

**EASTERN SUFFOLK BOARD OF
COOPERATIVE EDUCATIONAL SERVICES
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES

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R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926-2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA
Brendan Nelson, CPA
Christopher Schneider, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Eastern Suffolk Board of Cooperative Educational Services (the "BOCES") as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the BOCES, as of June 30, 2025, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the BOCES and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, the BOCES adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, during the fiscal year ended June 30, 2025. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606
PHONE: (631) 234-4444 • FAX: (631) 234-4234

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BOCES' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the BOCES' ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures, and changes in fund balance – budget and actual – general fund, schedule of BOCES' proportionate share of the net pension asset/(liability), schedule of BOCES' pension contributions, and schedule of changes in the BOCES' total other post-employment benefits liability and related ratios, on pages 4 through 18 and 61 through 64, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

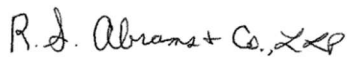
assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BOCES' basic financial statements. The other supplementary information as listed in the table of contents and is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2025, 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.



R.S. Abrams & Co., LLP
Islandia, New York
October 20, 2025

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

The following is a discussion and analysis of the Eastern Suffolk Board of Cooperative Educational Services’ (the “BOCES”) financial performance for the fiscal year ended June 30, 2025. This section is a summary of the BOCES’ financial activities based on currently known facts, decisions, or conditions. It is also based on both the BOCES-Wide and Fund Financial Statements. The results of the current fiscal year are discussed in comparison with the prior fiscal year, with an emphasis placed on the current fiscal year. This section is only an introduction and should be read in conjunction with the BOCES’ financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2025 are as follows:

- The BOCES total net deficit as of June 30, 2025 was \$785,234,260, which represents a decrease in the overall deficit of \$24,712,843, or 3.05%, from the prior fiscal year.
- The BOCES total revenues, as reflected in the BOCES-Wide Financial Statements, totaled \$509,900,147, which represents an increase of \$41,444,572, or 8.85%, from the prior fiscal year. This increase was primarily attributable to an increase in charges for services revenues.
- The BOCES’ expenses for the fiscal year, as reflected in the BOCES-Wide Financial Statements, totaled \$487,555,865, an increase of \$5,202,398, or 1.08%. Of this amount, \$485,009,897 was offset by program charges for services and \$19,194,128 was offset by operating grants and contributions. General revenues of \$5,696,122 amounted to 1.12% of total revenues.
- The general fund total fund balance, as reflected in the Fund Financial Statements, increased by \$949,369, or 1.29%. This was due to revenues and other financing sources exceeding expenditures and other financing uses based on the modified accrual basis of accounting.
- The BOCES adopted Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* (GASB Statement No. 101), effective July 1, 2024. See the accompanying notes to financial statements for additional information regarding the effects of the change in accounting principle.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the BOCES:

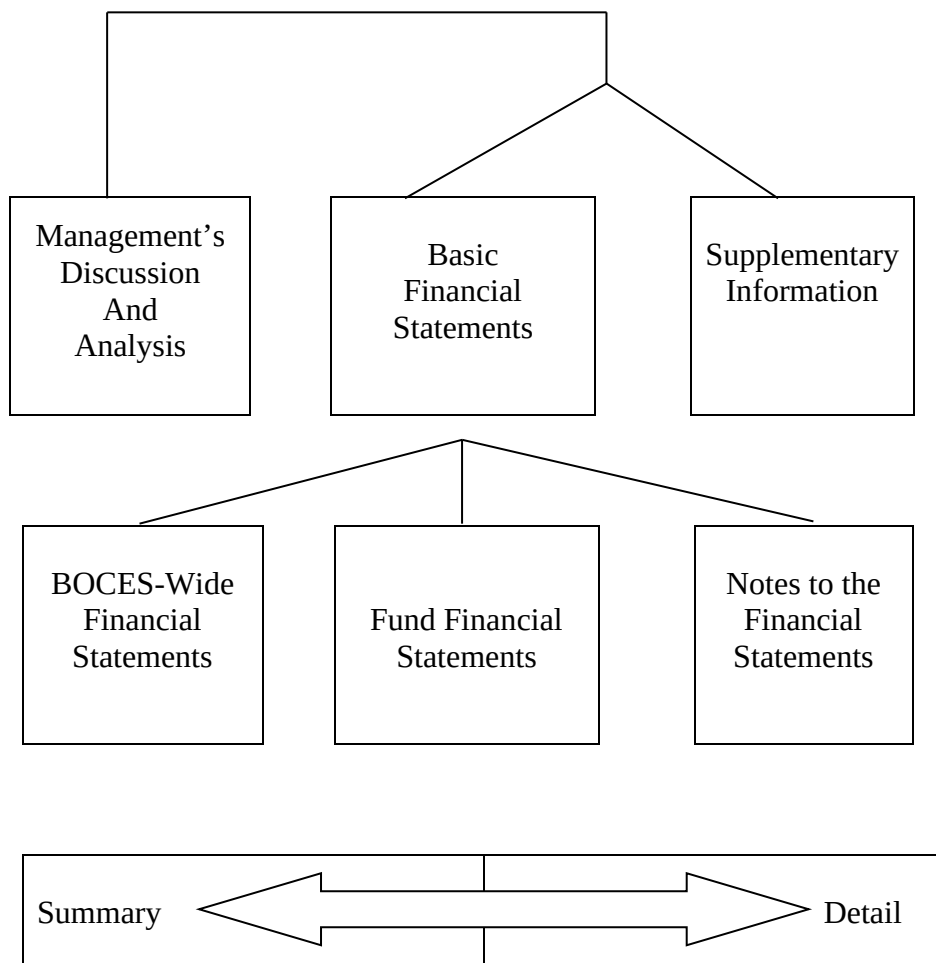
- The first two statements are *BOCES-Wide Financial Statements* that provide both *short-term* and *long-term* information about the BOCES’ *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the BOCES, reporting the operations in *more detail* than the *BOCES-Wide Financial Statements*.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

- o The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

The notes to the basic financial statements provide additional information about the basic financial statements and the balances reported. The basic financial 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 fiscal year. The following Table shows how the various parts of this annual report are arranged and related to one another.

Organization of the BOCES’ Annual Financial Report



The following Table summarizes the major features of the BOCES’ basic financial statements, including the portion of the BOCES’ activities that they cover and the types of information that they contain. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Major Features of the BOCES-Wide Financial Statements and Fund Financial Statements

	BOCES-Wide Financial Statements	Fund Financial Statements
		Governmental
Scope	Entire entity	The day-to-day operating activities of the BOCES, such as special education and instruction
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual and current financial resources measurement focus
Type of asset/deferred outflow of resources and liability/deferred inflow of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Current assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the fiscal year or soon thereafter; no capital assets, intangible lease assets, subscription assets, or long-term liabilities included
Type of inflow and outflow information	All revenues and expenses during the fiscal year; regardless of when cash is received or paid	Revenues for which cash is received during the fiscal year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable

A) BOCES-Wide Financial Statements:

The BOCES-Wide Financial 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, liabilities, and deferred inflows of resources. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two BOCES-Wide Financial Statements report the BOCES' net position and how it has changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the BOCES' financial health or position.

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the BOCES, additional non-financial factors such as changes in the BOCES' condition of buildings and other facilities should be considered.

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, intangible lease assets, and subscription assets are reported as

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

expenditures when financial resources (money) are expended to purchase, finance, or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation and amortization are not calculated if it does not provide or reduce current financial resources. Finally, capital assets, intangible lease assets, subscription assets, and long-term do not affect the fund balances.

BOCES-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets, intangible lease assets, and subscription assets;
- Report long-term debt as a liability;
- Depreciate capital assets, amortize intangible lease assets and subscription assets, and allocate the depreciation and amortization to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* represents net position with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
 - *Unrestricted net position* is net position that do not meet any of the above restrictions.

B) Fund Financial Statements:

The Fund Financial Statements provide more detailed information about the BOCES' funds. Funds are accounting devices that the BOCES uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The BOCES has one kind of fund:

- *Governmental funds*: Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at fiscal year-end that are available for spending. Consequently, the Governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the BOCES. Because this information does not encompass the additional long-term focus of the BOCES-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Governmental Fund Financial Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, miscellaneous special revenue fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

3. FINANCIAL ANALYSIS OF THE BOCES AS A WHOLE

A) Net Position:

See the Table below for a comparison of the Statement of Net Position as of June 30, 2025 and 2024. The balances presented as of June 30, 2025 include the effects of the implementation of GASB Statement No. 101. The balances presented as of June 30, 2024 reflect the balances as previously reported and do not reflect the effects of the change in accounting principle.

Condensed Statement of Net Position

	2025	2024	Change	Total Percentage Change
Current assets	\$ 210,480,742	\$ 196,792,273	\$ 13,688,469	6.96%
Non-current assets	133,016,214	106,351,338	26,664,876	25.07%
Total Assets	343,496,956	303,143,611	40,353,345	13.31%
Deferred outflows of resources	108,476,647	160,072,216	(51,595,569)	(32.23%)
Total Assets and Deferred Outflows of Resources	451,973,603	463,215,827	(11,242,224)	(2.43%)
Current liabilities	115,633,614	106,041,827	9,591,787	9.05%
Long-term liabilities	827,631,832	937,599,405	(109,967,573)	(11.73%)
Total Liabilities	943,265,446	1,043,641,232	(100,375,786)	(9.62%)
Deferred inflows of resources	293,942,417	229,521,698	64,420,719	28.07%
Total Liabilities and Deferred inflows of resources	1,237,207,863	1,273,162,930	(35,955,067)	(2.82%)
Net Position				
Net investment in capital assets	83,641,601	75,927,317	7,714,284	10.16%
Restricted	88,990,150	71,273,796	17,716,354	24.86%
Unrestricted (deficit)	(957,866,011)	(957,148,216)	(717,795)	(0.07%)
Total Net Position (Deficit)	\$ (785,234,260)	\$ (809,947,103)	\$ 24,712,843	3.05%
Net position (deficit), beginning of year, as previously reported		\$ (809,947,103)		
Change in accounting principle		2,368,561		
Net position (deficit), beginning of year, as restated		\$ (807,578,542)		

Current assets increased by \$13,688,469, or 6.96%, primarily due to increases in cash and cash equivalents.

Non-current assets increased \$26,664,876, or 25.07%, due to an increase in lease receivable and current year capital asset and intangible lease asset additions exceeding depreciation, loss on disposals, and amortization expense, as well as changes in the actuarial valuation for the Teachers'

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FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Retirement System pension plan. Refer to the accompanying notes to financial statements for further discussion.

The change in deferred outflows of resources represents amortization of pension-related items and the amortization of deferred outflows for other post-employment benefits obligation, as discussed in the accompanying notes to financial statements.

Current liabilities increased by \$9,591,787, or 9.05%. This is attributable to increases in due to components – refund of surplus, amounts due to teachers' retirement system, and accounts payable, partially offset by decreases in due to components – state aid and compensated absences payable.

Long-term liabilities decreased by \$109,967,573, or 11.73% which was primarily attributable to decreases in lease liability due to principal payments made and in the total other post-employment benefit obligation and net pension liability – proportionate share – teachers' retirement system due to actuarial valuations, partially offset by increases in subscription liability, and installment purchase debt. Of note, the compensated absences payable balance included within the long-term liabilities balance as of June 30, 2025 includes the effects of the change in accounting principle in connection with the implementation of GASB Statement No. 101.

The change in deferred inflows of resources represents amortization of pension related items and the amortization of deferred inflows related to other post-employment benefits obligation as well as lease related items, as discussed in the accompanying notes to financial statements.

The net investment in capital assets relates to the investment in capital assets (at cost) and intangible lease assets and subscription assets (at the present value of future lease payments remaining on the lease term) such as land, construction and technology in progress, buildings and improvements, and furniture and equipment, net of depreciation, amortization, and related debt. This number increased from the prior fiscal year by \$7,714,284, or 10.16%, due to capital asset, intangible lease asset, and subscription asset additions and a reduction in the related outstanding debt, partially offset by depreciation and amortization expense.

The restricted net position at June 30, 2025 increased due to an increase in the BOCES' reserves during the fiscal year, as detailed on pages 14 and 16, as well as the results of the actuarial valuation for the Teachers' Retirement System pension plan, which is reported as a net pension asset as of June 30, 2025.

