (23,834)</u>	 <u>\$ (3,278)</u>	 627.1%

# WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

## Management's Discussion and Analysis (Unaudited)

June 30, 2020

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### Changes in Net position

The Western Suffolk BOCES 2020 revenue was \$205.2 million compared to the previous year of \$198.3 million (see Figure A-4). This increase in revenue was primarily driven by an increase in charges for services.

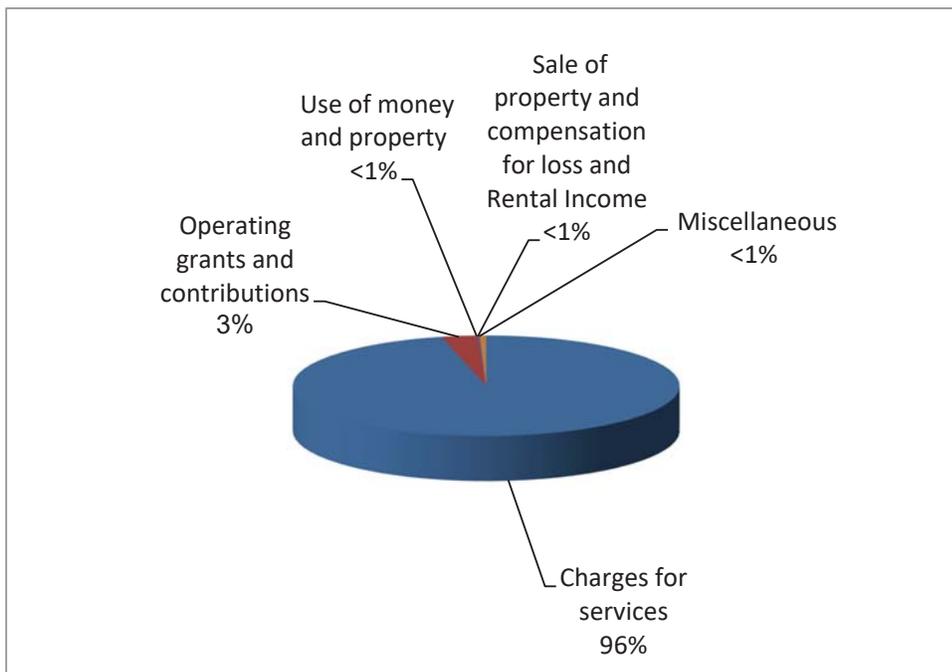
The total cost of all programs and services totaled \$229.0 million for 2020, compared to \$201.6 million in the previous year. These expenses are predominantly for the education, supervision, and transportation of students (see Figure A-6).

Instructional support expenses increased to \$27.7 million primarily due to changes in the actuarial assumptions for the other post employment benefit plan year over year. See footnote 9 for further information.

Changes in the actuarial valuation of Pensions and other postemployment benefits of \$71 million increased expenditures in 2020.

Return of surplus increased by approximately \$0.9 million primarily due to a decrease in the costs related to services provided to component districts.

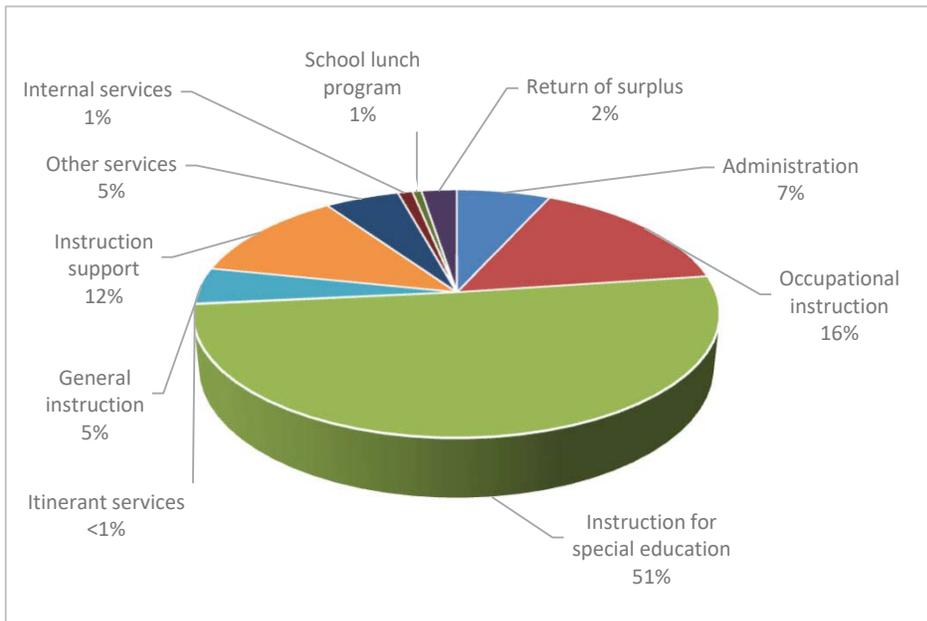
**Figure A-5: Revenue Sources for 2020**



**WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Management’s Discussion and Analysis (Unaudited)  
June 30, 2020**

**Figure A-6 Sources of Expense for 2020**



**FINANCIAL ANALYSIS OF THE BOCES’ FUNDS**

Variations between years for the governmental fund financial statements are not the same as variations between years for the Government-wide financial statements. The Western Suffolk BOCES governmental funds are presented on the current financial resource’s measurement focus and the modified accrual basis of accounting. Under this method of presentation, governmental funds do not include long-term liabilities for the funds’ projects and capital assets purchased by the funds. Governmental funds will include proceeds from the issuance of debt, the current payments for capital assets, and the current payments for debt.

The following is a brief description of the activity in the governmental funds for 2020 and 2019:

General Fund: Revenues exceeded expenditures by \$3.95 million: Although this past year health and dental insurance expenses decreased \$128,457 (-.8 %) to \$15.169 million, and post-retirement health benefits decreased \$424,063 (5.9%) to \$6.7 million, health insurance costs continue to represent one of the most significant expenses in the fund. Health insurance expense of \$21.8 million represents 12% of overall General Fund expenses. As health insurance expenses continue to rise, new employees make up a larger percentage of covered members. Western Suffolk BOCES has mitigated the impact of increases in health insurance premiums with new collective bargaining agreements, and reductions in the board’s share of contributions towards health insurance premiums. Salaries increased \$902 thousand (2%) in 2019-2020 partly due to required personnel under new COVID-19 restrictions.

Special Aid: The special aid fund does not generate a significant fund balance in most years. All revenue received are expended for grant programs, the summer handicapped program and the Employment Preparation Education (EPE) program. The amounts received and expended for program specific and are accounted for separately. These fund has accumulated a deficit of approximately \$506 thousand. This deficit was due to the state withholding 20% funding at year end for the EPE program. Currently there is no determination from NYS as to whether those funds will be paid.

## WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

### Management's Discussion and Analysis (Unaudited)

June 30, 2020

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School Lunch: The school lunch fund ended 2019-2020 with an increase in their fund balance of \$12 thousand. This resulted in a fund balance of \$182 thousand on hand as of June 30, 2020.

Capital Projects: Capital projects spending totaled \$6.8 million in 2019-2020. This left a fund balance of \$15.7 million on hand as of June 30, 2020.

#### General Fund Budgetary Highlights

As additional requests for service are accepted, spending adjustments are required to meet these changing needs. The original approved budget as well as estimated revenues are adjusted to more accurately reflect actual service levels. Once fixed costs are covered, additional services typically drive a small surplus. This surplus is then refunded to the participants the following fiscal year.

#### Capital Assets

As of June 30, 2020, the BOCES had \$84,081,334 invested in a broad range of capital assets including land, buildings, computers, and other educational equipment.

#### Capital Assets (Net of Depreciation, in Thousands of Dollars)

<u>Category</u>	Fiscal Year	Fiscal Year	Percent
	2020	2019	Change
Land	\$ 818	\$ 818	0.0%
Buildings and improvements	64,685	64,267	0.7%
Equipment and furniture	<u>18,579</u>	<u>17,736</u>	4.8%
Total	<u>\$ 84,081</u>	<u>\$ 82,820</u>	1.5%

#### Long-Term Liabilities

As of June 30, 2020, the BOCES had approximately \$548.5 million in Long-Term Liabilities outstanding. More detailed information about the BOCES' long-term liabilities is included in the notes to the financial statements.

