

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

# SMITHTOWN CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Smithtown Central School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of Smithtown Central School District (the "District"), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the District, as of June 30, 2021, 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.

***Emphasis of Matter***

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

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## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total other post-employment benefits liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 and 66 through 70, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 8, 2021 on our consideration of the District's 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 District's 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 District's internal control over financial reporting and compliance.

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
October 8, 2021

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The following is a discussion and analysis of the Smithtown Central School District’s (the “District”) financial performance for the fiscal year ended June 30, 2021. This section is a summary of the District’s financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District’s financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2021 are as follows:

- On the District-Wide Financial Statements, revenues increased by 0.93% mainly due to an increase in real property taxes, offset by a decrease in charges for services and use of money and property.
- On the District-Wide Financial Statements, expenses increased by 4.85% as a result of increases in general support, instruction, and pupil transportation.
- The District’s total net position, as reflected in the District-Wide Financial Statements, decreased by \$31,322,344. This was due to expenses exceeding revenues based on the accrual basis of accounting.
- The District’s total net position and fund balance at June 30, 2020 was restated and increased by \$537,783, which was due to the required implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year.
- On the Fund Financial Statements, the District’s fund balance in the general fund increased by \$4,110,878 due to revenues exceeding expenditures and other financing uses based on the modified accrual basis of accounting.
- The District was previously notified by the State of \$7,645,645 in building aid restoration receivable. Funds in the amount of \$3,677,148 were received as of June 30, 2021, leaving a receivable balance of \$3,968,497 to be paid by the State when funds become available. These transactions were recognized as revenue in the District-Wide Financial statements but are deferred inflows of resources in the Fund Financial Statements.
- On May 18, 2021, the proposed 2021-22 budget in the amount of \$262,319,665 was authorized by the District’s residents.
- The Federal Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law on March 27, 2020 to help address the economic effects of the coronavirus pandemic. Regarding local governments and school districts, the CARES Act is primarily focused on helping these entities fund unanticipated expenditures incurred due to the pandemic. In the 2020-21 school year, the District received CARES Act - ESSER funding in the amount of \$234,686, as well as CARES Act - GEER funding in the amount of \$39,775. These revenues are included in the general fund.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

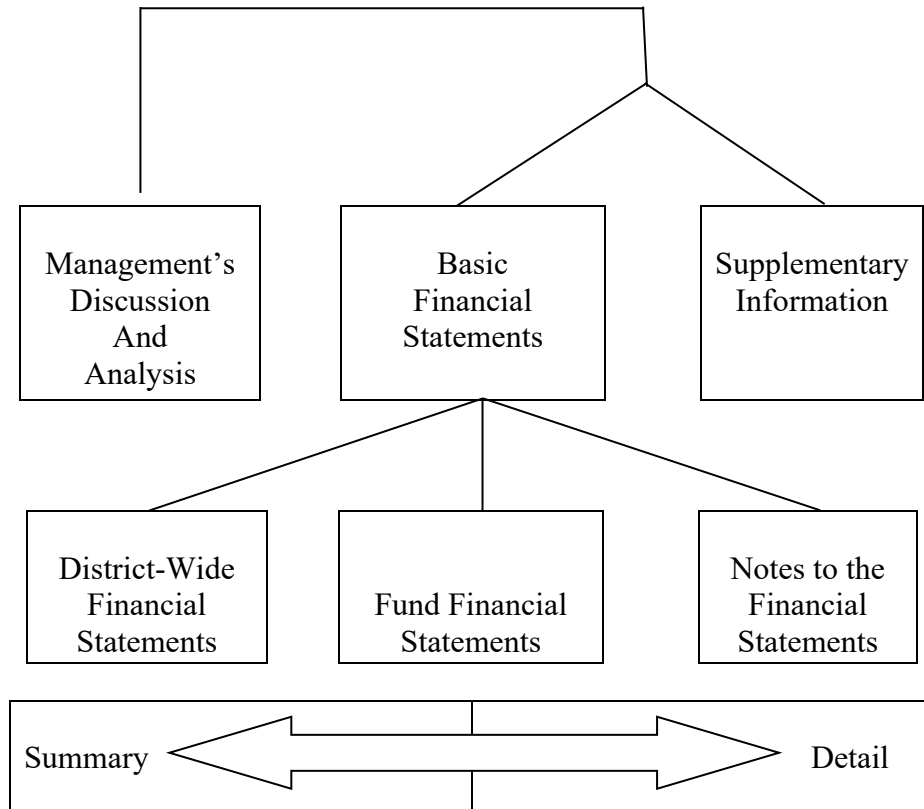
This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
  - 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.
  - *Fiduciary Fund Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others, including the employees of District.