The unrestricted net deficit at June 30, 2025 of \$957,866,011 relates to the balance of the BOCES' net position. The unrestricted net deficit decreased by \$717,795, or 0.07%.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities. The activity for fiscal year 2025 reflects the effects of the implementation of GASB Statement No. 101 as detailed in the accompanying notes to financial statements. A summary of the results of operations for the fiscal years ended June 30, 2025, and 2024 is as follows:

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Change in Net Position from Operating Results:

	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)	Percentage Change
Program Revenues				
Charges for services	\$ 485,009,897	\$ 445,358,994	\$ 39,650,903	8.90%
Operating grants and contributions	19,194,128	18,326,497	867,631	4.73%
General Revenues				
Interest and earnings	3,720,598	3,876,194	(155,596)	(4.01%)
Sale of property and compensation for a loss	634,131	545,404	88,727	16.27%
Miscellaneous	1,341,393	348,486	992,907	284.92%
Total Revenues	<u>509,900,147</u>	<u>468,455,575</u>	<u>41,444,572</u>	8.85%
Expenses				
Administration	47,503,998	49,522,746	(2,018,748)	(4.08%)
Occupational instruction	42,719,029	44,401,512	(1,682,483)	(3.79%)
Instruction for special education	246,402,616	239,322,622	7,079,994	2.96%
Itinerant services	6,193,701	7,199,584	(1,005,883)	(13.97%)
General instruction	16,065,534	15,704,704	360,830	2.30%
Instructional support	25,795,841	30,734,922	(4,939,081)	(16.07%)
Other services	99,721,668	88,225,448	11,496,220	13.03%
Internal services	569,986	4,498,663	(3,928,677)	(87.33%)
Food service program	1,883,170	2,143,362	(260,192)	(12.14%)
Debt service - interest	700,322	599,904	100,418	16.74%
Total Expenses	<u>487,555,865</u>	<u>482,353,467</u>	<u>5,202,398</u>	1.08%
Total Change in Net Position	<u>\$ 22,344,282</u>	<u>\$ (13,897,892)</u>	<u>\$ 36,242,174</u>	(260.77%)

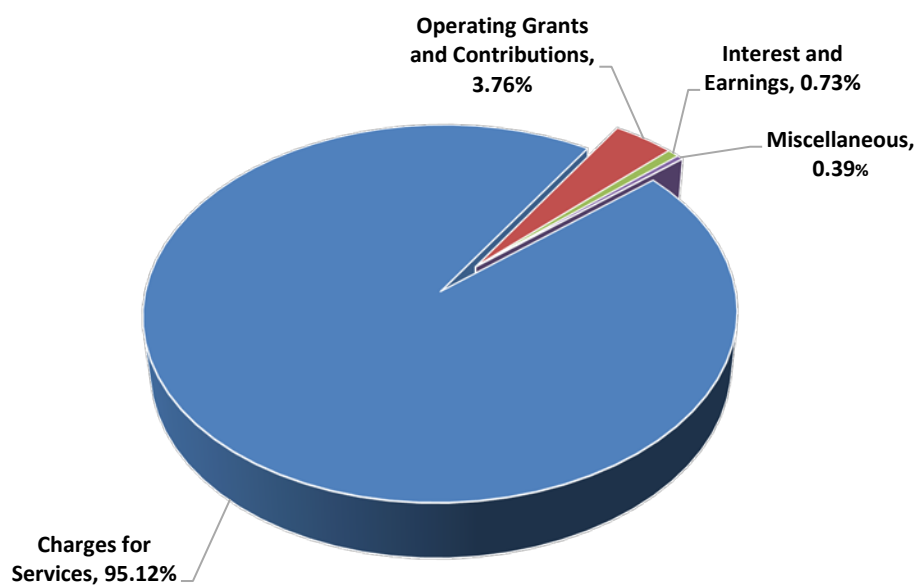
The BOCES' fiscal year 2025 revenues totaled \$509,900,147. Charges for services to both component and non-component districts or other BOCES and operating grants and contributions accounted for most of the BOCES' revenue by contributing 95.12% and 3.76%, respectively of total revenue. The remainder came from interest and earnings, miscellaneous sources, and sale of property and compensation for a loss. Total revenues increased by \$41,444,572, or 8.85%.

The cost of all programs and services totaled \$487,555,865 for fiscal year 2025. These expenses are predominantly related to instruction, which account for 62.60% of BOCES expenses. The BOCES' general support activities (administration, itinerant services, instructional support, and other services) accounted for 36.76% of total costs. Total expenses increased primarily due to an increase in the cost of personnel and employee benefits, partially offset by decreases in pension and other post-employment benefit obligation related expenses based on the current year actuarial valuations.

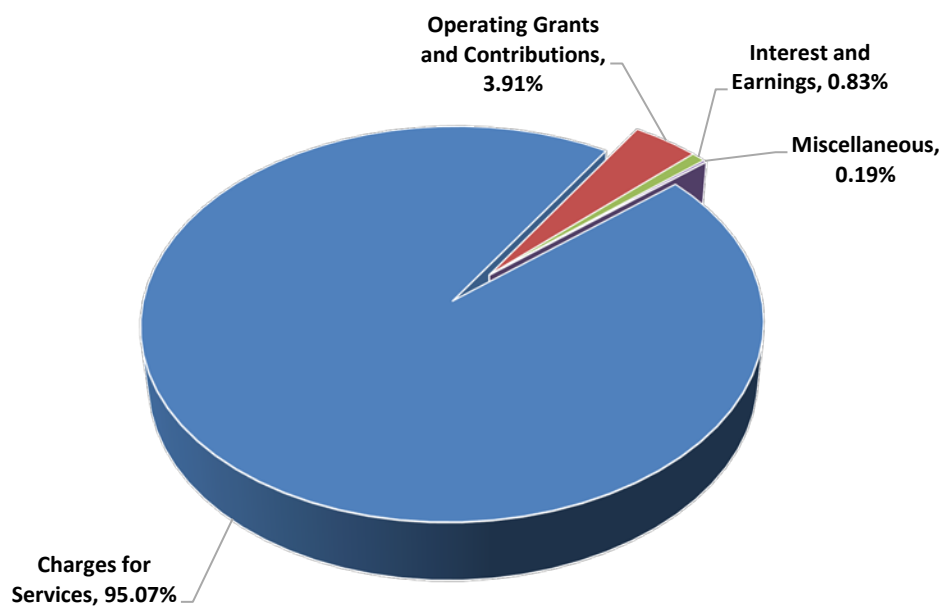
The federal and state governments as well as external donors subsidized certain programs with operating grants and contributions of \$19,194,128, representing a 4.73% increase from the prior fiscal year.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Revenues for Fiscal Year 2025

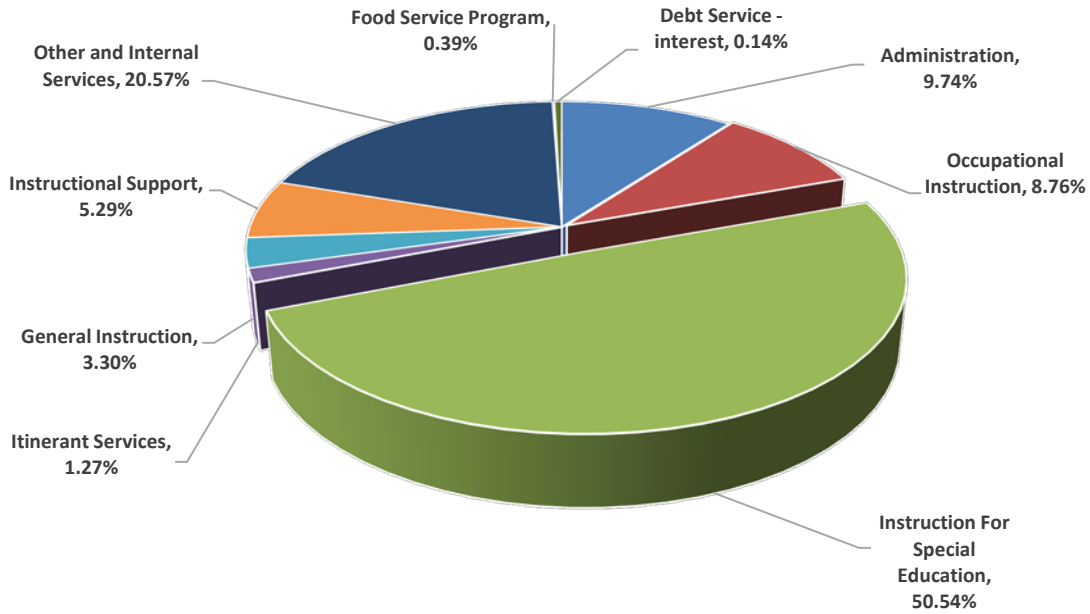


Revenues for Fiscal Year 2024

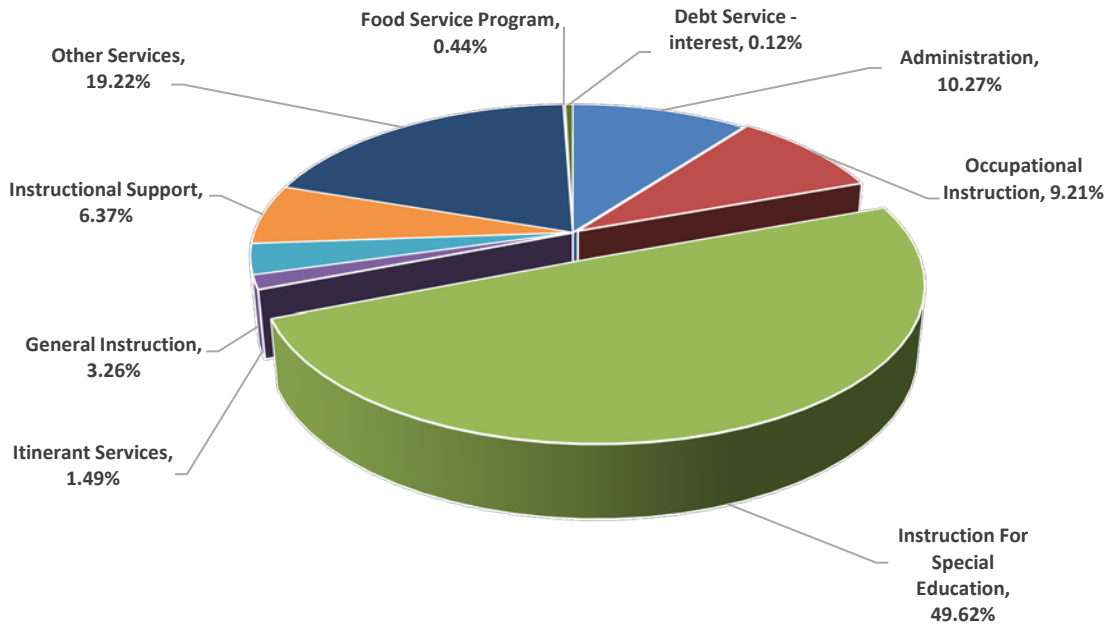


**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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Expenditures for Fiscal Year 2025



Expenditures for Fiscal Year 2024



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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

4. FINANCIAL ANALYSIS OF THE BOCES' FUNDS

Variances between fiscal years for the Fund Financial Statements are not the same as variances between fiscal years for the BOCES-Wide Financial Statements. The BOCES' governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term liabilities, certain deferred outflows or inflows, and capital assets, intangible lease assets, and subscription assets purchased or financed by the BOCES. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, intangible lease assets, and subscription assets, and the current payments for debt, and the current payments on other long-term liabilities.

As of June 30, 2025, the BOCES' combined governmental funds reported a total fund balance of \$94,668,359, which is an increase of \$3,919,371, or 4.32%, from the prior fiscal year.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

A summary of the change in fund balance for all the funds is as follows:

	2025	2024	Increase/ (Decrease)	Total Percentage Change
General Fund				
Non-spendable - prepaids	\$ 418,692	\$ 506,317	\$ (87,625)	(17.31%)
Restricted for unemployment insurance	1,954,905	2,114,033	(159,128)	(7.53%)
Restricted for employee benefit accrued liability	33,553,133	34,225,240	(672,107)	(1.96%)
Restricted for retirement contribution:				
Employees' retirement system	29,188,567	27,226,366	1,962,201	7.21%
Teachers' retirement system	6,689,569	6,370,478	319,091	5.01%
Assigned unappropriated	2,925,500	3,426,188	(500,688)	(14.61%)
Unassigned	(418,692)	(506,317)	87,625	(17.31%)
Total Fund Balance - General Fund	<u>\$ 74,311,674</u>	<u>\$ 73,362,305</u>	<u>\$ 949,369</u>	1.29%
Special Aid Fund				
Non-spendable - prepaids	\$ 16,200	\$ 24,108	\$ (7,908)	(32.80%)
Assigned unappropriated	6,140,495	5,347,108	793,387	14.84%
Total Fund Balance - Special Aid Fund	<u>\$ 6,156,695</u>	<u>\$ 5,371,216</u>	<u>\$ 785,479</u>	14.62%
School Lunch Fund				
Non-spendable - inventory	\$ 3,336	\$ 2,350	\$ 986	41.96%
Assigned unappropriated	495,744	329,734	166,010	50.35%
Total Fund Balance - School Lunch Fund	<u>\$ 499,080</u>	<u>\$ 332,084</u>	<u>\$ 166,996</u>	50.29%
Miscellaneous Special Revenue Fund				
Restricted for scholarships and donations	\$ 16,386	\$ 21,515	\$ (5,129)	(23.84%)
Assigned unappropriated	41,550	44,822	(3,272)	(7.30%)
Total Fund Balance - Miscellaneous Special Revenue Fund	<u>\$ 57,936</u>	<u>\$ 66,337</u>	<u>\$ (8,401)</u>	(12.66%)
Capital Projects Fund				
Restricted - CTE reserve	\$ 1,376,867	\$ 1,316,164	\$ 60,703	4.61%
Assigned unappropriated	12,266,107	10,300,882	1,965,225	19.08%
Total Fund Balance - Capital Projects Fund	<u>\$ 13,642,974</u>	<u>\$ 11,617,046</u>	<u>\$ 2,025,928</u>	17.44%
Total Fund Balance - All Funds	<u>\$ 94,668,359</u>	<u>\$ 90,748,988</u>	<u>\$ 3,919,371</u>	4.32%