<u>Category</u>	(In Thousands)	
	<u>Fiscal 2020</u>	<u>Fiscal 2019</u>
Installment Purchase Debt	\$ 6,540	\$ 7,251
Other Postemployment Benefits	494,615	424,005
Compensated Absences	13,278	13,479
Workers' Compensation Claims Payable	9,815	7,677
Net Pension Liability	23,804	6,454
Capital Leases	<u>483</u>	<u>273</u>
Total	<u>\$ 548,535</u>	<u>\$ 459,139</u>

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

### **Management's Discussion and Analysis (Unaudited)**

**June 30, 2020**

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#### **FACTORS BEARING ON THE BOCES' FUTURE**

The general fund budget for the 2020-2021 school year was approved for the amount of \$189,360,814. This is an increase of \$2,112,885 over the previous year's budget.

BOCES remains aware of the fiscal constraints on local component school districts. In that regard the tuition rates charged to the districts have been limited to approximately 2%. Student enrollment in Special Education programs declined 3.8% from the prior year and Occupational Education enrollment declined 4.4%. Collective bargaining agreements have been negotiated with all groups to include an increase in employees' contributions towards their health insurance premiums. As of the date of this report there are one (1) expired collective bargaining agreements. Pension costs continued to decrease in both the TRS and ERS. As noted above, health insurance expenses are expected to increase in calendar year 2020.

Subsequent to June 30, 2020, the BOCES entered into new long-term debt in the amount of \$6,396,000 for technology.

#### **CONTACTING THE BOCES' FINANCIAL MANAGEMENT**

This financial report is designed to provide the BOCES' component districts, customers, investors, and creditors with a general overview of the BOCES' finances and to demonstrate the BOCES' accountability for the money it received. If you have any questions about this report or need additional financial information, contact:

Warren E. Taylor  
Chief Financial Officer  
Western Suffolk BOCES  
507 Deer Park Road  
Huntington Station, NY 11746

WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES

Statement of Net Position  
June 30, 2020

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:	
Cash - Unrestricted	\$ 30,548,433
Cash - Restricted	40,584,452
Due from school districts	18,184,165
Due from other governments	36,009
Due from state and federal	17,818,596
Due from fiduciary fund	6,340,935
Accounts receivable	493,407
Other receivables	680,751
Inventories	<u>106,811</u>
Total current assets	<u>114,793,559</u>
NONCURRENT ASSETS:	
Net pension asset - TRS	6,770,122
Capital assets, net of accumulated depreciation	<u>84,081,334</u>
Total non-current assets	<u>90,851,456</u>
DEFERRED OUTFLOWS OF RESOURCES	
ERS - Pension related	16,559,179
TRS - Pension related	23,069,434
Other Postemployment Benefits	<u>49,863,012</u>
Total deferred inflows of resources	<u>89,491,625</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>295,136,640</u>

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:	
Accounts payable	8,997,508
Accrued liabilities	49,820,575
Due to Teachers' Retirement System	4,354,324
Due to Employee Retirement System	953,313
Due to Other Governments	231,275
Current portion of long-term debt	4,702,874
Unearned revenue	<u>278,252</u>
Total current liabilities	<u>69,338,121</u>
LONG-TERM LIABILITIES:	
Compensated absences payable	13,278,294
Workers' Compensation payable	9,815,320
Installment purchase debt	6,540,040
Capital leases	482,678
Net pension liability - ERS	23,804,026
Total other postemployment benefits	<u>494,614,983</u>
Total long-term liabilities	<u>548,535,341</u>
DEFERRED INFLOWS OF RESOURCES	
ERS - Pension related	560,805
TRS - Pension related	9,141,566
Deferred charges to districts	<u>8,971,921</u>
Total deferred inflows of resources	<u>18,674,292</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>636,547,754</u>

NET POSITION

Net Investment in capital assets	72,355,742
Restricted	36,619,869
Unrestricted	<u>(450,386,725)</u>
TOTAL NET POSITION	<u>\$ (341,411,114)</u>

The accompanying notes are an integral part of these statements.

**WESTERN SUFFOLK BOARD OF COOPERATIVE EDUCATION SERVICES**

**Statement of Activities**

**For the Year Ended June 30, 2020**

	Program Revenue			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	
<b>FUNCTIONS/PROGRAMS:</b>				
Administration	\$ 15,558,742	\$ 13,853,177	\$ -	\$ (1,705,565)
Occupational instruction	36,726,196	32,700,233	1,735,890	(2,290,073)
Instruction for special education	115,895,666	103,191,064	2,191,208	(10,513,394)
Itinerant services	185,479	165,147	-	(20,332)
General instruction	10,894,725	9,700,434	-	(1,194,291)
Instruction support	27,724,771	24,685,553	1,802,198	(1,237,020)
Other services	12,291,579	10,944,164	-	(1,347,415)
Internal services	2,414,090	2,149,455	-	(264,635)
School lunch program	1,498,900	159,356	399,998	(939,546)
Return of Surplus	5,844,950	-	-	(5,844,950)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>\$ 229,035,098</u>	<u>\$ 197,548,582</u>	<u>\$ 6,129,294</u>	<u>(25,357,221)</u>
<b>GENERAL REVENUE:</b>				
Use of money and property				372,948
Sale of property and compensation for loss				102,155
Miscellaneous				979,777
Rental Income				68,500
<b>TOTAL GENERAL REVENUE</b>				<u>1,523,380</u>
<b>CHANGE IN NET POSITION</b>				<u>(23,833,841)</u>
<b>TOTAL NET POSITION - beginning of year</b>				<u>(317,577,273)</u>
<b>TOTAL NET POSITION - end of year</b>				<u>\$ (341,411,114)</u>

The accompanying notes are an integral part of these statements.

General	Special Aid	School Lunch	Capital Projects	Funds
\$ 29,638,451	\$ -	\$ 909,982	\$ -	\$ 30,548,433
19,578,511	3,877,967	-	17,127,974	40,584,452
18,180,236	3,929	-	-	18,184,165
14,713,600	-	-	-	14,713,600
12,707,234	5,086,198	25,164	-	17,818,596
484,145	-	9,262	-	493,407
680,751	-	-	-	680,751
36,009	-	-	-	36,009
-	-	106,811	-	106,811
<u>\$ 96,018,937</u>	<u>\$ 8,968,094</u>	<u>\$ 1,051,219</u>	<u>\$ 17,127,974</u>	<u>\$ 123,166,224</u>

**RESOURCES AND FUND BALANCES**

\$ 7,586,513	\$ 59,285	\$ -	\$ 1,351,710	\$ 8,997,508
545,239	105,859	30,000	1,089	682,187
228,599	-	-	-	228,599
35,202,247	1,000,308	-	-	36,202,555
907,371	14,085	31,857	-	953,313
4,354,324	-	-	-	4,354,324
-	230,938	337	-	231,275
12,707,234	-	-	-	12,707,234
-	7,497,639	806,866	68,160	8,372,665
278,145	107	-	-	278,252
<u>61,809,672</u>	<u>8,908,221</u>	<u>869,060</u>	<u>1,420,959</u>	<u>73,007,912</u>

**Flow of surplus**

8,971,921	-	-	-	8,971,921
680,751	-	-	-	680,751
-	566,199	-	-	566,199
<u>9,652,672</u>	<u>566,199</u>	<u>-</u>	<u>-</u>	<u>10,218,871</u>

**FLOW OF RESOURCES**

71,462,344	9,474,420	869,060	1,420,959	83,226,783
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	General	Special Aid	School Lunch	Capital Projects	Funds
	-	-	106,811	-	106,811
	1,542,036	-	-	-	1,542,036
	14,208,387	-	-	-	14,208,387
	142,847	-	-	-	142,847
	3,198,625	-	-	-	3,198,625
	400,000	-	-	-	400,000
	-	-	-	17,127,974	17,127,974
	19,491,895	-	-	17,127,974	36,619,869
	3,350,566	-	75,348	-	3,425,914
	1,714,132	(506,326)	-	(1,420,959)	(213,153)
	24,556,593	(506,326)	182,159	15,707,015	39,939,441
	\$ 96,018,937	\$ 8,968,094	\$ 1,051,219	\$ 17,127,974	\$ 123,166,224
					\$ 39,939,441
					84,081,334
					6,770,122
					16,559,179
					23,069,434
					49,863,012
					(23,804,026)
					(560,805)
					(9,141,566)
					1,246,950
					(494,614,983)
					(13,278,294)
					(10,073,420)