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 District’s budget for the year. The following table shows how the various parts of this annual report are arranged and related to one another.

Organization of the District’s Annual Financial Report



**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The following table summarizes the major features of the District’s basic financial statements, including the portion of the District’s 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.

Major Features of the District-Wide and Fund Financial Statements

|  | District-Wide Financial Statements   | Fund Financial Statements   |   |
|--|--|---|---|
|  |  | Governmental  | Fiduciary   |
| Scope  | Entire entity (except fiduciary funds)   | The day-to-day operating activities of the District, such as special education and instruction  | Instances in which the District administers resources on behalf of others, such as employee benefits  |
| Required financial statements  | <ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>                                 | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>   |
| Accounting basis and measurement focus   | Accrual accounting and economic resources measurement focus  | Modified accrual and current financial resources measurement focus  | Accrual accounting and economic resources focus   |
| Type of asset/deferred outflows of resources/liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term | Generally 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 year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any), both short-term and long-term; these funds do not currently contain capital assets, although they can |
| Type of inflow and outflow information   | All revenues and expenses during the year; regardless of when cash is received or paid   | Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable   | All additions and deductions during the year, regardless of when cash is received or paid   |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**A) District-Wide Financial Statements:**

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

The two District-Wide Financial Statements report the District's net position and how they have 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 financial health or position of the District.

- 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 District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase 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 is not calculated as it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-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;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation 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* are those 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; and
  - *Unrestricted net position* includes net amounts that do not meet any of the above restrictions.



**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**B) Fund Financial Statements:**

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District 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 District has two kinds of funds:

- *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 year-end that are available for spending. Consequently, the Governmental Fund Financial 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 District. Because this information does not encompass the additional long-term focus of the District-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.
- *Fiduciary fund:* The District is the trustee or *fiduciary* for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position. This fund reports certain retiree benefits offered to retirees through Section 41(j) of the New York Retirement and Social Security Law (RSSL), as well as employee flex spending accounts administered by a third party.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A) Net Position:**

Current assets and other assets, other liabilities, restricted net position, and unrestricted net position for 2020 have been restated for the implementation of GASB Statement No. 84, *Fiduciary Activities*. This Statement eliminates the trust and agency and the private purpose trust funds and now records those activities in the general fund, miscellaneous special revenue fund, and custodial fund. See Footnote 20 for further information.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|                              | As Restated<br>2020 | As Reported<br>2020 | Increase<br>(Decrease) |
|------------------------------|---------------------|---------------------|------------------------|
| Current and other assets     | \$ 86,411,063       | \$ 85,727,011       | \$ 684,052             |
| Other liabilities            | 21,792,244          | 21,645,975          | 146,269                |
| Net position                 |                     |                     |                        |
| Restricted                   | 42,207,168          | 42,078,342          | 128,826                |
| Unrestricted (deficit)       | (311,946,348)       | (312,355,305)       | 408,957                |
| Total net position (deficit) | (177,752,189)       | (178,289,972)       | 537,783                |

The District's net position decreased by \$31,322,344 in the fiscal year ended June 30, 2021 as detailed below.

Condensed Statement of Net Position-Governmental Activities

|  | Fiscal Year<br>2021    | As Restated<br>Fiscal Year<br>2020 | Increase/<br>(Decrease) | Total<br>Percentage<br>Change |
|--|------------------------|------------------------------------|-------------------------|-------------------------------|
| Current assets and other assets                        | \$80,617,412           | \$86,411,063                       | (\$5,793,651)           | (6.70%)                       |
| Capital assets, net                                    | 148,918,232            | 146,673,988                        | 2,244,244               | 1.53%                         |
| Net pension asset - proportionate share                |                        | 15,369,194                         | (15,369,194)            | (100.00%)                     |
| Deferred outflows of resources                         | 171,688,823            | 141,383,381                        | 30,305,442              | 21.43%                        |
| Total Assets and deferred outflows<br>of resources     | <u>401,224,467</u>     | <u>389,837,626</u>                 | <u>11,386,841</u>       | 2.92%                         |
| Other liabilities                                      | 20,342,012             | 21,792,244                         | (1,450,232)             | (6.65%)                       |
| Long-term liabilities                                  | 532,238,345            | 487,356,580                        | 44,881,765              | 9.21%                         |
| Deferred inflows of resources                          | 57,718,642             | 58,440,991                         | (722,349)               | (1.24%)                       |
| Total Liabilities and deferred<br>inflows of resources | <u>610,298,999</u>     | <u>567,589,815</u>                 | <u>42,709,184</u>       | 7.52%                         |
| Net Position   |                        |                                    |                         |                               |
| Net investment in capital assets                       | 102,917,778            | 91,986,991                         | 10,930,787              | 11.88%                        |
| Restricted   | 41,782,568             | 42,207,168                         | (424,600)               | (1.01%)                       |
| Unrestricted (deficit)                                 | (353,774,879)          | (311,946,348)                      | (41,828,531)            | (13.41%)                      |
| Total Net Position (deficit)                           | <u>(\$209,074,533)</u> | <u>(\$177,752,189)</u>             | <u>(\$31,322,344)</u>   | (17.62%)                      |