A) General Fund

The net change in fund balance for the general fund was an increase of \$949,369, or 1.29%, as a result of revenues and other financing sources of \$520,289,550 exceeding expenditures and other financing uses of \$519,340,181.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

A summary of changes in revenues, other financing sources, expenditures, and other financing uses for the general fund for the fiscal years ended June 30, 2025 and 2024 is as follows:

	Fiscal Year 2025	Fiscal Year 2024	Increase/ (Decrease)	Total Percentage Change
Revenues				
Charges for services	\$ 27,823	\$ 108,384	\$ (80,561)	(74.33%)
Charges to components - administration	21,974,982	21,159,503	815,479	3.85%
Charges to components - service programs	399,100,351	358,862,070	40,238,281	11.21%
Charges to non-components and other BOCES	41,788,656	41,175,084	613,572	1.49%
Interest and earnings	3,659,207	3,809,158	(149,951)	(3.94%)
Sale of property and compensation for loss	631,082	544,955	86,127	15.80%
Miscellaneous	49,102,934	46,427,586	2,675,348	5.76%
Refund of prior year's expenditures	998,625	453,763	544,862	120.08%
State and local sources	1,555,833	1,672,401	(116,568)	(6.97%)
Federal sources	-	566,362	(566,362)	(100.00%)
Total Revenues	518,839,493	474,779,266	44,060,227	9.28%
Other Financing Sources				
Net use/funding of reserves offset	1,450,057	-	1,450,057	N/A
Transfer from other funds	-	344,423	(344,423)	(100.00%)
Total Other Financing Sources	1,450,057	344,423	1,105,634	321.01%
Expenditures				
Administration	46,717,441	47,732,080	(1,014,639)	(2.13%)
Occupational instruction	44,816,712	43,995,233	821,479	1.87%
Instruction for special education	214,111,115	195,648,207	18,462,908	9.44%
Itinerant services	6,390,482	6,706,167	(315,685)	(4.71%)
General instruction	15,665,375	14,907,629	757,746	5.08%
Instruction support	31,866,634	30,837,402	1,029,232	3.34%
Other services	102,233,643	90,537,473	11,696,170	12.92%
Internal services	432,128	348,781	83,347	23.90%
Debt service - principal	8,471,655	7,657,712	813,943	10.63%
Debt service - interest	700,322	591,112	109,210	18.48%
Total Expenditures	471,405,507	438,961,796	32,443,711	7.39%
Other Financing Uses				
Return of surplus	45,302,672	35,815,633	9,487,039	26.49%
Transfer to other funds	2,632,002	2,799,409	(167,407)	(5.98%)
Net use/funding of reserves offset	-	2,106,597	(2,106,597)	(100.00%)
Total Other Financing Uses	47,934,674	40,721,639	7,213,035	17.71%
Net Change in Fund Balances	\$ 949,369	\$ (4,559,746)	\$ 5,509,115	(120.82%)

Revenues increased when compared to the prior fiscal year, primarily due to the following:

- Charges to components and non-components and other BOCES increased as a result of rising program costs.
- The increase in miscellaneous revenues is primarily attributable to administration revenue for retiree health insurance costs. In accordance with the BOCES Accounting and Reporting Handbook (NYSED), miscellaneous revenues include charges assessed to programs for their proportional share of retiree health insurance expenses.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Expenditures increased when compared to the prior fiscal year, primarily due to the following:

- Instruction for special education increased due to additional special education students serviced from component and non-components and other BOCES.
- Other services increased primarily as a result of increases in deferred option plans and transportation services provided to other districts.

The following is a summary of the general fund restricted fund balance activity for the fiscal year ended June 30, 2025:

	Beginning Balance	Funding	Interest	Use	Ending Balance
Unemployment insurance	\$ 2,114,033	\$ -	\$ -	\$ (159,128)	\$ 1,954,905
Employee benefit accrued liability	34,225,240	1,744,764		(2,416,871)	33,553,133
Employees' retirement contribution	27,226,366	6,524,907		(4,562,706)	29,188,567
Teachers' retirement contribution	6,370,478	2,074,804		(1,755,713)	6,689,569
Total Restricted Fund Balance	<u>\$ 69,936,117</u>	<u>\$ 10,344,475</u>	<u>\$ -</u>	<u>\$ (8,894,418)</u>	<u>\$ 71,386,174</u>

B) Special Aid Fund

Fund balance in the special aid fund increased by \$785,479 as a result of revenues for grant funded programs exceeding expenditures and other financing.

C) School Lunch Fund

Fund balance in the school lunch fund increased by \$166,996 as a result of revenues and general fund subsidies exceeding expenditures.

D) Miscellaneous Special Revenue Fund

Fund balance in the miscellaneous special revenue decreased by \$8,401. This decrease is due to current fiscal year extraclassroom expenditures and scholarship awards disbursed exceeding extraclassroom revenues and scholarship donations received.

E) Capital Projects Fund

Fund balance in the capital projects fund increased by \$2,025,928. This increase was due to revenues and other financing sources, including insurance recoveries and budgeted transfers from the general fund, exceeding current fiscal year capital outlay.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2024-2025 Budget:

The BOCES' general fund adopted budget for the fiscal year ended June 30, 2025 was \$483,493,047. This amount was increased by encumbrances carried forward from the prior fiscal year in the amount

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

of \$3,426,188 and budget revisions of \$36,702,137 bringing the final budget to \$523,621,372. Budgetary comparison information can be found in the required supplementary information supplemental schedule.

6. CAPITAL ASSET/INTANGIBLE LEASE ASSET, SUBSCRIPTION ASSET, DEBT ADMINISTRATION, AND OTHER LONG-TERM LIABILITIES

A) Capital Assets and Intangible Lease Assets:

The BOCES paid for equipment and various building additions and renovations during the fiscal year 2025. A summary of the BOCES' capital assets and intangible lease assets net of depreciation and amortization are as follows:

Category	Fiscal Year 2025	Fiscal Year 2024	Net Increase/ (Decrease)
Land	\$ 6,306,650	\$ 6,306,650	\$ -
Construction in progress	451,011	124,707	326,304
Technology in progress	631,523	-	631,523
Buildings and improvements	105,783,007	99,243,013	6,539,994
Furniture and equipment	78,657,454	83,865,165	(5,207,711)
Subtotal	191,829,645	189,539,535	2,290,110
Less: Accumulated Depreciation	99,404,597	107,213,619	(7,809,022)
Total Capital Assets, Net	<u>\$ 92,425,048</u>	<u>\$ 82,325,916</u>	<u>\$ 10,099,132</u>
Intangible Lease Assets, Net	<u>\$ 13,595,227</u>	<u>\$ 17,492,324</u>	<u>\$ (3,897,097)</u>
Subscription Assets, Net	<u>\$ 2,287,184</u>	<u>\$ 578,741</u>	<u>\$ 1,708,443</u>

Depreciation expense and loss on disposals was \$13,672,593 and amortization expense was \$4,426,259 for fiscal year ended June 30, 2025. See the accompanying notes to financial statements for additional detail.

B) Debt Administration:

A summary of outstanding debt at June 30, 2025 and 2024 is as follows:

	Fiscal Year 2025	Fiscal Year 2024	Increase (Decrease)
Lease liability	\$ 14,370,568	\$ 18,097,401	\$ (3,726,833)
Subscription liability	1,268,261	-	1,268,261
Installment purchase debt payable	6,280,451	3,663,381	2,617,070
Deferred payment plan debt	2,694,726	2,586,234	108,492
Total	<u>\$ 24,614,006</u>	<u>\$ 24,347,016</u>	<u>\$ 266,990</u>

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

The decrease in lease liability represent principal payments made on the debt during the fiscal year. The increase in subscription liability, installment purchase debt payable, and deferred payment plan debt is due to new agreements entered into during the fiscal year exceeding principal payments made on the debt. More detailed information about the BOCES' long-term debt is presented in the accompanying notes to financial statements.

C) Other Long-Term Liabilities:

A summary of the other long-term liabilities at June 30, 2025 and 2024 is as follows:

	2025	2024	Increase (Decrease)
Compensated absences payable	\$ 33,553,133	\$ 34,225,239	\$ (672,106)
Net pension liability - proportionate share - ERS	26,929,198	23,942,570	2,986,628
Net pension liability - proportionate share - TRS	-	5,920,129	(5,920,129)
Total other post-employment benefits obligation	742,535,495	849,164,451	(106,628,956)
	<u>\$ 803,017,826</u>	<u>\$ 913,252,389</u>	<u>\$ (110,234,563)</u>

The change in other long-term liabilities is primarily due to changes in actuarial valuations for pensions and total other post-employment benefits obligation. The compensated absences payable balance included within the other long-term liabilities balance as of June 30, 2025 includes the effects of the change in accounting principle in connection with the implementation of GASB Statement No. 101. More detailed information about the BOCES' other long-term liabilities is presented in the accompanying notes to financial statements.

7. FACTORS BEARING ON THE BOCES' FUTURE

The general fund budget for the 2025-2026 school year in the amount of \$521,332,878 was approved by the BOCES' component districts. This is an increase of \$37,839,831 or 7.83% over the previous fiscal year's budget. This increase was primarily due to an increase in payroll and benefit costs.

8. CONTACTING THE BOCES' FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the BOCES and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Eastern Suffolk Board of Cooperative Educational Services
Mr. James Stucchio
Associate Superintendent of Management Services
201 Sunrise Highway
Patchogue, NY 11772
(631)-289-2200

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF NET POSITION
JUNE 30, 2025

ASSETS

Current Assets

Cash and cash equivalents:

Unrestricted	\$ 3,635,763
Restricted	72,779,427

Receivables:

Due from components	93,626,030
Due from state and federal	36,037,008
Accounts receivable	3,964,286
Prepays	434,892
Inventory	3,336

Noncurrent Assets

Receivable within one year	
Lease receivable	3,081,338
Receivable after one year	
Lease receivable	5,416,694
Capital assets	
Nondepreciable capital assets	7,389,184
Depreciable capital assets, net of accumulated depreciation	85,035,864
Intangible lease assets, net of accumulated amortization	13,595,227
Subscription assets, net of accumulated amortization	2,287,184
Net pension asset - proportionate share - teachers' retirement system	16,210,723
TOTAL ASSETS	343,496,956

DEFERRED OUTFLOWS OF RESOURCES

Pensions	53,235,572
Other post-employment benefits obligation	55,241,075
TOTAL DEFERRED OUTFLOWS OF RESOURCES	108,476,647

LIABILITIES

Current Liabilities

Due to components - refund of surplus	45,302,672
Due to components - state aid	30,920,052
Due to:	
Other governments	272
Teachers' retirement system	13,792,064
Employees' retirement system	2,322,676
Accounts payable	13,033,010
Accrued liabilities	5,060,957
Compensated absences payable	1,141,323
Other liabilities	3,832,876
Collections in advance	227,712

Noncurrent Liabilities

Due and payable within one year:	
Lease liability	3,364,329
Subscription liability	401,017
Installment purchase debt	2,179,885
Deferred payment plan debt	1,071,027
Compensated absences payable	1,677,657
Total other post-employment benefits obligation	33,207,484
Due and payable after one year:	
Lease liability	11,006,239
Subscription liability	867,244
Installment purchase debt	4,100,566
Deferred payment plan debt	1,623,699
Compensated absences payable	31,875,476
Net pension liability - proportionate share - employees' retirement system	26,929,198
Total other post-employment benefits obligation	709,328,011
TOTAL LIABILITIES	943,265,446

DEFERRED INFLOWS OF RESOURCES

Leases	8,676,801
Pensions	22,321,195
Other post-employment benefits obligation	262,944,421
TOTAL DEFERRED INFLOWS OF RESOURCES	293,942,417

NET POSITION

Net investment in capital assets	83,641,601
Restricted	72,779,427
Unrestricted (deficit)	(941,655,288)
TOTAL NET POSITION (DEFICIT)	\$ (785,234,260)