Flows of Resources and Fund

as above

activities are not financial resources and, therefore, are not reported in the funds

activity

S

resources - ERS

resources - TRS

resources - OPEB

ERS

resources - ERS

resources - TRS

Revenue under full accrual accounting

recognized as a liability under full accrual accounting

than one year are recognized as a liability under full accrual accounting

as the current period and, therefore, are not reported in the funds

WESTERN SUFFOLK BOCES

Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the Year Ended June 30, 2020

	Governmental Fund Types				Total Governmental Funds
	General	Special Aid	School Lunch	Capital Projects	
REVENUE:					
Charges for services	\$ 4,695,383	\$ -	\$ -	\$ -	\$ 4,695,383
Charges to components	179,586,270	3,972,287	-	-	183,558,557
Charges to other BOCES	8,637,817	497,469	-	-	9,135,286
Interest and earnings	372,948	-	-	-	372,948
Rental property	68,500	-	-	-	68,500
Sale of property and compensation for loss	102,155	-	-	-	102,155
Miscellaneous	705,027	175,422	-	-	880,449
State sources	-	4,081,843	12,054	-	4,093,897
Federal sources	-	1,081,254	387,944	-	1,469,198
Sales - School lunch	-	-	159,356	-	159,356
Total revenue	<u>194,168,100</u>	<u>9,808,275</u>	<u>559,354</u>	<u>-</u>	<u>204,535,729</u>
EXPENDITURES:					
Administration	13,706,799	-	-	-	13,706,799
Occupational instruction	26,143,966	2,762,008	-	-	28,905,974
Instruction for special education	85,160,072	3,486,474	-	-	88,646,546
Itinerant services	174,126	-	-	-	174,126
General instruction	9,063,907	-	-	-	9,063,907
Instruction support	32,482,849	1,966,623	-	-	34,449,472
Other services	11,476,600	-	-	-	11,476,600
Internal services	2,414,090	-	-	-	2,414,090
School lunch program	-	-	1,498,900	-	1,498,900
Capital outlay	-	-	-	6,830,562	6,830,562
Total expenditures	<u>180,622,409</u>	<u>8,215,105</u>	<u>1,498,900</u>	<u>6,830,562</u>	<u>197,166,976</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>13,545,691</u>	<u>1,593,170</u>	<u>(939,546)</u>	<u>(6,830,562)</u>	<u>7,368,753</u>
OTHER SOURCES AND (USES):					
Operating transfers in	2,223,924	130,895	975,000	4,958,000	8,287,819
Return of surplus due to component districts	(5,844,950)	-	-	-	(5,844,950)
Proceeds of debt issuance	-	-	-	4,521,800	4,521,800
Operating transfers (out)	<u>(5,971,977)</u>	<u>(2,292,793)</u>	<u>(23,049)</u>	<u>-</u>	<u>(8,287,819)</u>
Total other sources (uses)	<u>(9,593,003)</u>	<u>(2,161,898)</u>	<u>951,951</u>	<u>9,479,800</u>	<u>(1,323,150)</u>
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>3,952,688</u>	<u>(568,728)</u>	<u>12,405</u>	<u>2,649,238</u>	<u>6,045,603</u>
FUND BALANCES - beginning of year	<u>20,603,905</u>	<u>62,402</u>	<u>169,754</u>	<u>13,057,777</u>	<u>33,893,838</u>
FUND BALANCES - end of year	<u>\$ 24,556,593</u>	<u>\$ (506,326)</u>	<u>\$ 182,159</u>	<u>\$ 15,707,015</u>	<u>\$ 39,939,441</u>

The accompanying notes are an integral part of these statements.

**WESTERN SUFFOLK BOCES**

**Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance To the Statement of Activities  
For the Year Ended June 30, 2020**

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Net changes in fund balance - Total governmental funds	\$	6,045,603
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position.		11,313,493
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities.		(10,052,540)
Pension expense resulting from the GASB 68 related actuary reporting is not recorded as an expenditure in the government funds but is recorded in the statement of activities		(9,154,988)
Certain revenues that do not provide current financial resources that are recognized in the Statement of net position but not in the fund financial statements.		665,529
Net repayments of long-term debt, other liabilities, and installment purchase debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position.		5,309,403
Certain revenues recorded in the acquisition of long-term debt that are not recognized as revenue in the statement of activities.		(5,276,589)
Accrued postemployment benefits do not require the expenditure of current resources and are, therefore not reported as expenditures in the governmental funds.		(20,746,862)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds.		<u>(1,936,890)</u>
Change in net position - Governmental activities	\$	<u>(23,833,841)</u>

The accompanying notes are an integral part of these statements.

**WESTERN SUFFOLK BOCES**

**Statement of Net Position - Fiduciary Fund  
June 30, 2020**

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	<u>Agency</u>
<b>ASSETS:</b>	
Cash - Unrestricted	\$ 9,249,129
Cash - Restricted	11,823
Deposits	150,000
Other receivables	<u>1,353,644</u>
 Total assets	 <u>\$ 10,764,596</u>
<b>LIABILITIES:</b>	
Extraclassroom activity balances	\$ 11,823
Due to other funds	6,340,935
Other liabilities	<u>4,411,838</u>
 Total liabilities	 <u>\$ 10,764,596</u>

The accompanying notes are an integral part of these statements.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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#### 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Nature of Operations**

The Western Suffolk BOCES (the BOCES) provides shared educational programs and services to its component units.

##### **Significant Accounting Policies**

The financial statements of the BOCES have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

##### **Reporting Entity**

The BOCES is governed by the laws of New York State. The BOCES is an independent entity governed by an elected Board of Education consisting of 6 members. The board is responsible for, and controls all activities related to public school education within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

BOCES are organized under §1950 of the New York State Education Law. A BOCES board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES board as a corporation (§1950(6)). In addition, BOCES boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n (a) of the New York State General Municipal Law.

BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component BOCES' share of administrative and capital costs is calculated using a 50/50 hybrid combination of the components total true valuation and resident weighted average daily attendance (RWADA) as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component school districts pay tuition or a service fee for programs in which its students participate.

The reporting entity of the BOCES is based upon criteria set forth by generally accepted accounting principles. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the BOCES. The BOCES is not a component unit of another 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 following is a brief description of a certain entity included in the BOCES reporting entity.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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#### **Extraclassroom Activity Funds**

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

#### **Basis of Presentation**

##### BOCES -Wide Financial Statements

The statement of net position and the statement of activities present financial information about the BOCES governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through state aid, intergovernmental revenue, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the BOCES governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue is presented as general revenue.

##### Fund Financial Statements

The fund statements provide information about the BOCES funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The BOCES reports the following major governmental funds:

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

*School Lunch Fund* : This fund accounts for the activities of the school lunch operations.

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

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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*Fiduciary Fund* : This fund is used to account for fiduciary activities. Fiduciary activities are those in which the BOCES acts as trustee or agent for resources that belong to others. These activities are not included in the Government-wide financial statements, because their resources do not belong to the BOCES, and are not available to be used. There is one class of fiduciary funds:

- *Agency funds* : These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the BOCES as agent for various student groups or extracurricular activity funds and for payroll or employee withholding.

#### **Use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

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

The BOCES-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The BOCES considers all revenue reported in the governmental funds to be available if the revenue is collected within the subsequent 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 been paid. 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.

#### **Cash**

The BOCES cash consists of cash on hand and demand deposits.

New York State law governs the BOCES investment policies. Resources must be deposited in 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.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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Collateral is required for demand deposit accounts, time deposit accounts and certificates of deposit at 100% of all deposits not covered by Federal deposit insurance. BOCES has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Such obligations include, among other instruments, obligations of the United States and its agencies and obligations of the State and its municipal and school district subdivisions.

#### **Accounts Receivable**

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 and Prepaid Items**

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, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

Prepaid items represent payments made by the BOCES for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the BOCES-wide and fund financial statements. These items are reported as assets on the statement of net position or balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

#### **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 revenue to provide financing or other services.

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be 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.