Current assets and other assets decreased by \$5,793,651 from prior year primarily due to a decrease in cash and cash equivalents offset by an increase in due from other governments. Capital assets, net of depreciation, increased by \$2,244,244. This was primarily attributable to current year additions exceeding annual depreciation. The District's net pension asset for the Teachers' Retirement System decreased by \$15,369,194 as a result of the actuarial valuation provided by the State. The change in deferred outflows of resources represents amortization of the deferred charge on refunding, as

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

discussed in Note 13, amortization of pension related items, as well as the change in the District's contributions to the plans subsequent to the measurement date, as discussed in Note 14, as well as the amortization of deferred outflows related to the total other post-employment benefits obligation, as discussed in Note 16.

Other liabilities decreased by \$1,450,232. This was primarily attributable to a decrease in accounts payable, partially offset by increases in due to teachers' retirement system, and due to other governments. Long-term liabilities increased by \$44,881,765, which was primarily attributable to increases in the total other post-employment benefits obligation and net pension liability- proportionate share – teachers' retirement system offset by decreases in net pension liability – proportionate share-employees' retirement system and bonds payable due to repayment of principal. The change in deferred inflows of resources represents amortization of pension related items, as discussed in Note 14, and the amortization of deferred inflows related to the total other post-employment benefits obligation, as discussed in Note 16.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings and improvements, and furniture and equipment, net of depreciation and related debt. This number increased from the prior year by \$10,930,787 due to capital asset additions and a reduction in the related outstanding debt, offset by depreciation expense.

The restricted net position at June 30, 2021, relates to the District's reserves and restricted amounts for scholarships and donations. Restricted net position decreased by \$424,600 primarily due decreases in the capital projects reserve and amounts restricted for scholarships and donations, offset by current year funding of the retirement contribution reserves for both the employees' retirement system (ERS) and the teachers' retirement system (TRS).

The unrestricted net deficit at June 30, 2021 of \$353,774,879 relates to the balance of the District's net position. The unrestricted net deficit increased by \$41,828,531.

**B) Changes in Net Position:**

Prior year revenues for charges for services, grants and contributions, and use of money and property, as well as instructional expenses were increased due to the implementation of GASB Statement No. 84, *Fiduciary Activities*.

|                                    | As Restated<br>2020 | As Reported<br>2020 | Increase<br>(Decrease) |
|------------------------------------|---------------------|---------------------|------------------------|
| Revenues                           |                     |                     |                        |
| Charges for services               | \$ 4,605,842        | \$ 3,534,993        | \$ 1,070,849           |
| Operating grants and contributions | 5,247,268           | 5,226,297           | 20,971                 |
| Use of money and property          | 1,080,758           | 1,080,439           | 319                    |
| Expenses                           |                     |                     |                        |
| Instruction                        | 226,854,876         | 225,784,269         | 1,070,607              |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The results of operations as a whole are reported in the Statement of Activities. A summary of this Statement for the years ended June 30, 2021 and 2020 is as follows:

Change in Net Position from Operating Results

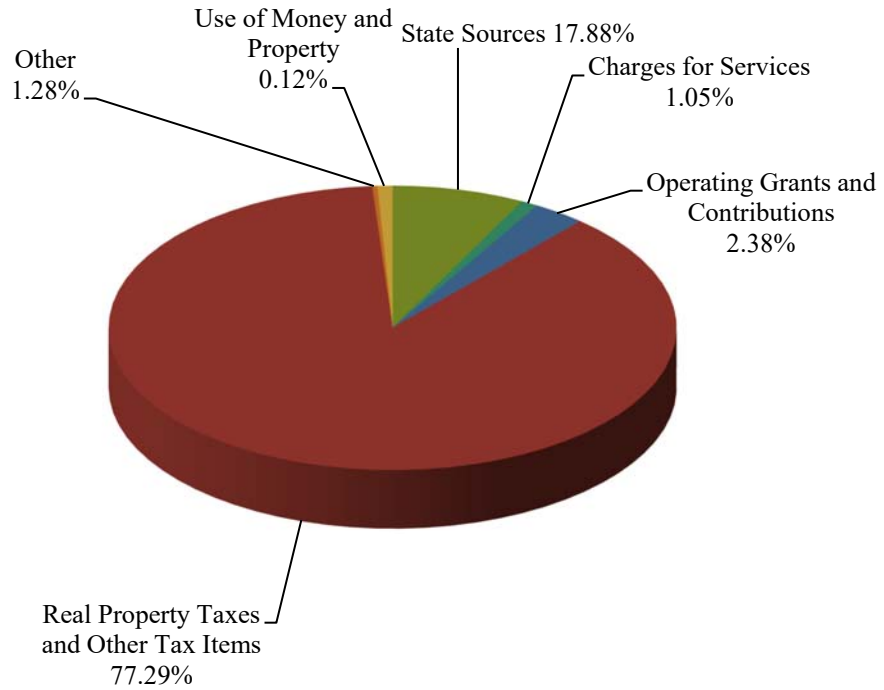
|   | Fiscal Year<br>2021   | As Restated<br>Fiscal Year<br>2020 | Increase<br>(Decrease) | Percentage<br>Change |
|---|-----------------------|------------------------------------|------------------------|----------------------|
| <b>Revenues</b>                         |                       |                                    |                        |                      |
| <b>Program Revenues</b>                 |                       |                                    |                        |                      |
| Charges for services                    | \$2,755,911           | \$4,605,842                        | (\$1,849,931)          | (40.16%)             |
| Operating grants and contributions      | 6,222,402             | 5,247,268                          | 975,134                | 18.58%               |
| <b>General Revenues</b>                 |                       |                                    |                        |                      |
| Real property taxes and other tax items | 202,273,850           | 198,623,985                        | 3,649,865              | 1.84%                |
| State sources                           | 46,793,839            | 46,804,483                         | (10,644)               | (0.02%)              |
| Use of money and property               | 314,356               | 1,080,758                          | (766,402)              | (70.91%)             |
| Other                                   | 3,360,683             | 2,956,452                          | 404,231                | 13.67%               |
| Total Revenues                          | <u>261,721,041</u>    | <u>259,318,788</u>                 | <u>2,402,253</u>       | 0.93%                |
| <b>Expenses</b>                         |                       |                                    |                        |                      |
| General support                         | 35,390,049            | 34,149,138                         | 1,240,911              | 3.63%                |
| Instruction                             | 235,440,297           | 226,854,876                        | 8,585,421              | 3.78%                |
| Pupil transportation                    | 17,584,678            | 13,913,703                         | 3,670,975              | 26.38%               |
| Debt service - interest                 | 2,241,281             | 2,143,121                          | 98,160                 | 4.58%                |
| Food service program                    | 2,387,080             | 2,428,428                          | (41,348)               | (1.70%)              |
| Total Expenses                          | <u>293,043,385</u>    | <u>279,489,266</u>                 | <u>13,554,119</u>      | 4.85%                |
| Total Change in Net Position            | <u>(\$31,322,344)</u> | <u>(\$20,170,478)</u>              | <u>(\$11,151,866)</u>  | 55.29%               |

The District's fiscal year 2021 revenues totaled \$261,721,041. Real property taxes (including other tax items) and state sources accounted for most of the District's revenue by contributing 77.29% and 17.88%, respectively of total revenues. The remainder came from fees charged for services, operating grants and contributions, use of money and property, and other miscellaneous sources. Total revenues increased by \$2,402,253 or 0.93%. This was primarily attributable to increases in real property taxes and other tax items, and operating grants and contributions, offset by a decrease in charges for services and use of money and property.