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS / PROGRAMS				
Administration	\$ (47,503,998)	\$ 49,231,509	\$ -	\$ 1,727,511
Occupational instruction	(42,719,029)	45,860,949	65,100	3,207,020
Instruction for special education	(246,402,616)	236,537,919	15,504,095	5,639,398
Itinerant services	(6,193,701)	6,396,818		203,117
General instruction	(16,065,534)	14,635,299		(1,430,235)
Instruction support	(25,795,841)	31,192,924	1,490,733	6,887,816
Other services	(99,721,668)	101,150,053		1,428,385
Internal services	(569,986)			(569,986)
Food service program	(1,883,170)	4,426	2,134,200	255,456
Debt service - interest	(700,322)			(700,322)
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ (487,555,865)</u>	<u>\$ 485,009,897</u>	<u>\$ 19,194,128</u>	<u>16,648,160</u>
GENERAL REVENUES				
Interest and earnings				3,720,598
Sale of property and compensation for loss				634,131
Miscellaneous				1,341,393
TOTAL GENERAL REVENUES				<u>5,696,122</u>
CHANGE IN NET POSITION				22,344,282
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS PREVIOUSLY REPORTED				(809,947,103)
CHANGE IN ACCOUNTING PRINCIPLE				<u>2,368,561</u>
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED				<u>(807,578,542)</u>
TOTAL NET POSITION (DEFICIT) - END OF YEAR				<u>\$ (785,234,260)</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
ASSETS						
Cash and cash equivalents:						
Unrestricted	\$ 3,592,610	\$ 1,203	\$ 400	\$ 41,550	\$ -	\$ 3,635,763
Restricted	72,763,041			16,386		72,779,427
Receivables						
Due from components	90,040,927	3,585,103				93,626,030
Due from state and federal	30,920,052	4,840,723	276,233			36,037,008
Accounts receivable	3,960,717	3,569				3,964,286
Due from other funds			351,463		13,694,826	14,046,289
Lease receivable	8,498,032					8,498,032
Prepays	418,692	16,200				434,892
Inventory			3,336			3,336
TOTAL ASSETS	<u>\$ 210,194,071</u>	<u>\$ 8,446,798</u>	<u>\$ 631,432</u>	<u>\$ 57,936</u>	<u>\$ 13,694,826</u>	<u>\$ 233,025,063</u>
LIABILITIES						
Due to components - refund of surplus	\$ 45,302,672	\$ -	\$ -	\$ -	\$ -	\$ 45,302,672
Due to components - state aid	30,920,052					30,920,052
Due to:						
Other governments	260		12			272
Other funds	13,209,703	836,586				14,046,289
Teachers' retirement system	13,792,064					13,792,064
Employees' retirement system	2,322,676					2,322,676
Accounts payable	12,179,316	673,688	128,154		51,852	13,033,010
Accrued liabilities	4,455,746	602,650	2,561			5,060,957
Compensated absences payable	1,141,323					1,141,323
Other liabilities	3,832,876					3,832,876
Collections in advance	48,908	177,179	1,625			227,712
TOTAL LIABILITIES	<u>127,205,596</u>	<u>2,290,103</u>	<u>132,352</u>	<u>-</u>	<u>51,852</u>	<u>129,679,903</u>
DEFERRED INFLOWS OF RESOURCES						
Leases	8,676,801					8,676,801
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,676,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,676,801</u>
FUND BALANCES						
Nonspendable:						
Inventory			3,336			3,336
Prepays	418,692	16,200				434,892
Restricted:						
Unemployment insurance	1,954,905					1,954,905
Employee benefit accrued liability	33,553,133					33,553,133
Retirement contribution						
Employees' retirement system	29,188,567					29,188,567
Teachers' retirement system	6,689,569					6,689,569
Career and technical education (CTE)					1,376,867	1,376,867
Scholarships and donations				16,386		16,386
Assigned	2,925,500	6,140,495	495,744	41,550	12,266,107	21,869,396
Unassigned	(418,692)					(418,692)
TOTAL FUND BALANCES	<u>74,311,674</u>	<u>6,156,695</u>	<u>499,080</u>	<u>57,936</u>	<u>13,642,974</u>	<u>94,668,359</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 210,194,071</u>	<u>\$ 8,446,798</u>	<u>\$ 631,432</u>	<u>\$ 57,936</u>	<u>\$ 13,694,826</u>	<u>\$ 233,025,063</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2025

Total Governmental Fund Balances \$ 94,668,359

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Original cost of capital assets	\$ 191,829,645	
Accumulated depreciation	<u>(99,404,597)</u>	92,425,048

The present value cost of leasing capital assets financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include these intangible leased assets among the assets of the District as a whole, and their original present value costs are expensed annually over the shorter of their useful lives or the length of the lease agreements.

Original present value cost of intangible lease assets	\$ 25,022,474	
Accumulated amortization	<u>(11,427,247)</u>	13,595,227

The present value cost of subscription based information technology arrangements are reported as expenditures in the year they are incurred for governmental funds and the assets do not appear on the balance sheet. However, the Statement of Net Position capitalizes these assets at the original present value. These assets are amortized over the useful lives or the length of the agreements.

Original present value cost of subscription assets	\$ 2,936,215	
Accumulated amortization	<u>(649,031)</u>	2,287,184

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset-proportionate share at year-end for the teachers' retirement system amounted to 16,210,723

Deferred outflows of resources - The Statement of Net Position recognizes expenses incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions and OPEB that will be recognized as expenditures in future periods amounted to

Deferred outflows related to pensions	\$ 53,235,572	
Deferred outflows related to total OPEB liability	<u>55,241,075</u>	108,476,647

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

Lease liability	\$ (14,370,568)	
Subscription liability	(1,268,261)	
Installment purchase debt	(6,280,451)	
Deferred payment plan debt	(2,694,726)	
Compensated absences payable	(33,553,133)	
Net pension liability-proportionate share-employees' retirement system	(26,929,198)	
Total other post-employment benefits obligation	<u>(742,535,495)</u>	(827,631,832)

Deferred inflows of resources - The Statement of Net Position recognized revenues and expenses received under the full accrual method. Governmental funds recognize revenue and expenditures under the modified accrual method. Deferred inflows related to pensions and OPEB that will be recognized as a reduction to expenses in future periods amounted to

Deferred inflows related to pensions	\$ (22,321,195)	
Deferred inflows related to total OPEB liability	<u>(262,944,421)</u>	<u>(285,265,616)</u>

Total Net Position \$ (785,234,260)

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
REVENUES						
Charges for services	\$ 27,823	\$ 15,587,327	\$ -	\$ -	\$ -	\$ 15,615,150
Charges to components - administration	21,974,982					21,974,982
Charges to components - service programs	399,100,351					399,100,351
Charges to non-components and other BOCES	41,788,656					41,788,656
Interest and earnings	3,659,207			689	60,702	3,720,598
Sale of property and compensation for loss	631,082	3,049				634,131
Miscellaneous	49,102,934	1,276,014	93	128,768	207,067	50,714,876
Refund of prior year's expenditures	998,625	6,840				1,005,465
State and local sources	1,555,833	7,520,873	43,961			9,120,667
Federal sources		7,983,222	2,090,239			10,073,461
Sales - School Lunch			4,426			4,426
TOTAL REVENUES	518,839,493	32,377,325	2,138,719	129,457	267,769	553,752,763
EXPENDITURES						
Administration	46,717,441					46,717,441
Occupational instruction	44,816,712					44,816,712
Instruction for special education	214,111,115	31,591,846				245,702,961
Itinerant services	6,390,482					6,390,482
General instruction	15,665,375					15,665,375
Instruction support	31,866,634					31,866,634
Other services	102,233,643					102,233,643
Internal services	432,128			137,858		569,986
School lunch program			2,003,725			2,003,725
Debt service - principal	8,471,655					8,471,655
Debt service - interest	700,322					700,322
Capital outlay					9,439,703	9,439,703
TOTAL EXPENDITURES	471,405,507	31,591,846	2,003,725	137,858	9,439,703	514,578,639
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	47,433,986	785,479	134,994	(8,401)	(9,171,934)	39,174,124
OTHER FINANCING SOURCES AND (USES)						
Proceeds from subscription debt issuances					2,237,605	2,237,605
Proceeds from debt issuances					6,360,257	6,360,257
Return of surplus	(45,302,672)					(45,302,672)
Operating transfers in			32,002		2,600,000	2,632,002
Operating transfers (out)	(2,632,002)					(2,632,002)
Net use/funding of reserves offset	1,450,057					1,450,057
TOTAL OTHER FINANCING SOURCES AND (USES)	(46,484,617)	-	32,002	-	11,197,862	(35,254,753)
NET CHANGE IN FUND BALANCES	949,369	785,479	166,996	(8,401)	2,025,928	3,919,371
FUND BALANCES - BEGINNING OF YEAR	73,362,305	5,371,216	332,084	66,337	11,617,046	90,748,988
FUND BALANCES - END OF YEAR	\$ 74,311,674	\$ 6,156,695	\$ 499,080	\$ 57,936	\$ 13,642,974	\$ 94,668,359

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Net Change in Fund Balances	\$	3,919,371
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Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses are measured by amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used.

Increase in compensated absences payable	\$ (1,696,455)	(1,696,455)
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Changes in the proportionate share of net pension asset/liability, and total other post employment benefits obligation and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Employees' retirement system	\$ 1,878,730	
Teachers' retirement system	2,693,668	
Other post-employment benefits	<u>7,905,480</u>	12,477,878

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are capitalized and reported on the Statement of Net Position and allocated to the governmental functions. Depreciation is based on the useful lives of the asset and are expensed as incurred on the Statement of Activities:

Capital outlays	\$ 23,771,725	
Depreciation expense and loss on disposals	<u>(13,672,593)</u>	10,099,132

Intangible lease outlays to lease assets and subscription assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual amortization expense in the Statement of Activities:

Amortization expense on intangible leases	\$ (3,897,097)	
Subscription asset outlays	2,237,605	
Amortization expense on subscription assets	<u>(529,162)</u>	(2,188,654)

Long-Term Debt Differences

Proceeds from long-term liabilities are recorded as an other financing source in the governmental funds, but increases long-term liabilities on the Statement of Net Position and does not affect the Statement of Activities. Proceeds from long-term liabilities were as follows:

Proceeds from subscription debt	\$ (2,237,605)	
Proceeds from installment purchase debt	(5,119,401)	
Proceeds from deferred payment plan debt	<u>(1,240,856)</u>	(8,597,862)

Repayment of long-term liabilities is reported as an expenditure in the governmental funds, but reduces long-term liabilities on the Statement of Net Position and does not affect the Statement of Activities. Repayment of long-term liabilities were as follows:

Repayment of lease liabilities	\$ 3,726,833	
Repayment of subscription liabilities	969,344	
Repayment of installment purchase debt	2,502,331	
Repayment of deferred payment plan debt	<u>1,132,364</u>	8,330,872

Change in Net Position	\$	<u>22,344,282</u>
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EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 1 – SUUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Eastern Suffolk Board of Cooperative Educational Services (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.

Significant accounting principles and policies utilized by the BOCES are described below:

A) Reporting Entity:

The BOCES is governed by section §1950 of the New York State Education Law and other laws of the State of New York. The BOCES is an independent entity governed by an elected Board of Education appointed by its component school districts. The Board is responsible for, and controls all activities related to public school education services within the BOCES. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters. The Board is comprised of 15 representatives elected by the 51 component school boards.

The BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district’s share of administrative and capital costs is calculated using a 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 it participates.

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, there are no other entities that would be included in the BOCES’ reporting entity.

B) 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

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

transactions. Governmental activities generally are financed through charges for services, state aid, intergovernmental revenues, 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 program expenses and revenues 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include 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. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements:

The Fund Financial Statements provide information about the BOCES funds. 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 fund 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. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School lunch fund: This fund is used to account for the activities of the BOCES food service operations.

Miscellaneous special revenue fund: This fund accounts for assets held by the BOCES in accordance with grantor or contributor stipulations. Other activities included in this fund are extraclassroom activities.

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

C) Measurement Focus and Basis of Accounting:

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

accounting indicates the timing of transaction or events for recognition in the financial statements.

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The BOCES considers all revenues reported in the governmental funds to be available if the revenues are collected within twelve months after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, including lease liabilities, subscription liabilities, installment purchase debt, and deferred payment plan debt, compensated absences, net pension liabilities, other post-employment benefits, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset, intangible lease asset, and subscription asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term obligations and acquisitions of leases with terms greater than one year are reported as other financing sources.

D) Revenue from Component School Districts:

The BOCES bills component school districts during the year on the basis of estimated operating costs. At the end of the year, billings are adjusted to reflect the actual cost of operations. Each component school district is charged for the specific services used, except for administrative and facilities rental costs, which are charged to component school districts on the basis of each school district's resident weighted average daily attendance of the second preceding year.

E) State Aid – Component School Districts:

New York State remits to BOCES, for distribution to component school districts, state aid payments applicable to certain programs. State aid relating to the current year was \$67,101,193. Of the total aid, \$36,181,141 was received and distributed to the school districts prior to June 30, 2025. The remaining aid of \$30,920,052 was received after year end and will be fully distributed. As provided by state law, the receipt and distribution of component school district's state aid is not reflected in the statement of revenues, expenditures and changes in fund balance of the general fund.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

F) Restricted Resources:

When an expense is incurred for purposes for which both restricted and unrestricted net position is 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.