#### **Capital Assets**

Capital assets are reported at actual cost for acquisitions. Donated assets are reported at estimated fair market value at the time received.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the Government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building and improvements	\$ 10,000	SL	50 years
Furniture and equipment	\$ 500	SL	5-10 years

#### Deferred Outflows and Inflows 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 (expenses/expenditure) until then.

The government has the following items that qualify for reporting in this category:

Deferred charges result from pension contributions made subsequent to the measurement date of the plan.

Deferred charges result from differences between expected and actual experience of the plan.

Deferred charges result from net differences between projected and actual earnings on pension plan investments of the plan.

These amounts are deferred and amortized and expensed against pension expense in future periods.

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 and so will not be recognized as an inflow of resources (revenue) until then.

The government has the following items that qualify for reporting in this category:

The net amount of the BOCES' balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the BOCES' proportion of the collective net pension asset or liability and the difference during the measurement period between the BOCES' contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

Amounts received in the current year for health insurance costs in the subsequent period, are deferred until the following year when the costs will be paid.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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#### **Vested Employee Benefits**

The BOCES employees are granted vacation and sick leave in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

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 Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the Government-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 funds statements, only the amount of matured liabilities is accrued within the general fund based on expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

#### **Other Benefits**

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

#### **Other Postemployment Benefits**

In addition to providing retirement benefits described, the BOCES provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the BOCES and its employee groups. Substantially all of these employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. The BOCES pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. See Note 9 for additional information regarding postemployment benefits.

#### **Unearned Revenue**

Unearned revenues arise when assets are recognized before revenue recognition criteria has been satisfied. In BOCES-wide financial statements, unearned revenues consist of amounts received in advance and/or amounts from grants received before the eligibility requirements have been met.

Unearned revenues in the fund financial statements are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Such amounts have been deemed to be measurable but not available pursuant to generally accepted accounting principles.

#### **Accrued Liabilities and Long-Term Obligations**

Payables, accrued liabilities, and long-term obligations are reported in the Government-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full, from current financial resources.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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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. Installment Purchase Agreements 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.

#### **Restricted Resources**

When an expense 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, many of which are described elsewhere in these notes.

#### **Equity Classifications**

##### Government-wide Statements

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

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets plus any unspent proceeds of those debt obligations.

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

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

##### Fund Statements

In the fund basis statements, there are five classifications of fund balance:

Non-spendable fund balance - Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund.

Restricted fund balance - 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.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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#### ***Workers' Compensation Reserve***

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

#### ***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. This reserve is accounted for in the general fund.

#### ***Employee Benefit Accrued Liability Reserve***

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds 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. The reserve is accounted for in the general fund.

#### ***Retirement Contribution Reserve***

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.

#### ***Property Loss Reserve***

Property Loss Reserve (Education Law §1709(8) (c)) is used to pay for property loss incurred. A separate fund for property loss is required, and the reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts and BOCES, except city school districts with a population greater than 125,000. This reserve is accounted for in the general fund.

Committed fund balance - 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, 2020.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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Assigned fund balance - Includes amounts that are constrained by the BOCES' intent to be used for specific purposes but are neither restricted nor committed. All encumbrances of the general fund are classified as assigned fund balance. Encumbrances reported in the general fund amounted to \$3,350,576. As of June 30, 2020, the BOCES' encumbrances were classified as follows:

Administration	\$ 28,108
Occupational Instruction	17,795
Instruction for special education	15,707
General instruction	10
Instruction support	66,976
Other services	2,650,439
Inferral services	571,541
	<u>\$3,350,576</u>

Unassigned fund balance - Includes all other general fund amounts that do not meet the definition of the above four classifications and are deemed to be available for general use by the BOCES.

#### **Fund Balance - Reservations and Designations**

##### Order of Fund Balance Spending Policy

The BOCES' policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

## **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 Government-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 focus of the statement of activities compared with the current financial resources 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 differs 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 sheets.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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#### *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.

#### **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.

#### **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.

#### **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.

#### **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 system.

#### **OPEB Differences**

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

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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#### 3. STEWARDSHIP AND COMPLIANCE

##### Budgets

Section 1950 of the Education Law requires adoption of a final budget by no later than May 15 of the ensuing year.

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 appropriations occurred during the year:

Administration	\$2,384,873
Occupational Instruction	628,100
Instruction for special education	12,315,054
Itinerant services	85,774
General instruction	1,042,668
Instruction support	11,073,896
Other services	4,179,645
Internal services	<u>1,254,933</u>
	<u>\$32,964,943</u>

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the BOCES' voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

The Special Aid Fund shows an unassigned fund balance deficit of \$506,326 This deficit results from revenues that are due and expected to be received in no later than 60 days after year end. Due to the withholding of 20% of the state funded Employment Preparation Program by New York State, the amounts owed at June 30, 2020 were not received within the required period and therefore deferred to the following year. This resulted in the deficit in the fund. Once New York State pays the BOCES for the services rendered under the grant contract, the deficit will be eliminated.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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#### Encumbrance Accounting

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.

#### 4. CASH

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, 2020, the reported amount of the BOCES' deposits totaled \$80,543,837 and the bank balance was \$67,163,539. Of the bank balance, \$1,000,000 was covered by federal depository insurance, with \$66,163,539 covered by collateral held in the pledging bank's trust department in the BOCES' name.

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.

Cash on deposit for extraclassroom activity	<u>\$ 11,823</u>
Cash reserves - General Fund	<u>\$19,578,511</u>
Cash in reserves - Capital Fund	<u>\$17,127,974</u>
Restricted cash - Special Aid Fund	<u>\$ 3,877,967</u>

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

#### 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2020, were as follows:

	July 1, 2019		June 30, 2020	
	Balance	Additions	Deletions	Balance
Governmental activities				
Capital assets that are not depreciated:				
Land	\$ 817,707	\$ -	\$ -	\$ 817,707
Total non-depreciable historical cost	<u>817,707</u>	<u>-</u>	<u>-</u>	<u>817,707</u>
Capital assets that are depreciated:				
Buildings and improvements	96,684,002	2,130,565	-	98,814,567
Furniture and equipment	<u>51,486,268</u>	<u>9,182,928</u>	<u>3,160,038</u>	<u>57,509,158</u>
Total depreciable historical cost	<u>148,170,270</u>	<u>11,313,493</u>	<u>3,160,038</u>	<u>156,323,725</u>
Less accumulated depreciation:				
Buildings and improvements	32,417,403	1,712,561	-	34,129,964
Furniture and equipment	<u>33,750,193</u>	<u>8,339,979</u>	<u>3,160,038</u>	<u>38,930,134</u>
Total accumulated depreciation	<u>66,167,596</u>	<u>10,052,540</u>	<u>3,160,038</u>	<u>73,060,098</u>
Total depreciable cost, net	<u>82,002,674</u>	<u>1,260,953</u>	<u>-</u>	<u>83,263,627</u>
Total capital assets, net	<u>\$82,820,381</u>	<u>\$ 1,260,953</u>	<u>\$ -</u>	<u>\$84,081,334</u>

Depreciation expense for the year ended June 30, 2020, was allocated to specific functions as follows:

Administration	\$ 739,114
Occupational instruction	1,558,701
Instruction for special education	4,780,102
Itinerant services	9,389
General instruction	488,755
Instruction support	1,857,624
Other services	<u>618,855</u>
Total	<u>\$10,052,540</u>

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

#### 6. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Within One Year
Government activities					
Other long-term debt:					
Installment Purchase Debt	\$11,370,407	\$ 4,521,800	\$ 4,918,787	\$10,973,420	\$ 4,433,380
Capital Leases	387,999	754,789	390,616	752,172	269,494
Compensated absences (A)	13,479,393	-	201,099	13,278,294	-
Workers' Compensation	7,677,332	2,137,988	-	9,815,320	-
Total other long-term debt	<u>\$32,915,131</u>	<u>\$ 7,414,577</u>	<u>\$ 5,510,502</u>	<u>\$34,819,206</u>	<u>\$ 4,702,874</u>

(A) Additions and deletions to compensated absences OPEB and net pension liability are shown net because it is impractical to determine these amounts separately.

Interest expense related to long-term debt amounted to \$285,720.