G) Interfund Transactions:

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

In the BOCES-Wide Financial Statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities fund). Eliminations have been made for all interfund receivables and payables between the 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.

Refer to the accompanying notes to financial statements for a detailed disclosure by individual fund for interfund receivables, payables, expenditures, and revenues activity.

H) 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, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including lease receivable, useful lives of capital assets, intangible lease assets, subscription assets, lease liabilities, subscription liabilities, compensated absences, pension liabilities, other post-employment benefits obligation, and potential contingent liabilities.

I) Cash and Cash Equivalents:

The BOCES cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

J) Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Prepays:

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 Financial Statements and the Governmental 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. At June 30, 2025, the BOCES had \$418,692 of prepaid expenditures in the general fund related to prepaid insurance and security deposits, and \$16,200 of prepaid expenditures in the special aid fund for a security deposit.

Nonspendable fund balance for these non-liquid assets (prepays) has been recognized in the general fund and special aid fund to signify that a portion of fund balance is not available for other subsequent expenditures.

L) Capital Assets:

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at estimated fair market value at the time received.

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 BOCES-Wide Financial Statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building and improvements	\$ 500	Straight-line	7-50 years
Furniture and equipment	\$ 500	Straight-line	5-30 years
Computer equipment and books	\$ 500	Straight-line	5 years

The BOCES evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The BOCES' policy is to record an impairment loss in the period when the BOCES determines that the carrying amount of the asset will not be recoverable. At June 30, 2025, the BOCES has not recorded any such impairment losses.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

M) Intangible Lease Assets:

Intangible lease assets are reported at the present value of remaining future lease payments to be made during the lease term. The discount rate utilized is either the interest rate implicit within the lease agreement, or if not readily determinable, the BOCES' estimated incremental borrowing rate. These intangible lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Capitalization thresholds (the dollar value above which intangible lease asset acquisitions are added to the intangible lease asset accounts), amortization methods, and estimated useful lives of intangible lease assets reported in the BOCES-Wide Financial Statements follow the same thresholds as noted above for capital assets.

N) Subscription Assets:

Subscription assets are reported at the present value of remaining future lease payments to be made during the lease term. The discount rate utilized is either the interest rate implicit within the lease agreement, or if not readily determinable, the BOCES' estimated incremental borrowing rate. These subscription assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Capitalization thresholds (the dollar value above which subscription asset acquisitions are added to the subscription asset accounts), amortization methods, and estimated useful lives of subscription assets reported in the BOCES-Wide Financial Statements follow the same thresholds as noted above for capital assets.

O) 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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The BOCES has the following items that qualify for reporting in this category at June 30, 2025, which are amounts related to pensions and other post-employment benefits obligation (OPEB), which are reported in the BOCES-Wide Statement of Net Position, and are detailed further in the accompanying notes to financial statements.

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 represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The BOCES reported deferred inflows of resources related to lease receivable, which is reported in the BOCES-Wide Statement of Net Position as well as in the general fund in the Balance Sheet – Governmental Funds, and is detailed further in the accompanying notes to financial statements. The BOCES also reported deferred inflows related to pensions and

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

OPEB, which are reported in the BOCES-Wide Statement of Net Position, and are detailed further in the accompanying notes to financial statements.

P) Short-Term Debt:

The BOCES may issue Revenue Anticipation Notes (RAN) in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RAN represents a liability that will be extinguished by the use of expendable, available resources of the fund.

The BOCES did not issue or redeem any short-term debt during the fiscal year ended June 30, 2025.

Q) Collections in Advance:

Collections in advance arise when the BOCES receives resources before it has legal claim to them, as when monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the BOCES has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance at June 30, 2025, consist of tuition collected in the general fund, grants and tuition received in the special aid fund, and prepaid deposits in the school lunch fund.

R) Employee Benefits – Compensated Absences:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The BOCES employees are granted vacation 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.

In accordance with the provisions of GASB Statement No. 101, *Compensated Absences*, compensated absences are recognized as a liability when the obligation is attributable to services already rendered, the payment is probable, and the amount can be reasonably estimated. This includes both:

- Leave that is expected to be used in future periods, and
- Leave that will be paid out upon termination or retirement, per contractual agreements.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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The liability is calculated based on employees' current pay rates and any additional salary-related costs that are directly associated with the payment of compensated absences.

In the Fund Financial Statements, only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are reported for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the BOCES by June 30th.

S) Other Benefits:

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

The BOCES employees may choose to participate in the BOCES elective deferred compensation plans established under Internal Revenue Code sections 403(b) and 457(b).

In addition to providing pension benefits, the BOCES provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the BOCES employees may become eligible for these benefits if they reach normal retirement age while working for the BOCES. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The BOCES recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid. In the BOCES-Wide statements, the cost of post-employment health coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

T) Accrued Liabilities and Long-Term Obligations:

Payables, accrued liabilities, and long-term obligations are reported in the BOCES-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Lease liability, subscription liability, installment purchase debt, deferred payment plan debt, compensated absences, net pension liabilities, and other post-employment benefits obligation 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. Other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

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

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

U) Equity Classifications:

BOCES-Wide Financial Statements:

In the BOCES-Wide Financial Statements, there are three classes of net position:

Net investment in capital assets – consists of net capital assets, intangible lease assets, and subscription assets (cost less accumulated depreciation and amortization) reduced by outstanding capital-related accounts payable, balances of related debt obligations from the acquisition, construction or improvement of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, deferred charges on refunding).

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

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

As of June 30, 2025, the governmental activities reported a deficit in unrestricted net position of \$957,866,011. This deficit is primarily the result of unfunded liabilities such as the BOCES recognizing its proportionate share of the net pension liabilities and total OPEB liability on the statement of net position. The accumulated effect of these required recognitions, coupled with the limitations from the state on funding the OPEB liability on a “pay as you go” basis, has resulted in a negative unrestricted net position (deficit).

Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

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. This category consists of the inventories in the school lunch fund and prepaid expenses.

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. The BOCES has classified the following as restricted:

Unemployment Insurance Reserve (GML §6-m) must be 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

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reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the BOCES elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve (GML §6-p) must be used for the payment of accrued employee benefits due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund.

Retirement Contribution Reserve (GML§6-r) must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. 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. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund.

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

Restricted for scholarships and donations - Amounts restricted for scholarships and donations are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted in the miscellaneous special revenue 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., Board of Education). The BOCES has no committed fund balance as of June 30, 2025.

Assigned fund balance – Includes amounts that are constrained by the BOCES' intent to be used for specific purposes but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the BOCES

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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management through Board policies. This classification also includes the remaining positive fund balance for all governmental funds except for the general fund.

Unassigned fund balance – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in the respective fund.

Order of Use of Fund Balance

The order by which the BOCES will spend restricted and unrestricted fund balance will be evaluated on an annual basis based on the current financial conditions.

V) New Accounting Pronouncements:

GASB has issued Statement No. 101, *Compensated Absences* (GASB Statement No. 101), effective for the BOCES for the year ended June 30, 2025. This statement establishes updated recognition and measurement guidance for liabilities related to compensated absences. Under GASB Statement No. 101, liabilities for compensated absences are recognized when leave is attributable to services already rendered, payment is probable, and the amount can be reasonably estimated. This includes both accumulated leave expected to be used in future periods and leave payable upon an employee's separation from service. The liability is measured using current pay rates as of the financial statement date, including any applicable salary-related costs.

As disclosed in the accompanying notes to financial statements, the cumulative effect of the adoption of GASB Statement No. 101 (change in accounting principle) was a decrease of the compensated absences payable balance of \$2,368,561 and an increase to net position of \$2,368,561 in the Statement of Net Position as of July 1, 2024.

W) Future Accounting Pronouncements:

GASB issued Statement No. 103, *Financial Reporting Model Improvements*, to improve the key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this statement are effective for the fiscal year ended June 30, 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, requires certain types of capital assets to be disclosed separately in the capital assets note disclosure such as intangible right-to-use assets, subscription assets, and assets held for sale. The requirements of this statement are effective for the fiscal year ended June 30, 2026.

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The Statements above are not an all-inclusive list of all future GASB statements impacting the BOCES. The BOCES will evaluate the impact and materiality of the statements above and implement the provisions as applicable.

NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND BOCES-WIDE FINANCIAL STATEMENTS:

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the BOCES-Wide Financial 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 resources measurement focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A) Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:

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

B) Statement of Revenues, Expenditures, and Changes in Fund Balances vs. Statement of Activities:

Differences between the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Statement of Activities fall into one of three broad categories. The amounts shown below represent:

Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals 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 reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items or financing of intangible lease assets in the Fund Financial Statements and depreciation and/or amortization expense on those items as recorded in the Statement of Activities.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Long-term debt differences:

Long-term debt differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial Statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

The BOCES was in compliance with all legal and contractual provisions for the fiscal year.

A) Budgets:

The BOCES administration prepares a proposed administrative, capital and program budget, as applicable for approval by the members of the Board 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 for educational services are adopted at the program level. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year. 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 unless expended or encumbered. 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:

Adopted Budget		\$ 483,493,047
Encumbrances from Prior Year		3,426,188
Original Budget		<u>486,919,235</u>
Shared Services Budget Revisions:		
Administration	(2,685,127)	
Occupational Instruction	1,192,227	
Instruction for Special Needs	15,412,944	
Itinerant Services	536,649	
General Instruction	1,997,065	
Instructional Support	8,202,982	
Other Services	9,337,444	
Internal Services	<u>2,707,953</u>	<u>36,702,137</u>
Revised Budget		<u>\$ 523,621,372</u>

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as assignments 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.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash and Cash Equivalents:

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

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

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

All of the BOCES' aggregate bank balances were covered by depository insurance or were collateralized with securities held by the pledging financial institution in the BOCES' name at year-end.

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2025 included \$72,779,427 within the governmental funds for general reserve purposes, cash restricted for scholarships and donations in the miscellaneous special revenue fund, and for capital projects in the capital projects fund.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

B) Investments:

The BOCES does not typically purchase investments for a duration long enough to cause it to believe that it is exposed to any material interest rate risk. The BOCES also does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

C) Investment Pool:

The BOCES participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and considered to be cash equivalents. At June 30, 2025 the BOCES held \$64,694,473 in investments in the general fund consisting of various investments in securities issued by the United States and its agencies.

Total investments of the cooperative at June 30, 2025, are \$13,530,190,970, which consisted of \$3,819,691,492 in repurchase agreements, and \$9,710,499,478 in U.S. Treasury Securities in U.S. Government Guaranteed Securities at various interest rates with various due dates. Total collateralized bank deposits of the cooperative at June 30, 2025 are \$591,627,356.

The above amounts represent the cost of the investment pool shares and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateral requirements. CLASS is rated AAAm by S&P Global ratings. Additional information concerning the cooperative is presented in the annual report of the New York Cooperative Liquid Assets Securities System (NYCLASS), which may be obtained from their website **www.newyorkclass.org** or by contacting their registered investment advisor, Public Trust Advisors, LLC at 717 17th Street, Suite 1850, Denver, CO 80202.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 5 – DUE FROM STATE AND FEDERAL

Due from state and federal for the BOCES individual major funds at June 30, 2025 consisted of the following:

	General Fund	Special Aid Fund	School Lunch Fund	Total
BOCES aid - due to component districts	\$30,920,052	\$ -	\$ -	\$30,920,052
NYS Education Department		4,139,273		4,139,273
ACCES		108,102		108,102
NYS Department of Labor		346,554		346,554
NYS OPWDD		70,008		70,008
U.S. Department of Education		69,558		69,558
U.S. Department of Justice		107,228		107,228
State reimbursements			3,220	3,220
Federal reimbursements			273,013	273,013
	<u>\$30,920,052</u>	<u>\$ 4,840,723</u>	<u>\$ 276,233</u>	<u>\$36,037,008</u>

BOCES management has deemed these receivables as fully collectible.

NOTE 6 – LEASE RECEIVABLE:

The BOCES recognized a lease receivable and deferred inflow of resources – leases, for agreements whereby the BOCES leases equipment to component units at a rate between 1.40% to 5.20% for a term of 32 to 60 months. The lease receivable and associated deferred inflow of resources will be reduced as the lease revenue is earned in future periods.

Principal and interest income received for the BOCES' lease receivable amounted to \$3,508,175 and \$291,617, respectively, for the fiscal year ended June 30, 2025.

Activity of lease inflows for the year ended June 30, 2025 is summarized as follows:

Lease revenue:	
Computer	\$ 413,765
Equipment	2,342,515
Copy machines	573,126
Total lease revenue	<u>3,329,406</u>
Interest revenue	<u>291,617</u>
Total revenue	<u>\$ 3,621,023</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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The following is a summary of the principal and interest requirements to maturity for the BOCES' lease receivable:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 3,081,338	\$ 333,975	\$ 3,415,313
2027	2,677,103	209,512	2,886,615
2028	1,878,414	98,776	1,977,190
2029	736,050	28,535	764,585
2030	125,127	3,566	128,693
Total	<u>\$ 8,498,032</u>	<u>\$ 674,364</u>	<u>\$ 9,172,396</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS:

A) Capital Assets

Capital asset balances and activity for the fiscal year ended June 30, 2025 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 6,306,650	\$ -	\$ -	\$ 6,306,650
Construction in progress	124,707	451,011	(124,707)	451,011
Technology in progress	-	631,523		631,523
Total nondepreciable capital assets	<u>6,431,357</u>	<u>1,082,534</u>	<u>(124,707)</u>	<u>7,389,184</u>
Depreciable capital assets:				
Building and building improvements	99,243,013	6,540,959	(965)	105,783,007
Furniture and equipment	83,865,165	16,148,232	(21,355,943)	78,657,454
Total depreciable capital assets	<u>183,108,178</u>	<u>22,689,191</u>	<u>(21,356,908)</u>	<u>184,440,461</u>
Less accumulated depreciation:				
Building and building improvements	54,826,555	3,298,594	(965)	58,124,184
Furniture and equipment	52,387,064	10,027,281	(21,133,932)	41,280,413
Total accumulated depreciation	<u>107,213,619</u>	<u>13,325,875</u>	<u>(21,134,897)</u>	<u>99,404,597</u>
Total depreciable capital assets, net	<u>75,894,559</u>	<u>9,363,316</u>	<u>(222,011)</u>	<u>85,035,864</u>
Total capital assets, net	<u>\$ 82,325,916</u>	<u>\$ 10,445,850</u>	<u>\$ (346,718)</u>	<u>\$ 92,425,048</u>

Depreciation expense and loss on disposals were charged to the governmental functions as follows:

Administration	\$ 1,408,277
Occupational instruction	1,353,587
Instruction for special education	6,330,411
Itinerant services	205,089
General instruction	464,868
Instruction support	1,039,117
Other services	2,813,819
Food services	57,425
	<u>\$ 13,672,593</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

B) Intangible Lease Assets

The following schedule summarizes the BOCES' intangible lease asset activity for the fiscal year ended June 30, 2025:

Governmental activities:	Beginning		Retirements/	Ending
Intangible lease assets	Balance	Additions	Reclassifications	Balance
Building	\$ 21,399,272	\$ -	\$ (63,070)	\$ 21,336,202
Land	2,502,358			2,502,358
Classroom and facilities	1,537,356		(353,442)	1,183,914
Total intangible lease assets	25,438,986	-	(416,512)	25,022,474
Less accumulated amortization:				
Building	6,262,577	3,098,186	(63,070)	9,297,693
Land	1,251,179	417,060		1,668,239
Classroom and facilities	432,906	381,851	(353,442)	461,315
Total accumulated amortization	7,946,662	3,897,097	(416,512)	11,427,247
Total intangible lease assets, net	\$ 17,492,324	\$ (3,897,097)	\$ -	\$ 13,595,227

Amortization expense of \$3,897,097 was charged to the governmental functions as instruction for special education.

C) Subscription Assets

The following schedule summarizes the BOCES' subscription assets activity for the fiscal year ended June 30, 2025:

Governmental activities:	Beginning		Retirements/	Ending
Subscription assets	Balance	Additions	Reclassifications	Balance
Subscription assets	\$ 1,131,095	\$ 2,237,605	\$ (432,485)	\$ 2,936,215
Less accumulated amortization:				
Subscription assets	552,354	529,162	(432,485)	649,031
Total subscription assets, net	\$ 578,741	\$ 1,708,443	\$ -	\$ 2,287,184

Amortization expense of \$529,162 was charged to the governmental functions as instruction for special education.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 8 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

Interfund balances and activities for the fiscal year ended June 30, 2025, were as follows:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ -	\$ 13,209,703	\$ -	\$ 2,632,002
Special aid fund		836,586		
School lunch fund	351,463		32,002	
Capital projects fund	13,694,826		2,600,000	
Total government activities	<u>\$ 14,046,289</u>	<u>\$ 14,046,289</u>	<u>\$ 2,632,002</u>	<u>\$ 2,632,002</u>

The BOCES typically transfers from the general fund to the school lunch fund to subsidize the operations of the school lunch program. In addition, the BOCES budgeted a transfer from the general fund into the capital projects fund to finance future capital outlays.

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.

NOTE 9 - SHORT-TERM DEBT:

The BOCES had no transactions in short-term debt for the year ended June 30, 2025.

NOTE 10 – LONG-TERM LIABILITIES:

Long-term liability balances and activity for the year ended June 30, 2025 are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term obligations:					
Lease liability	\$ 18,097,401		\$ 3,726,833	\$ 14,370,568	\$ 3,364,329
Subscription liability	-	2,237,605	969,344	1,268,261	401,017
Installment purchase debt	3,663,381	\$ 5,119,401	2,502,331	6,280,451	2,179,885
Deferred payment plan debt	2,586,234	1,240,856	1,132,364	2,694,726	1,071,027
Compensated absences payable*	31,856,678	1,696,455		33,553,133	1,677,657
Net pension liability - ERS	23,942,570	11,283,112	8,296,484	26,929,198	
Net pension liability - TRS	5,920,129		5,920,129	-	
Total other post-employment benefits obligation	<u>849,164,451</u>	<u>63,707,235</u>	<u>170,336,191</u>	<u>742,535,495</u>	<u>33,207,484</u>
Total long-term obligations	<u>\$ 935,230,844</u>	<u>\$ 85,284,664</u>	<u>\$ 192,883,676</u>	<u>\$ 827,631,832</u>	<u>\$ 41,901,399</u>

*As restated. See accompanying notes to financial statements for further information.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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The general fund has typically been used to liquidate long-term liabilities such as lease liability, subscription liability, installment purchase debt, deferred payment plan debt, compensated absences payable, net pension liabilities, and total other post-employment benefits obligation.

A) Lease Liability

The BOCES recognizes a lease obligation and an intangible lease asset for agreements whereby the BOCES obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The BOCES has entered into such lease agreements for classroom space, vehicles, and other equipment items with interest rates ranging from 2.16% to 3.93%.

Principal and interest expense paid on the BOCES' lease liabilities amounted to \$3,726,833 and \$496,938, respectively, for the fiscal year ended June 30, 2025.

The following is a summary of the principal and interest requirements to maturity for the BOCES' leases:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 3,364,329	\$ 389,904	\$ 3,754,233
2027	3,226,235	296,652	3,522,887
2028	1,983,604	219,006	2,202,610
2029	2,078,981	156,142	2,235,123
2030	1,006,772	104,047	1,110,819
2031-2035	2,710,647	127,577	2,838,224
	<u>\$ 14,370,568</u>	<u>\$ 1,293,328</u>	<u>\$ 15,663,896</u>

B) Installment Purchase Debt

The BOCES has entered into various debt agreements for the purpose of acquiring computer equipment necessary to provide instructional computer services. The BOCES is obligated under certain installment purchase agreements at various incremental interest rates as listed below.

Principal and interest expense paid on the BOCES' installment purchase debt amounted to \$2,502,331 and \$193,586, respectively, for the fiscal year ended June 30, 2025.

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2025
Sayville UFSD	01/2021	11/2025	1.410%	\$ 41,298
Eastport-South Manor CSD	04/2021	11/2025	1.620%	27,734
Bayport-Blue Point UFSD	08/2021	05/2026	1.540%	53,865
Center Moriches UFSD	08/2021	05/2026	1.540%	40,192
William Floyd UFSD	11/2021	05/2026	1.880%	83,454
Sayville UFSD	01/2022	11/2026	1.920%	99,847
Shoreham-Wading River CSD	04/2022	12/2026	2.940%	32,854
William Floyd UFSD	06/2022	12/2026	3.410%	142,202
Center Moriches UFSD	07/2022	05/2026	3.600%	42,305
Eastport-South Manor CSD	03/2023	11/2027	4.464%	124,876
Sayville UFSD	03/2023	11/2027	4.608%	422,656
Riverhead CSD	04/2023	11/2027	4.816%	236,608
Bayport-Blue Point UFSD	04/2023	11/2027	4.816%	103,502
Shoreham-Wading River CSD	05/2023	05/2027	4.472%	123,288
Center Moriches UFSD	06/2023	05/2027	4.400%	143,840
William Floyd UFSD	07/2023	05/2027	4.670%	186,044
Shoreham-Wading River CSD	08/2024	05/2028	4.980%	175,370
Bayport-Blue Point UFSD	08/2024	05/2029	4.910%	146,473
Sayville UFSD	08/2024	05/2029	4.910%	199,385
Center Moriches UFSD	10/2024	05/2028	4.430%	274,519
West Islip UFSD	10/2024	05/2028	4.430%	297,845
William Floyd UFSD	12/2024	11/2028	4.820%	738,976
William Floyd UFSD	02/2025	11/2029	4.900%	675,179
William Floyd UFSD	02/2025	11/2028	4.880%	748,653
Riverhead CSD	05/2025	12/2028	4.610%	361,611
West Islip UFSD	05/2025	12/2028	4.610%	355,362
Eastport-South Manor CSD	05/2025	06/2029	4.560%	206,772
Bayport-Blue Point UFSD	06/2025	05/2030	4.700%	195,741
				<u>\$ 6,280,451</u>

The following is a summary of debt service requirements of installment purchase debt:

Fiscal Year Ended June 30,	Principal	Interest	Total
2026	\$ 2,179,885	\$ 259,865	\$ 2,439,750
2027	1,859,748	170,904	2,030,652
2028	1,430,071	87,751	1,517,822
2029	685,586	26,746	712,332
2030	125,161	3,531	128,692
	<u>\$ 6,280,451</u>	<u>\$ 548,797</u>	<u>\$ 6,829,248</u>

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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C) Deferred Payment Plan

The BOCES' deferred payment plan debt agreements are payable in 60 monthly installments or less and bear no interest as stated below:

Description	Issue Date	Final Maturity	Outstanding at June 30, 2025
Shoreham-Wading River CSD	08/2020	08/2025	\$ 2,957
Connetquot CSD	07/2022	07/2026	5,342
Sachem CSD	07/2022	07/2026	103,303
East Quogue UFSD	07/2022	07/2026	3,303
Connetquot CSD	07/2022	06/2026	6,549
Miller Place UFSD	12/2022	11/2026	72,261
South Country CSD	01/2023	01/2027	3,749
East Islip UFSD	02/2023	01/2027	2,594
Connetquot CSD	02/2023	01/2027	19,097
East Quogue UFSD	03/2023	03/2027	12,211
Eastport-South Manor CSD	04/2023	04/2028	194,102
South Country CSD	07/2023	07/2027	9,624
Bayport-Blue Point UFSD	07/2023	07/2027	89,744
East Islip UFSD	08/2023	08/2027	2,955
Patchogue-Medford UFSD	09/2023	09/2027	126,300
Comsewogue UFSD	09/2023	09/2027	15,288
West Islip UFSD	12/2023	12/2027	27,409
Connetquot CSD	01/2024	01/2028	57,139
William Floyd UFSD	02/2024	02/2028	244,714
Three Village CSD	03/2024	03/2028	253,199
Port Jefferson UFSD	04/2024	04/2028	90,912
Brentwood UFSD	05/2024	05/2028	94,603
Comsewogue UFSD	06/2024	06/2028	11,235
South Country CSD	06/2024	06/2028	38,475
Connetquot CSD	09/2024	08/2028	437,456
Central Islip UFSD	10/2024	09/2028	240,825
Miller Place UFSD	12/2024	12/2027	1,274
Comsewogue UFSD	05/2025	05/2029	15,456
East Islip UFSD	05/2025	05/2029	216,795
Total BOCES copiers			295,855
			<u>\$ 2,694,726</u>

Principal paid on the deferred payment plan debt agreements during the current year was \$1,132,364.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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The following is a summary of debt service requirements of deferred payment plan debt:

Fiscal Year Ended June 30,	Principal
2026	\$ 1,071,027
2027	900,844
2028	607,387
2029	115,468
	<u>\$ 2,694,726</u>

D) Long-Term Interest

Interest on long-term debt for the year was composed of:

Interest paid	\$ 700,322
Total expense	<u>\$ 700,322</u>

NOTE 11 – PENSION PLANS:

A) Plan Description and Benefits Provided:

Teachers' Retirement System

The BOCES participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability 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. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the TRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System

The BOCES participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
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System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The BOCES also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire.

B) Funding policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976, and before January 1, 2010
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 and before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System
 - a. Employees who joined the system on or after July 27, 1976, and before January 1, 2010
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 and before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012

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- i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31. The BOCES contribution rates for ERS' fiscal year ended March 31, 2025, ranged from 12.70% to 23.10% of covered payroll.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2025, was 10.11% of covered payroll.