The BOCES has entered into various municipal lease and option agreements for the purpose of acquiring computer equipment necessary to provide instructional computer services. The BOCES is obligated under certain installment purchase agreements at various incremental interest rates as listed below. Assets purchased under the agreements totaled \$27,599,113 at June 30, 2020 and total accumulated depreciation for these assets was \$12,495,173 at year end.

The BOCES' installment purchase debt agreements are payable in 60 monthly installments or less and bear interest ranging from 1.25% to 3.01%.

The following is a summary of maturities at June 30, 2020:

At fiscal year end June 30,	Principal	Interest
2021	\$ 4,433,380	\$ 218,582
2022	3,567,221	117,581
2023	2,260,403	44,852
2024	712,416	7,703
2025	-	-
Total	<u>\$ 10,973,420</u>	<u>\$ 388,718</u>

The BOCES' capital leases are payable in 60 monthly installments or less and bear interest rates of 0% to 2.8%.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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The following is a schedule of minimum lease payments as of June 30, 2020:

<u>At fiscal year end June 30,</u>		
2021	\$	269,494
2022		268,457
2023		<u>214,221</u>
Total	\$	<u>752,172</u>

See Note 10 for more detailed information on the Workers' Compensation long-term debt.

#### 7. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

	Interfund		Interfund	
	Receivable	Payable	Revenue	Expenditure
General fund	\$14,713,600	\$ -	\$ 2,223,924	\$ 5,971,977
Special aid fund	-	7,497,639	130,895	2,292,793
School lunch fund	-	806,866	975,000	23,049
Capital fund	-	68,160	4,958,000	-
Trust and agency	-	6,340,935	-	-
Total governmental activities	<u>\$14,713,600</u>	<u>\$14,713,600</u>	<u>\$ 8,287,819</u>	<u>\$ 8,287,819</u>

The BOCES typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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#### 8. PENSION PLANS

##### New York State Employee Retirement System

The BOCES participates in the New York State and Local Employees' Retirement System (ERS) also referred to as New York State and Local Retirement System (the System). This is a cost-sharing multiple-employer retirement system, providing 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), established to hold all net assets and record changes in plan net position allocated to the System. System benefits are established under the provisions of the New York Retirement and Social Security Law (NYSRSSL). Once an employer elects to participate in the System, the election is irrevocable.

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

##### **Contributions**

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27<sup>th</sup>, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

##### ERS

2020	\$4,378,705
2019	\$4,362,487
2018	\$4,360,400

Chapter 260 of the Laws of 2004 of the State of New York allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- For State fiscal year (SFY) 2004-05, the amount in excess of 7 percent of employees' covered pensionable salaries, with the first payment of those pensions' costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- For SFY 2005-06, the amount in excess of 9.5 percent of employees' covered pensionable salaries.
- For SFY 2007-08, the amount in excess of 10.5 percent of the employee's covered pensionable salaries.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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This law requires all participating employers to make payments on the current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2008.

Chapter 57 of the Laws of 2010 of the State of New York allows local employers to amortize a portion of their retirement bill for 10 years in accordance with the following stipulations:

- For state fiscal year 2010-11, the amount in excess of the graded rate of 9.5 percent of employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the amortization was instituted.
- For subsequent State fiscal years, the graded rate will increase or decrease by up to one percent depending on the gap between the increase or decrease in the System's average rate and the previous graded rate.
- For subsequent State fiscal years in which the System's average rates are lower than the graded rates, the employer will be required to pay the graded rate. Any additional contributions made will first be used to pay off existing amortizations, and then any excess will be deposited into a reserve account and will be used to offset future increases in contribution rates.

This law requires participating employers to make payments on the current basis while amortizing existing unpaid amounts relating to the System's fiscal years when the local employer opts to participate in the program.

All amounts due were remitted in full to the New York Employee Retirement System. No portion of the BOCES' retirement bill was amortized or bonded as of June 30, 2020.

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

At June 30, 2020, the BOCES reported a liability of \$23,804,026 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The BOCES' proportion of the net pension liability was based on a projection of the BOCES' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2020, the BOCES' proportion was 0.0898924 percent, which was a decrease from its proportion measured June 30, 2019 of 0.0910865 percent.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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For the year ended June 30, 2020, the BOCES recognized pension expense of \$8,799,943. At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,400,963	\$ -
Change of Assumptions	479,300	413,868
Net difference between projected and actual earnings on pension plan investments	12,203,101	-
Change in proportion and differences between the BOCES, contributions and proportionate share of contributions	1,568,444	146,937
Contributions subsequent to the measurement date	907,371	-
	<u>\$16,559,179</u>	<u>\$ 560,805</u>

The BOCES recognized \$907,371 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2020 which will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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	
2021	\$2,850,635
2022	3,859,620
2023	4,685,604
2024	<u>3,695,144</u>
	<u>\$15,091,003</u>

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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#### Actuarial Assumptions

The total pension liability at March 31, 2020 was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020.

The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary scale	4.2% indexed by service
Projected COLAs	1.3% compounded
Decrement	Developed from the Plan's 2015 experience study of the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014
Investment Rate of Return	6.8% compounded annually, net of investment expenses

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 return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Type	Long-Term Expected Real Rate of	
	Target Allocation	Return
Domestic Equity	36.0%	4.1%
International Equity	14.0%	6.2%
Private Equity	10.0%	6.8%
Real Estate	10.0%	4.95%
Absolute Return Strategies	2.0%	3.25%
Opportunistic Portfolio	3.0%	4.65%
Real Assets	3.0%	5.95%
Bonds & Mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation Indexed Bonds	4.0%	0.50%
	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 6.8 percent. 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 plan employers 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.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

#### 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 6.8 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 percent lower or 1 percent higher than the current rate:

	1% Decrease 5.8%	Current Assumption 6.8%	1% Increase 7.8%
Proportionate Share of Net Pension liability	<u>\$43,687,108</u>	<u>\$23,804,026</u>	<u>\$ 5,491,623</u>

#### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2020, were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	\$ 189,803,429,000
Net position	<u>\$ (182,718,124,000)</u>
Net pension liability(asset)	<u>\$ 7,085,305,000</u>
Fiduciary net position as a percentage of total pension liability	96.27%

#### New York State Teachers' Retirement System

The BOCES participates in the New York State Teachers' Retirement System (NYSTRS). This is a cost-sharing, multiple employer public employee retirement system. The system offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

The New York State Teachers' Retirement Board administers NYSTRS. The system provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information for the system. The report may be obtained by writing to NYSTRS, 10 Corporate Woods Drive, Albany, New York 12211-2395.

#### Contributions

The System is noncontributory for the employees who joined prior to July 27, 1976. For employees who joined the System after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary, except that employees in the System more than ten years are no longer required to contribute. For employees who joined after January 1, 2010 and prior to April 1, 2012, contributions of 3.5% are paid throughout their active membership.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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For employees who joined after April 1, 2012, required contributions of 3.5% of their salary are paid until April 1, 2013 and they then contribute 3% to 6% of their salary throughout their active membership. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

The BOCES is required to contribute at an actuarially determined rate. The BOCES contributions made to the systems were equal to 100% of the contributions required for each year. The required contributions made in the current year and two preceding years were:

	<u>TRS</u>
2020	\$4,619,334
2019	\$4,136,587
2018	\$5,006,136

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

At June 30, 2020, the BOCES reported an asset of \$6,770,122 for its proportionate share of net pension asset. The net pension asset was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of June 30, 2018. 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, 2020 the BOCES' proportion was 0.260589 percent, which was a decrease from its proportion measured June 30, 2019 of 0.259134 percent.

For the year ended June 30, 2020, the BOCES recognized pension expense of \$8,657,316. At June 30, 2020, the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$4,587,939	\$ 503,439
Changes of Assumptions	12,789,667	3,118,483
Net difference between projected and actual earnings on pension plan investments		- 5,429,288
Changes in proportion and differences between the BOCES, contributions and proportionate share of contributions	1,337,504	90,356
Contributions subsequent to the measurement date	<u>4,354,324</u>	<u>-</u>
	<u>\$23,069,434</u>	<u>\$ 9,141,566</u>

The BOCES recognized \$4,354,324 as deferred outflows of resources related to pensions resulting from the BOCES' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ended June 30, 2021.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements

June 30, 2020

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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	
2020	\$3,347,794
2021	479,244
2022	3,336,692
2023	2,276,382
2024	362,036
Thereafter	<u>(228,604)</u>
	<u>\$9,573,544</u>

#### Actuarial Assumptions

The total pension asset at the June 30, 2019 measurement date was determined by an actuarial valuation as of June 30, 2018, with update procedures used to roll forward the total pension asset to June 30, 2019.

The actuarial valuation used the following actuarial assumptions:

Inflation	2.20%										
Projected Salary Increases	2.50%										
	Rates of increase differ based on service.										
	They have been calculated based upon recent NYSTRS member experience.										
	<table><thead><tr><th><u>Service</u></th><th><u>Rate</u></th></tr></thead><tbody><tr><td>5</td><td>4.72%</td></tr><tr><td>15</td><td>3.46%</td></tr><tr><td>25</td><td>2.37%</td></tr><tr><td>35</td><td>1.90%</td></tr></tbody></table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Projected COLAs	1.3% compounded annually										
Investment Rate of Return	7.1% compounded annually, net of pension plan investment expense, including inflation.										

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of the valuation date of June 30, 2018 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Type	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33%	6.3%
International Equity	16%	7.8%
Global Equity	4%	7.2%
Real Estate Equity	11%	4.6%
Private Equity	8%	9.9%
Domestic Fixed Income	16%	1.3%
Global Bonds	2%	0.9%
High Yield Bonds	1%	3.6%
Private Debt	1%	6.5%
Real Estate Debt	7%	2.9%
Cash Equivalents	1%	0.3%
	<u>100.0%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2019 was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts 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 the net pension liability (asset) of the NYSTRS participating school districts calculated using the discount rate of 7.10% for June 30, 2019, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease	Current Discount	1% Increase
	<u>6.1%</u>	<u>7.1%</u>	<u>8.1%</u>
Proportionate Share of Net Pension Liability	<u>\$ 30,559,624</u>	<u>\$ (6,770,122)</u>	<u>\$ (38,085,567)</u>

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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#### Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of June 30, 2019, were as follows:

	<u>Pension Plan's Fiduciary</u> Net Position
Total pension liability	\$ 119,879,473,882
Net position	\$ 122,477,480,654
Net position liability (asset)	<u>\$ (2,598,006,772)</u>
Fiduciary net position as a percentage of total pension	102.17%

#### Payables to the Pension Plans

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Employee contributions are remitted monthly.

	<u>June 30, 2020</u>
ERS Liability	\$ 953,313
TRS Liability	\$4,354,324

## 9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

#### Plan Description

The BOCES provides certain other postemployment benefits (predominately health insurance) for retired employees of the BOCES. The BOCES administers the Other Postemployment Benefits Plan (the OPEB Plan) as a single-employer defined benefit Other Postemployment Benefit Plan (OPEB). Eligibility for retirement and participation in the OPEB plan is based on meeting a criteria of minimum age and/or years of service requirements. Employees must be a minimum age of 55 and have a minimum of 10 or 20 years of service based on employee unit and date of hire.

Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the BOCES Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.



## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

#### Changes in the Total OPEB Liability

Balance at June 30, 2019	\$ 424,005,109
Changes for the Year:	
Service cost	12,715,251
Interest	10,221,365
Benefit payments	(10,193,448)
Change in actual and expected	<u>57,866,706</u>
Net changes	<u>70,609,874</u>
Balance at June 30, 2020	<u>\$ 494,614,983</u>

#### 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 or 1 percentage point higher than the current discount rate:

	1% Decrease 1.44%	Current Discount 2.44%	1% Increase 3.44%
Total OPEB Liability	<u>\$ 614,465,896</u>	<u>\$ 494,614,983</u>	<u>\$ 405,973,007</u>

#### 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 6%	Current Discount 7%	1% Increase 8%
Total OPEB Liability	<u>\$ 398,903,627</u>	<u>\$ 494,614,983</u>	<u>\$ 625,220,427</u>

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the BOCES recognized OPEB expense of \$30,940,310. At June 30, 2020, the BOCES reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources
Changes in assumptions	<u>\$49,863,012</u>

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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#### 10. RISK MANAGEMENT

The BOCES is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. 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 two years.

##### Workers' Compensation Plan

The BOCES has established a self-insured plan for risks associated with workers' compensation claims. The plan establishes claims' liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) which have been reported but not settled, and of claims which have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the nature of the case. Estimated amounts of reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims.

Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims' liabilities does not necessarily result in an exact amount. Claims' liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates which reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data which reflect past inflation and on other factors which are considered to be appropriate modifiers of past experience. Adjustments to claims' liabilities are charged or credited to expense in the periods in which they are made.

Claims activity is summarized below:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Unpaid Claims at Beginning of Year	\$ 7,677,332	\$ 6,792,861
Incurred Claims and Claim Adjustment Expense	3,937,072	2,487,892
Claim Payments	<u>(1,799,084)</u>	<u>(1,603,421)</u>
Unpaid Claims at year end	<u>\$ 9,815,320</u>	<u>\$ 7,677,332</u>

The BOCES budget includes approximately \$2 million in 2020/21 to fund payments resulting from the above claims. In addition, BOCES has funded a reserve for workers' compensation claims in the amount of approximately \$3.1 million.

#### 11. FUND BALANCES

Portions of fund balances are reserved and not available for current expenses or expenditures as reported in the governmental funds balance sheet.

## WESTERN SUFFOLK BOCES

### Notes to Basic Financial Statements June 30, 2020

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#### 12. SPLIT DOLLAR LIFE INSURANCE POLICIES

The BOCES has provided life insurance policies with split dollar provisions for certain of its current and former employees. The split dollar provisions provide for the reimbursement of all but the first year's previously paid premiums upon the demise of the insured or if the policy is cashed in prior to death.

At June 30, 2020, there were 47 policies in force with total premiums receivable in the amount of \$680,751. The corresponding revenue to this receivable will be recognized in the year that the premiums are refunded.

#### 13. CONTINGENCIES AND COMMITMENTS

##### Other Contingencies

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.

The BOCES has various commitments with contractors for the completion of capital projects.

#### 14. COVID-19 PANDEMIC

As of the date of this report, the United States is in the midst of a national health emergency related to a virus, commonly known as novel coronavirus (COVID-19). The BOCES was closed effective March 18, 2020 and did not reopen for on site instruction during the 2020 academic year, instead virtual instruction was provided. The BOCES has developed a re-opening plan for the 2020-2021 school year and will resume educating students in September. Instruction will be a mix of in-person and virtual education.

During March 2020, the NYS Governor put NYS on pause and shut down large portions of the economy. Businesses throughout NYS remain closed or are operating significantly below their capacity. New York State has publicly stated that COVID-19 will have a significant negative impact on its revenues and its 2020-21 budget. In August 2020 the New York State Department of Education notified all school districts and BOCES that effective immediately that a 20% withholding of state aid would occur. This affected both the aid to districts and the Employment Preparation Education (EPE) programs of the BOCES. The result of this hold back was a reduction of \$3,553,006 of pass through aid to Districts and the Special Aid fund reported a deficit of \$506,326 resulting from the hold back of the EPE aid.

It is difficult at this time to predict with certainty the full effect this impact may have on future State aid payments to the BOCES. The BOCES is currently analyzing the effects such a reduction will have on its fiscal 2021 operations.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**WESTERN SUFFOLK BOCES**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)  
For the Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance with Budgetary Actual
<b>REVENUE</b>				
Administration	\$ 7,274,523	\$ 9,538,199	\$ 7,234,307	\$ (2,303,892)
Occupational instruction	29,925,930	30,470,962	29,230,258	(1,240,704)
Instruction for special education	94,737,767	106,963,891	98,345,455	(8,618,436)
Itinerant services	134,130	219,904	168,598	(51,306)
General instruction	10,257,897	11,270,984	9,608,968	(1,662,016)
Instruction support	26,903,698	37,970,590	37,917,553	(53,037)
Other services	8,131,754	12,309,420	11,450,295	(859,125)
Internal services	-	646,027	212,666	(433,361)
Total revenues	177,365,699	209,389,977	194,168,100	(15,221,877)
<b>OTHER FINANCING SOURCES</b>				
Transfers in	12,531,909	13,474,368	2,223,924	(11,250,444)
Total revenues and other sources	189,897,608	222,864,345	196,392,024	(26,472,321)

(Continued)