The BOCES contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the BOCES' year end were:

	<u>NYSTRS</u>	<u>NYSERS</u>
2025	\$ 11,502,880	\$ 8,296,484
2024	\$ 10,024,649	\$ 6,771,052
2023	\$ 9,789,683	\$ 5,322,186

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

At June 30, 2025, the BOCES reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2025 for ERS and June 30, 2024 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The BOCES proportion of the net pension asset/(liability) was based on a projection of the BOCES long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the BOCES.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2025	June 30, 2024
Net pension asset/(liability)	\$ (26,929,198)	\$ 16,210,723
BOCES' portion of the Plan's total net pension asset/(liability)	0.1570607%	0.543326%
Change in proportionate since the prior measurement date	-0.0055479%	0.0256440%

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For the fiscal year ended June 30, 2025, the BOCES' recognized pension expense of \$6,462,678 and \$8,824,721 for ERS and TRS, respectively. At June 30, 2025 the BOCES reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 6,684,008	\$ 17,455,972	\$ 315,289	\$ -
Changes of assumptions	1,129,357	9,697,297		1,631,176
Net difference between projected and actual earnings on pension plan investments	2,112,790			18,011,494
Changes in proportion and difference between the BOCES' contributions and proportionate share of contributions	1,828,109	668,316	771,758	1,591,478
BOCES' contributions subsequent to the measurement date	<u>2,322,676</u>	<u>11,337,047</u>	<u>\$ 1,087,047</u>	<u>\$ 21,234,148</u>
	<u>\$ 14,076,940</u>	<u>\$ 39,158,632</u>		

BOCES contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2025	\$ -	\$ (8,460,032)
2026	5,182,411	19,809,792
2027	7,187,552	(3,411,444)
2028	(1,951,093)	(3,899,726)
2029	248,347	1,844,596
Thereafter	-	704,251
	<u>\$ 10,667,217</u>	<u>\$ 6,587,437</u>

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Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension asset/(liability) to the measurement date. The actuarial valuations used the following actuarial assumptions:

	ERS	TRS
Measurement date	March 31, 2025	June 30, 2024
Actuarial valuation date	April 1, 2024	June 30, 2023
Investment rate of return (net of pension plan investment expense, including inflation)	5.90%	6.95%
Salary increases	4.30%	1.95% - 5.18%
Cost of Living Adjustments	1.5% annually	1.3% annually
Decrement	April 1, 2015 - March 31, 2020 System's Experience	July 1, 2019 - June 30, 2023 System's Experience
Inflation	2.90%	2.40%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020, System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021, applied on a generational basis. Active member mortality rates are based on plan member experience.

For ERS, the actuarial assumptions used in the April 1, 2023, valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2022 valuation are based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2023.

For ERS, 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

For TRS, 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 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

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pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance.

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized below:

<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	March 31, 2025		June 30, 2024	
<u>Asset type</u>	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>expected real</u>	<u>Allocation</u>	<u>expected real</u>
		<u>rate of return</u>		<u>rate of return</u>
Domestic equity	25%	3.54%	33%	6.6%
International equity	14%	6.57%	15%	7.4%
Global equity			4%	6.9%
Private equity	15%	7.25%	9%	10.0%
Real estate	12%	4.95%	11%	6.3%
Opportunistic/ absolute return strategy	3%	5.25%		
Real assets	4%	5.55%		
Credit	4%	5.40%		
Cash	1%	0.25%		
Fixed income	22%	2.00%	16%	2.6%
Global bonds			2%	2.5%
High-yield bonds			1%	4.8%
Private debt			2%	5.9%
Real estate debt			6%	3.9%
Cash equivalents			1%	0.5%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.90% for ERS, and 2.40% for TRS.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the BOCES' proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the BOCES' proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9% for ERS and 5.95% for TRS) or 1-percentage-point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

<u>ERS</u>	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset/(liability)	<u>\$ (77,936,489)</u>	<u>\$ (26,929,198)</u>	<u>\$ 15,661,923</u>
 <u>TRS</u>	 1% Decrease (5.95%)	 Current Assumption (6.95%)	 1% Increase (7.95%)
Employer's proportionate share of the net pension asset/(liability)	<u>\$ (74,878,265)</u>	<u>\$ 16,210,723</u>	<u>\$ 92,819,006</u>

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective measurement dates, were as follows:

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2025	June 30, 2024
Employers' total pension liability	(\$247,600,239)	(\$142,837,827)
Plan Fiduciary Net Position	<u>230,454,512</u>	<u>145,821,435</u>
Employers' net pension asset/(liability)	<u>(\$17,145,727)</u>	<u>\$2,983,608</u>
 Ratio of plan fiduciary net position to the Employers' total pension liability	 93.08%	 102.09%

Payables to the Pension Plan

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, 2025 represent the projected employer contribution for the period of April 1, 2025 through

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June 30, 2025 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2025 amounted to \$2,322,676.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2025 are paid to the System in September, October and November 2025 through a state aid intercept, with a balance to be paid by the BOCES, if necessary. Accrued retirement contributions as of June 30, 2025 represent employee and employer contributions for the fiscal year ended June 30, 2025 based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2025 amounted to \$13,792,064.

NOTE 12 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The BOCES has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The BOCES is also required to make non-elective contributions of certain termination payments based on collectively bargained agreements, and payments based on certain non-aligned contract agreements. Contributions made by the BOCES and the employees for the fiscal year ended June 30, 2025 totaled \$3,407,213 and \$5,347,000, respectively.

B) Deferred Compensation Plan:

The BOCES has established a deferred compensation plan in accordance with Internal Revenue Code Section 457(b) for all eligible employees. The BOCES makes no contributions into this Plan. The amount deferred by eligible employees for the fiscal year ended June 30, 2025 totaled \$838,039.

NOTE 13 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description:

The BOCES' defined benefit other post-employment benefits plan (the "Plan") provides postemployment health insurance coverage to retired employees in accordance with the provisions of various employment contracts. The BOCES provides medical, medigap, and Medicare part B reimbursement (the healthcare plan) coverage to retired employees in accordance with employment contracts. No assets are accumulated in a trust that meets the criteria of GASB 75, paragraph 4.

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Benefits Provided

The Plan provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the BOCES' offices and are available upon request. Benefit terms provide for the BOCES to contribute between 75% and 100% of the premiums for individual and family coverage, and 0% of the premiums for surviving spouses. The BOCES recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments as accrued. For fiscal year 2025, the BOCES contributed an estimated \$34,039,936 the Plan, including \$34,039,936 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the BOCES to fund OPEB by any other means than the "pay as you go" method.

Employees Covered by Benefit Terms

At July 1, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2,761
Active employees	<u>2,137</u>
Total Members	<u><u>4,898</u></u>

Total OPEB Liability:

The BOCES' total OPEB liability of \$742,535,495 was measured as of June 30, 2025, and was determined by an actuarial valuation as of July 1, 2023. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases including inflation	2.40%
Discount rate	5.20%
Healthcare cost trend rate	6.7% for 2025, decreasing to an ultimate rate of 3.8% over 55 years

This discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index. Mortality rates were based on Pub-2010 Mortality Table generationally projected using Scale MP-2021 Ultimate, with employee rates before benefit commencement and healthy annuitant rates after benefit commencement.

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B) Changes in the Total OPEB Liability:

Balance as of June 30, 2024	<u>\$ 849,164,451</u>
Changes for the fiscal year:	
Service cost	28,437,844
Interest	33,827,331
Change in benefit terms	1,442,060
Difference between expected and actual experience	-
Changes of assumptions or other inputs	(136,296,255)
Benefit payments	<u>(34,039,936)</u>
Net Changes	<u>(106,628,956)</u>
Balance as of June 30, 2025	<u><u>\$ 742,535,495</u></u>

There were no significant plan changes since the last valuation.

The following assumptions were updated since the last full valuation:

The discount rate was changed from 3.93% at June 30, 2024 to 5.20% at June 30, 2025.

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 (4.20%) or 1-percentage point higher (6.20%) than the current discount rate:

	<u>1% Decrease (4.20%)</u>	<u>Discount Rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
Total OPEB liability	<u>\$ 846,802,064</u>	<u>\$ 742,535,495</u>	<u>\$ 657,052,438</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 trend rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$638,409,615</u>	<u>\$742,535,495</u>	<u>\$873,688,448</u>

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C) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OEPB:

For the fiscal year ended June 30 2025, the BOCES recognized OPEB expense of \$26,134,456. At June 30, 2025, the BOCES reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,022,702	\$ 68,359,216
Changes of assumptions or other inputs	39,218,373	194,585,205
	<u>\$ 55,241,075</u>	<u>\$ 262,944,421</u>

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

Fiscal Year ended June 30:

2026	\$ (48,012,003)
2027	(59,565,476)
2028	(47,066,468)
2029	(21,758,301)
2030	(22,782,583)
Thereafter	(8,518,515)
	<u>\$(207,703,346)</u>

NOTE 14 – RISK MANAGEMENT:

A) General Information:

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 commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

B) Consortiums and Self-Insured Plans:

The BOCES participates in a health benefit program for selected employees through the East End Health Plan, a consortium of school districts from the east end of Long Island. The benefit program's administrator is responsible for the approval, processing, and payment of claims. This is billed to the BOCES at an established rate based on the number of participants. The BOCES is responsible for contributions to cover their share of the benefits and administrative costs. The trust for the plan reports on a calendar year

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NOTES TO FINANCIAL STATEMENTS
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end. In the event the plan experiences a shortfall, a special assessment against participating districts may be imposed. The BOCES is not aware of any additional assessments related to claims incurred through June 30, 2025.

NOTE 15 – FUND BALANCES – ASSIGNED AND RESTRICTED:

Assigned Unappropriated or Restricted- Encumbered:

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2025, the BOCES encumbered the following amounts:

General Fund	
Administration	\$ 62,761
Occupational instruction	459,519
Instruction for special education	2,126,904
Itinerant services	532
General instruction	51,801
Instructional support	10,662
Other services	213,321
	<u>\$ 2,925,500</u>
Special Aid Fund	
Instruction for special education	<u>\$ 16,415</u>
Capital projects fund	
Capital projects	<u>\$ 1,697,482</u>

NOTE 16 – COMMITMENTS AND CONTINGENCIES:

A) Litigation:

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

B) Grants:

The BOCES has received grants, which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. The BOCES' administration believes that disallowances, if any, would be immaterial.

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C) Construction Commitments:

The BOCES has authorized various capital projects for a total of \$17,544,256. Through June 30, 2025 the BOCES has outstanding construction commitments of \$1,697,482.

NOTE 17 – RESTATEMENT OF NET POSITION:

During the year ended June 30, 2025, the BOCES implemented GASB Statement No. 101, *Compensated Absences*. The implementation of GASB Statement No. 101 (change in accounting principle) required the restatement of the beginning net position as of July 1, 2024. The cumulative effect of this change is summarized as follows:

	<u>Statement of Net Position</u>
Net Position (Deficit), Beginning of Year, as Reported	<u>\$ (809,947,103)</u>
Long-term liabilities	
Compensated absences payable	<u>(2,368,561)</u>
Total Long-Term Liabilities	<u>(2,368,561)</u>
Net Position (Deficit), Beginning of Year, as Restated	<u><u>\$ (807,578,542)</u></u>

NOTE 18 – SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes to financial statements. Management evaluated the activity of the BOCES through October 20, 2025 and concluded that there were no events which took place that would have a material impact on the financial statements.