**WESTERN SUFFOLK BOCES**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)  
For the Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Encumbrances	Variance with Budgetary Actual
<b>EXPENDITURES</b>					
Administration	14,418,051	14,544,923	13,706,799	28,108	810,016
Occupational instruction	29,940,932	30,569,031	26,143,966	17,795	4,407,270
Instruction for special education	93,808,566	106,123,620	85,160,072	15,707	20,947,841
Itinerant services	134,130	219,904	174,126	-	45,778
General instruction	9,986,896	11,029,564	9,063,907	10	1,965,647
Instruction support	26,905,770	38,016,397	32,482,849	66,976	5,466,572
Other services	8,130,004	12,270,154	11,476,600	2,650,439	(1,856,885)
Internal services	2,673,064	3,929,792	2,414,090	571,541	944,161
Total expenditures	185,997,413	216,703,385	180,622,409	3,350,576	32,730,400
<b>OTHER FINANCING USES</b>					
Return of surplus	-	-	5,844,950	-	(5,844,950)
Transfers to other funds	3,900,200	6,160,963	5,971,977	-	188,986
Total other uses	3,900,200	6,160,963	11,816,927	-	(5,655,964)
Total expenditures and other uses	\$ 189,897,613	\$ 222,864,348	\$ 192,439,336	\$ 3,350,576	\$ 27,074,436
<b>NET CHANGE IN FUND BALANCES</b>					
			3,952,688		
FUND BALANCE - beginning of year		20,603,905			
FUND BALANCE - end of year		\$ 24,556,593			

**WESTERN SUFFOLK BOCES**

**Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)**

For the Year Ended June 30, 2020

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2010</u>
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset)	0.0898924%	0.0910865%	0.0929059%	0.0936120%	0.0951623%	0.0964208%				
Proportionate share of the net pension liability (asset)	\$ 8,799.9	\$ 6,453.8	\$ 2,998.4	\$ 8,796.0	\$ 15,273.8	\$ 3,257.3				
Covered-employee payroll	\$ 30,868.7	\$ 30,840.7	\$ 30,295.4	\$ 30,359.5	\$ 29,444.8	\$ 28,491.9				
Proportionate share of the net pension liability (asset)	28.51%	20.93%	9.90%	28.97%	51.87%	11.43%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	86.39%	96.27%	98.20%	94.70%	90.70%	97.20%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2010</u>
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>										
Proportion of the net pension liability (asset)	0.2605890%	0.2591340%	0.2695480%	0.2789380%	0.2839600%	0.3003090%				
Proportionate share of the net pension liability (asset)	\$ (4,136.6)	\$ (4,685.8)	\$ (2,048.8)	\$ 2,987.5	\$ (29,494.4)	\$ (33,452.6)				
Covered-employee payroll	\$ 44,683.9	\$ 42,210.1	\$ 42,713.3	\$ 43,043.0	\$ 42,652.6	\$ 44,363.1				
Proportionate share of the net pension liability (asset)	-9.26%	-11.10%	-4.80%	6.94%	-69.15%	-75.41%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.20%	101.53%	100.40%	99.01%	110.46%	110.48%				

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become available.

**WESTERN SUFFOLK BOCES**

**Schedule of Contributions - Pension Plans (Unaudited)  
For the Year Ended June 30, 2020**

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN</b>											
Contractually required contribution	\$ 4,378.7	\$ 4,362.5	\$ 4,360.4	\$ 4,421.8	\$ 5,018.1	\$ 5,371.7					
Contributions in relation to the contractually required contribution	<u>4,378.7</u>	<u>4,362.5</u>	<u>4,360.4</u>	<u>4,421.8</u>	<u>5,018.1</u>	<u>5,371.7</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll	\$ 30,868.7	\$ 30,840.7	\$ 30,295.4	\$ 30,359.5	\$ 29,444.8	\$ 28,491.9					
Contributions as a percentage of covered-employee payroll	14.18%	14.15%	14.39%	14.56%	17.04%	18.85%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they become

	Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN</b>											
Contractually required contribution	\$ 4,619.3	\$ 4,136.6	\$ 5,006.0	\$ 5,707.5	\$ 7,477.0	\$ 7,209.0					
Contributions in relation to the contractually required contribution	<u>4,619.3</u>	<u>4,136.6</u>	<u>5,006.0</u>	<u>5,707.5</u>	<u>7,477.0</u>	<u>7,209.0</u>					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
Covered-employee payroll	\$ 44,683.9	\$ 42,210.1	\$ 42,713.3	\$ 43,043.0	\$ 42,652.6	\$ 44,363.1					
Contributions as a percentage of covered-employee payroll	10.34%	9.80%	11.72%	13.26%	17.53%	16.25%					

Information for the periods prior to implementation of GASB 68 is unavailable and will be completed for each year going forward as they

**WESTERN SUFFOLK BOCES**

**Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)  
For the Year Ended June 30, 2020**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
	Last 10 Fiscal Years (Dollar amounts displayed in thousands)										
Total OPEB Liability	\$ 12,715.3	\$ 5,362.4	\$ 5,206.20								
Service cost	10,221.4	14,333.5	14,018.5								
Interest	-	-	-								
Changes of benefit terms	57,866.7	-	-								
Differences between expected and actual experience	(10,193.4)	(10,434.7)	(10,015.3)								
Changes in assumptions	70,609.9	9,261.2	9,209.4								
Benefit payments	424,005.2	414,744.0	405,534.6								
<b>Total change in total OPEB liability</b>	<b>\$ 494,615.1</b>	<b>\$ 424,005.2</b>	<b>\$ 414,744.0</b>								
<b>Total OPEB liability - beginning</b>											
<b>Total OPEB liability - ending</b>	<b>\$ 65,982.4</b>	<b>\$ 62,206.6</b>	<b>\$ 62,206.6</b>								
Covered-employee payroll	749.62%	681.61%	666.72%								
<b>Total OPEB liability as a percentage of covered employee payroll</b>											

**Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.**

**Notes to schedule:**

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

Discount Rate	2.44%	3.50%	3.50%	4.00%
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**Information for the periods prior to implementation of GASB 75 is unavailable and will be completed for each year going forward as they become available.**

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal, which caused an increase in liabilities. Change in demographics and valuation assumptions (e.g., increase in plan costs, mortality assumptions, discount rate assumptions, etc.) since the prior valuation also contributed to the increase.

**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.

**SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**WESTERN SUFFOLK BOCES**

**Schedule of Account A431 - School Districts (Unaudited)  
For the Year Ended June 30, 2020**

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July 1, 2019 - Debit (Credit) balance	\$ (20,250,835)
Debits	
Billings to school districts	163,035,511
Refund of balances due school districts	5,824,453
Encumbrances - June 30, 2020	3,350,576
Other adjustments	<u>11,329,659</u>
Total debits	<u>183,540,199</u>
Credits	
Collections from school districts	157,916,810
Adjustment - credits to school districts	1,113,521
Revenues in excess of expenditures	9,502,984
Encumbrances - June 30, 2019	1,278,249
Other adjustments	<u>10,499,811</u>
Total credits	<u>180,311,375</u>
June 30, 2020 - Debit (Credit) balance	<u>\$ (17,022,011)</u>
Due from school districts	\$ 18,180,236
Due to component districts - return of surplus	<u>(35,202,247)</u>
	<u>\$ (17,022,011)</u>

WESTERN SUFFOLK BOCES

Schedule of Project Expenditures - Capital Projects Fund (Unaudited)  
For the Year Ended June 30, 2020