SUPPLEMENTARY INFORMATION

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES					
Administration	\$ 60,618,151	\$ 57,933,024	\$ 57,551,586	\$ -	\$ (381,438)
Occupational Instruction	48,280,410	49,472,637	50,065,190		592,553
Instruction for special education	216,199,987	231,612,931	242,617,327		11,004,396
Itinerant services	8,234,657	8,771,306	6,985,753		(1,785,553)
General instruction	16,579,573	18,576,638	16,097,100		(2,479,538)
Instruction support	31,802,782	40,005,764	35,656,247		(4,349,517)
Other services	105,198,473	114,535,917	109,402,254		(5,133,663)
Internal services	5,202	2,713,155	464,036		(2,249,119)
TOTAL REVENUES	<u>486,919,235</u>	<u>523,621,372</u>	<u>518,839,493</u>		<u>(4,781,879)</u>
OTHER FINANCING SOURCES					
Net use/funding of reserves offset	-	-	1,450,057		1,450,057
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 486,919,235</u>	<u>\$ 523,621,372</u>	<u>520,289,550</u>	<u>-</u>	<u>\$ (3,331,822)</u>
EXPENDITURES					
Administration	\$ 53,353,356	\$ 50,936,320	\$ 46,717,441	\$ 62,761	\$ 4,156,118
Occupational instruction	48,280,410	49,472,637	44,816,712	459,519	4,196,406
Instruction for special education	216,199,987	231,612,930	214,111,115	2,126,904	15,374,911
Itinerant services	8,234,656	8,771,306	6,390,482	532	2,380,292
General instruction	16,579,573	18,576,638	15,665,375	51,801	2,859,462
Instructional support	29,503,861	37,706,844	31,866,634	10,662	5,829,548
Other services	102,684,364	112,021,808	102,233,643	213,321	9,574,844
Internal service	5,202	2,713,155	432,128		2,281,027
Debt service principal	8,471,655	8,471,655	8,471,655		-
Debt service interest	700,322	700,322	700,322		-
TOTAL EXPENDITURES	<u>484,013,386</u>	<u>520,983,615</u>	<u>471,405,507</u>	<u>2,925,500</u>	<u>46,652,608</u>
OTHER FINANCING USES					
Return of Surplus	-	-	45,302,672		(45,302,672)
Transfers to other funds	2,905,849	2,637,757	2,632,002		5,755
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 486,919,235</u>	<u>\$ 523,621,372</u>	<u>519,340,181</u>	<u>\$ 2,925,500</u>	<u>\$ 1,355,691</u>
Net Change in Fund Balance			949,369		
Fund Balance - Beginning of Year			73,362,305		
Fund Balance - End of Year			<u>\$ 74,311,674</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOCES' PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,*

NYSERS Pension Plan* (Dollar amounts displayed in thousands)										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension asset/(liability)	0.1570607%	0.1626086%	0.1473728%	0.1581562%	0.1477983%	0.1523899%	0.1542738%	0.1575942%	0.1570195%	0.1605447%
Proportionate share of the net pension asset/(liability)	\$ (26,929.2)	\$ (23,942.6)	\$ (31,602.7)	\$ 12,928.6	\$ (147.2)	\$ (40,353.7)	\$ (10,930.8)	\$ (5,086.3)	\$ (14,753.9)	\$ (25,767.9)
Covered-employee payroll	\$ 67,865.1	\$ 62,608.4	\$ 52,349.4	\$ 48,851.4	\$ 49,481.6	\$ 48,349.8	\$ 48,243.2	\$ 47,446.6	\$ 45,568.5	\$ 43,977.1
Proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	39.68%	38.24%	60.37%	26.47%	0.30%	83.46%	22.66%	10.72%	32.38%	58.59%
Plan fiduciary net position as a percentage of the total pension liability	93.08%	93.88%	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.60%
Discount rate	5.90%	5.90%	5.90%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%
NYSTRS Pension Plan* (Dollar amounts displayed in thousands)										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Proportion of the net pension asset/(liability)	0.5433260%	0.5176820%	0.5019500%	0.5106980%	0.5191830%	0.5336770%	0.5260950%	0.5263820%	0.5280410%	0.5167190%
Proportionate share of the net pension asset/(liability)	\$ 16,210.7	\$ (5,920.1)	\$ (9,631.9)	\$ 88,499.1	\$ (14,346.4)	\$ 13,865.0	\$ 9,513.2	\$ 4,001.0	\$ (5,655.5)	\$ 53,670.7
Covered-employee payroll	\$ 102,490.5	\$ 105,378.7	\$ 105,378.7	\$ 88,036.4	\$ 86,672.0	\$ 88,130.5	\$ 85,694.9	\$ 83,424.1	\$ 81,481.1	\$ 77,618.2
Proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	15.82%	5.62%	9.14%	100.53%	16.55%	15.73%	11.10%	4.80%	6.94%	69.15%
Plan fiduciary net position as a percentage of the total pension liability	102.09%	99.17%	98.60%	113.20%	97.80%	102.17%	101.53%	100.66%	99.01%	110.46%
Discount rate	6.95%	6.95%	6.95%	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%

*The amounts presented for each fiscal year were determined as of the measurement date of the plans.

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL
SERVICES REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF BOCES' PENSION CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan * (Dollar amounts displayed in thousands)										
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 8,296.5	\$ 6,771.0	\$ 6,376.3	\$ 7,587.5	\$ 6,663.5	\$ 6,722.8	\$ 6,832.4	\$ 6,935.0	\$ 6,793.1	\$ 8,181.8
Contributions in relation to the contractually required contribution	8,296.5	6,771.0	6,376.3	7,587.5	6,663.5	6,722.8	6,832.4	6,935.0	6,793.1	8,181.8
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES covered-employee payroll	\$ 70,448.2	\$ 62,972.3	\$ 52,349.4	\$ 48,851.4	\$ 49,841.6	\$ 48,349.9	\$ 48,243.2	\$ 47,446.6	\$ 45,568.5	\$ 43,977.1
Contributions as a percentage of covered payroll	11.78%	10.75%	12.18%	15.53%	13.37%	13.90%	14.16%	14.62%	14.91%	18.60%

NYSTRS Pension Plan * (Dollar amounts displayed in thousands)										
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 11,502.9	\$ 10,024.6	\$ 9,789.7	\$ 8,627.6	\$ 8,259.8	\$ 7,808.4	\$ 8,398.1	\$ 9,777.3	\$ 10,804.4	\$ 13,606.5
Contributions in relation to the contractually required contribution	11,502.9	10,024.6	9,789.7	8,627.6	8,259.8	7,808.4	8,398.1	9,777.3	10,804.4	13,606.5
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
BOCES covered-employee payroll	\$ 112,137.0	\$ 102,490.5	\$ 105,378.7	\$ 88,036.4	\$ 88,672.0	\$ 86,672.0	\$ 85,694.9	\$ 83,424.1	\$ 81,481.2	\$ 77,618.2
Contributions as a percentage of covered payroll	10.26%	9.78%	9.29%	9.80%	9.32%	9.01%	9.80%	11.72%	13.26%	17.53%

EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN BOCES' TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,

TOTAL OPEB LIABILITY

* (Dollar amounts displayed in thousands)

	2025	2024	2023	2022	2021	2020	2019
Service cost	\$ 28,438	\$ 30,012	\$ 26,234	\$ 33,573	\$ 41,573	\$ 28,345	\$ 21,870
Interest	33,827	30,879	27,683	22,626	22,718	30,874	30,953
Changes of demographic gains and losses	-	22,562	-	(150,124)	-	(75,244)	-
Changes of benefit terms	1,442	-	-	1,561	(16,571)	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-
Changes of assumptions or other inputs	(136,296)	(33,957)	36,872	(137,649)	8,113	177,199	48,732
Benefit payments	(34,040)	(32,375)	(28,769)	(27,665)	(28,855)	(28,205)	(23,298)
NET CHANGE IN TOTAL OPEB LIABILITY	(106,629)	17,121	62,020	(257,678)	26,978	132,969	78,257
TOTAL OPEB LIABILITY - BEGINNING	849,164	832,043	770,023	1,027,701	1,000,722	867,753	789,496
TOTAL OPEB LIABILITY - ENDING	\$ 742,535	\$ 849,164	\$ 832,043	\$ 770,023	\$ 1,027,700	\$ 1,000,722	\$ 867,753
COVERED-EMPLOYEE PAYROLL	\$ 142,144	\$ 142,144	\$ 128,001	\$ 128,001	\$ 126,614	\$ 126,614	\$ 127,416
TOTAL OPEB LIABILITY AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	522.38%	597.40%	650.03%	601.58%	811.68%	790.37%	681.04%

NOTES TO SCHEDULE:

Changes of Assumptions

Changes of assumptions or other inputs reflect the effects of changes in the discount rate each period.

The following are the discount rates used in each period:

5.20%	3.93%	3.65%	3.54%	2.16%	2.21%	3.50%
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The BOCES' net OPEB liability is not funded. Therefore, the liability is the net position of the plan. The BOCES currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

The healthcare trend costs are 6.7% for 2025, decreasing to an ultimate rate of 3.8% over 55 years.

Plan Assets - No assets are accumulated in a trust 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

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
OTHER SUPPLEMENTARY INFORMATION
ANALYSIS OF ACCOUNT A431 AND A431-80 SCHOOL DISTRICTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

July 1, 2024 - Debit (Credit) Balance	\$ 53,116,300
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Debits

Billings to School Districts	462,863,989
Refund of Balances Due to School Districts	35,815,633
Adjustment - Credit to School Districts	
Expenditures in Excess of Revenues	500,688
Encumbrances - End of Year	2,925,500

Total Debits	502,105,810
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Credits

Collections from School Districts	461,754,995
Revenues in Excess of Expenditures	45,302,672
Encumbrances - Beginning of Year	3,426,188
Other Adjustments - Beginning of Year	-

Total Credits	510,483,855
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June 30, 2025 - Debit (Credit) Balance	\$ 44,738,255
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Breakdown of A431 and A380 Debit Balance

Receivables from Districts-A431	\$ 90,040,927
Surplus Payable to Districts-Credit	(45,302,672)

Net Receivable from Districts - Debit	\$ 44,738,255
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**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL
SERVICES OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Project Name	Authorized Budget June 30, 2024	Authorized Budget June 30, 2025	Expenditures and Transfers to Date			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2025
			Prior Years Expenses	Current Year Expenses	Total		Proceeds of Obligations	Local Sources	Total	
MTC Doors and Hardware upgrades	\$ 220,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
BTC Doors and Hardware upgrades	220,000	-	-	-	-	-	-	-	-	-
HB Ward Bldg #2 Electric Service Exterior	96,000	96,000	-	72,101	72,101	23,899	-	96,000	96,000	23,899
Security Camera Upgrades Agency Wide	311,868	311,289	257,698	53,591	311,289	-	-	311,289	311,289	-
ICC Faculty Room Partition Replacement	-	175,927	-	175,927	175,927	-	-	175,927	175,927	-
HBW Chimney Reconstruction	-	115,005	-	-	-	115,005	-	115,005	115,005	115,005
HBW Welding Shop	-	2,377,256	-	142,520	142,520	2,234,736	-	2,377,256	2,377,256	2,234,736
BTC Roof Replacement B&C Wings Phase 1	-	3,335,492	-	-	-	3,335,492	-	3,335,492	3,335,492	3,335,492
HAC HR Renovations	-	1,154,866	-	-	-	1,154,866	-	1,154,866	1,154,866	1,154,866
BTC Roof Replacement B&C Wings Phase 2	-	615,870	-	-	-	615,870	-	615,870	615,870	615,870
Capital Projects- Greenhouse	232,898	232,898	137,258	-	137,258	95,640	-	232,898	232,898	95,640
James Hines HVAC	2,288,195	2,288,195	1,081,932	-	1,081,932	1,206,263	-	2,288,195	2,288,195	1,206,263
James Hines Roof	815,545	35,545	35,545	-	35,545	-	-	35,545	35,545	-
BTC Flooring Project	1,110,000	327,762	327,762	-	327,762	-	-	327,762	327,762	-
MTC Flooring Project	890,000	403,468	403,468	-	403,468	-	-	403,468	403,468	-
HBW Roof Shingles	93,000	147,063	2,416	144,647	147,063	-	-	147,063	147,063	-
MTC Welding Shop HVAC	1,294,020	1,294,020	49,382	253,055	302,437	991,583	-	1,294,020	1,294,020	991,583
MTC Building Management Systems	75,000	75,000	30,126	-	30,126	44,874	-	75,000	75,000	44,874
BTC Building Management Systems	150,000	150,000	114,296	-	114,296	35,704	-	150,000	150,000	35,704
Capital Projects- Unallocated	4,944,238	2,412,175	-	-	-	2,412,175	-	2,412,175	2,412,175	2,412,175
Career Education	1,935,723	1,996,425	619,559	-	619,559	1,376,866	-	1,996,426	1,996,426	1,376,867
Proceeds of debt and leases	-	8,597,862	-	8,597,862	8,597,862	-	8,597,862	-	8,597,862	-
	<u>\$14,676,487</u>	<u>\$ 26,142,118</u>	<u>\$ 3,059,442</u>	<u>\$ 9,439,703</u>	<u>\$ 12,499,145</u>	<u>\$ 13,642,973</u>	<u>\$ 8,597,862</u>	<u>\$ 17,544,257</u>	<u>\$26,142,119</u>	<u>\$ 13,642,974</u>

**EASTERN SUFFOLK BOARD OF COOPERATIVE EDUCATIONAL SERVICES
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2025**

Capital assets, net		\$ 92,425,048
Intangible lease assets, net		13,595,227
Subscription assets, net		2,287,184
Deduct:		
Capital-related accounts payable	\$ 51,852	
Short-term portion of lease liability	3,364,329	
Long-term portion of lease liability	11,006,239	
Short-term portion of subscription liability	401,017	
Long-term portion of subscription liability	867,244	
Short-term portion of installment purchase debt	2,179,885	
Long-term portion of installment purchase debt	4,100,566	
Short-term portion of deferred payment plan debt	1,071,027	
Long-term portion of deferred payment plan debt	<u>1,623,699</u>	<u>24,665,858</u>
Net investment in capital assets		<u><u>\$ 83,641,601</u></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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Eastern Suffolk Board of Cooperative Educational Services (the "BOCES"), as of and for the fiscal year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the BOCES' basic financial statements, and have issued our report thereon dated October 15, 2025.

Report on Internal Control over Financial Reporting

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

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

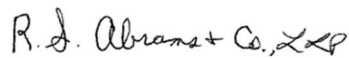
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in dark ink that reads "R.S. Abrams & Co., LLP". The signature is written in a cursive, flowing style.

R.S. Abrams & Co., LLP
Islandia, New York
October 20, 2025