Project Title	Original Budget	Revised Budget	Prior Years	Current Year	Total	Unexpended Balance
JEA-Dix Hills - Asbestos Abatement	\$ 3,439,700	\$ 3,439,700	\$ 3,412,670	\$ -	\$ 3,412,670	\$ 27,030
JEA-Melville - Ceiling & Lighting	2,203,000	2,203,000	2,154,306	582,539	2,736,845	(533,845)
Caleb Smith/Sunken Meadow - Reno/Rep Caleb Smith/Sunken Meadow	104,000	104,000	67,514	-	67,514	36,486
WT Dix Hills - Replace HVAC McGuire I	814,457	914,566	914,566	(1,290)	913,276	1,290
District Wide - Energy Conservation Projects	4,177,925	4,177,924	2,966,475	-	2,966,475	1,211,449
WT Dix Hills - Replace HVAC -Jones 1	200,000	290,000	274,498	4,295	278,793	11,207
JEA Dix Hills - P/A System Renovation	207,092	207,092	207,092	-	207,092	-
Sunken Meadow - Sunken Meadow Renovations	4,730,001	4,915,001	4,884,253	3,711	4,887,964	27,037
WT Dix Hills - Bathroom Renovations	150,000	87,768	87,768	-	87,768	-
WT Republic - Fire Alarm Panel Replacement	101,082	101,082	101,082	-	101,082	-
WT Dix Hills - Redesign Ramp/Wall/Repl Stucco	120,000	67,305	67,305	-	67,305	-
WT Northport - Elec/Sink/Wall/Cntrl Panel	45,700	45,700	45,700	-	45,700	-
JEA Dix Hills - Light/Wall/Door/Ceiling/Bathroom	163,500	154,621	154,621	-	154,621	-
JEA Melville - Intercom/Gym/Toilet	142,000	110,640	110,640	-	110,640	-
Taukomas - Redundant Power	183,190	183,190	183,190	-	183,190	-
WT Dix Hills - Garage Dr/Door/Fence/Sidewalk	107,500	134,114	123,290	8,339	131,629	2,485
WT Northport - Sono lab Temp/Auto Shop power panels	40,000	40,000	40,000	-	40,000	-
WT Northport - Blinds/Staff Rm/Door/ Gates	159,501	63,537	47,060	-	47,060	16,477
WT Republic - Exterior Wall LED fixtures	15,000	14,738	14,738	-	14,738	-
WT Manor Plains - Doors/Cabinets/Countertops/Bell System	99,000	106,650	82,700	-	82,700	23,950
JEA Melville - Cabinets/Paging/Fence/Bathrooms/Tile	125,000	115,492	115,492	-	115,492	-
Brennan - Exterior Wall LED/Ballasts/Vent	80,000	70,080	70,080	-	70,080	-
WT Manor Plains - P/A System Renovation	190,000	118,156	118,156	-	118,156	-
WT Northport - Fire Alarm Panel Replacement	225,000	212,675	212,675	-	212,675	-
WT Dix Hills - Replace Vandal Alarm Systems	75,000	73,204	73,204	-	73,204	-
WT Dix Hills - Bathroom Renovations	75,000	84,794	84,794	105,985	190,779	(105,985)
Brennan - Replace Rooftop Fan/Air Handlers	106,950	76,743	76,743	-	76,743	-
Brennan - Stage Front Remodeling/Repair Stage Flooring	140,875	62,000	62,000	-	62,000	-
JEA Melville - Install New Casework & Countertops	43,700	68,500	68,500	-	68,500	-
Taukomas - Convert Hot Water Heater to Gas	15,525	7,225	7,225	-	7,225	-
WT Manor Plains - Convert Hot Water Heater to Gas	32,775	7,225	7,225	-	7,225	-
WT Dix Hills - Design & Install Spray Booth McGuire I	31,508	50,210	50,210	-	50,210	-
WT Northport - Repair/Replace Vents in Façade	20,000	-	-	-	-	-
Republic - P/A System Renovation	150,750	150,750	74,614	12,295	86,909	63,841
WT Manor Plains - Replace Vandal Alarm Systems	40,000	11,875	11,875	-	11,875	-
Taukomas - Replace Vandal Alarm Systems	40,000	12,985	12,985	-	12,985	-
WT Dix Hills - Roof Replacement	400,000	400,000	360,939	150,317	511,256	(111,256)
WT Dix Hills - Roof Top Replacement	120,000	46,581	46,581	5,216	51,797	(5,216)
JEA DH/Taukomas - Asphalt Replacement	322,640	143,100	143,100	-	143,100	-
Administration - Electrical Renovation	250,000	250,000	125,642	153	125,795	124,205
WT Northport - Replace Concrete Curbs/Walks	110,000	110,000	43,000	-	43,000	67,000
WT Dix Hills - Bathroom Renovations	1,950,000	2,262,000	46,896	-	46,896	2,215,104
JEA Dix Hills - Floor Tile Replacement	170,000	170,000	166,049	-	166,049	3,951
JEA Melville - Floor Tile Replacement	150,000	150,000	58,200	-	58,200	91,800
WT Dix Hills - Roof Replacement	900,000	900,000	10,577	-	10,577	889,423
Taukomas - Roof Replacement	980,000	1,730,000	22,507	461,802	484,309	1,245,691
JEA Dix Hills - Electric Transformer Replacement	166,016	273,582	-	86,411	86,411	187,171
JEA Melville - Electric Transformer Replacement	137,593	234,797	-	84,645	84,645	150,152
District Wide - Parking Lot Lights	518,383	528,677	-	166,073	166,073	362,604
Republic - Roof Top Replacement	75,000	75,000	-	47,541	47,541	27,459
Taukomas - Roof Top Replacement	95,000	95,000	-	71,441	71,441	23,559
WT Northport - Window Replacement	696,176	939,219	-	4,924	4,924	934,295
WT Manor Plains - Asphalt Replacement	122,890	122,890	-	18,595	18,595	104,295
WT Dix Hills - Replace Concrete Curbs/Walks	47,875	55,000	-	7,125	7,125	47,875
WT Manor Plains - Replace Concrete Curbs/Walks	8,900	35,000	-	26,100	26,100	8,900
Sunken Meadow-Asphalt Replacement	62,000	62,000	59,902	-	59,902	2,098
Caleb Smith Park - Caleb Smith Renovations	850,000	850,000	-	34,970	34,970	815,030
Administration - Lobby Renovation	52,000	52,000	-	42,608	42,608	9,392
District Wide - Floor Tile Replacement	1,500,000	1,500,000	-	65,356	65,356	1,434,644
WT DixHills-McGuire 2 - Kitchen Renovations	455,087	455,087	-	15,719	15,719	439,368
WT Manor Plains - Bathroom Renovations	348,000	348,000	-	12,599	12,599	335,401
WT Northport - Bathroom Renovations	318,000	318,000	-	12,978	12,978	305,022
District Wide-Security Enhancements	100,000	100,000	-	-	-	100,000
Taukomas - Roof Top Replacement	224,000	224,000	-	12,699	12,699	211,301
Republic - Roof Top Replacement	100,000	100,000	-	5,624	5,624	94,376
WT Dix Hill-Jones I - Boiler Replacement	-	1,081,000	-	42,114	42,114	1,038,886
JEA Dix Hills - Interior Door Replacement	-	85,000	-	7,490	7,490	77,510
JEA Melville - Interior Door Replacement	-	100,000	-	7,165	7,165	92,835
Brennan - Renovate Recovery High School	-	358,000	-	13,330	13,330	344,670
Administration-Gutter Replacement	38,150	38,150	-	-	-	38,150
Administration-Interior Light Replacement	154,621	154,621	-	-	-	154,621
WT Manor Plains - Woodshop Exhaust Renovation	275,000	275,000	-	7,986	7,986	267,014
	<u>\$ 30,292,062</u>	<u>\$ 33,104,246</u>	<u>\$ 18,068,639</u>	<u>\$ 2,126,855</u>	<u>\$ 20,195,494</u>	<u>\$ 12,908,752</u>

**WESTERN SUFFOLK BOCES**

**Schedule of Change from Original Budget to Revised Budget - General Fund (Unaudited)  
For the Year Ended June 30, 2020**

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**CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET**

Adopted budget	\$ 188,619,364
Add: Prior year's encumbrances	<u>1,278,249</u>
Original budget	189,897,613
Budget revision: Board resolutions to accept changes in service contracts	<u>32,966,735</u>
Final budget	<u><u>\$ 222,864,348</u></u>

**WESTERN SUFFOLK BOCES**

**Schedule of Net Investment in Capital Assets (Unaudited)  
For the Year Ended June 30, 2020**

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Capital assets, net	\$ 84,081,334
Deduct:	
Short-term portion of installment purchase debt	4,433,380
Long-term portion of installment purchase debt	6,540,040
Short-term portion of capital leases	269,494
Long-term portion of capital leases	<u>482,678</u>
Net investment in capital assets	<u>\$ 72,355,742</u>

**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**

December 8, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Western Suffolk BOCES (the BOCES), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the BOCES’ basic financial statements, and have issued our report thereon dated December 8, 2020.

**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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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**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 of 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.

Bonadio & Co., LLP