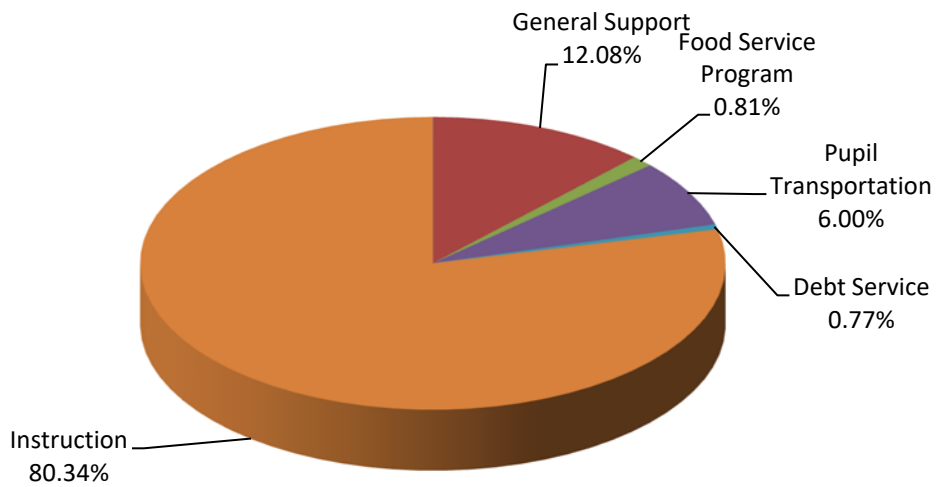
The cost of all programs and services totaled \$293,043,385 for fiscal year 2021. These expenditures are predominantly related to general instruction and transporting students, which account for 86.34% of District expenses. The District's general support activities accounted for 12.08% of total costs. Total expenses increased by \$13,554,119 or 4.85%. This was primarily attributable to increases in general support, instruction, and pupil transportation.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Revenues for Fiscal Year 2021



Expenses for Fiscal Year 2021



**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Variances between years for the Governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's 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 debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2021, the District's combined governmental funds reported a total fund balance of \$56,666,942 which is a decrease of \$3,555,992 from the prior year. Fund balance for 2020 was restated to include a miscellaneous special revenue fund for scholarships and donations and extraclassroom activities due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. See Footnote 20.

A summary of the changes in fund balance for all funds are as follows:

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|  | Fiscal Year<br>2021 | As Restated<br>Fiscal Year<br>2020 | Increase/<br>(Decrease) | Total<br>Percentage<br>Change |
|--|---------------------|------------------------------------|-------------------------|-------------------------------|
| <b>General Fund</b>  |                     |                                    |                         |                               |
| Nonspendable   | \$100,000           | \$123,858                          | \$ (23,858)             | (19.26%)                      |
| Restricted for employee benefit<br>accrued liability           | 14,215,315          | 13,881,894                         | 333,421                 | 2.40%                         |
| Restricted for retirement contribution - ERS                   | 14,732,239          | 12,579,971                         | 2,152,268               | 17.11%                        |
| Restricted for retirement contribution - TRS                   | 5,877,388           | 3,875,128                          | 2,002,260               | 51.67%                        |
| Restricted for workers' compensation                           | 3,226,546           | 2,939,344                          | 287,202                 | 9.77%                         |
| Restricted for liability                                       | 596,425             | 596,077                            | 348                     | 0.06%                         |
| Restricted for insurance                                       | 1,861,838           | 1,955,945                          | (94,107)                | (4.81%)                       |
| Restricted for unemployment insurance                          | 40,372              | 40,349                             | 23                      | 0.06%                         |
| Assigned for general support                                   | 2,207,084           | 859,174                            | 1,347,910               | 156.88%                       |
| Assigned for instructional                                     | 226,329             | 500,491                            | (274,162)               | (54.78%)                      |
| Assigned - appropriated for subsequent<br>years expenditures   | 1,500,000           | 3,478,395                          | (1,978,395)             | (56.88%)                      |
| Unassigned   | 10,484,109          | 10,126,141                         | 357,968                 | 3.54%                         |
| <b>Total Fund Balance - General Fund</b>                       | <u>55,067,645</u>   | <u>50,956,767</u>                  | <u>4,110,878</u>        | 8.07%                         |
| <b>School Lunch Fund</b>                                       |                     |                                    |                         |                               |
| Nonspendable: inventory  | 57,638              | 113,597                            | (55,959)                | (49.26%)                      |
| Assigned - unappropriated                                      | -                   | 54,286                             | (54,286)                | (100.00%)                     |
| <b>Total Fund Balance - School Lunch Fund</b>                  | <u>57,638</u>       | <u>167,883</u>                     | <u>(110,245)</u>        | (65.67%)                      |
| <b>Miscellaneous Special Revenue Fund</b>                      |                     |                                    |                         |                               |
| Assigned - extraclassroom activities                           | 309,214             | 408,957                            | (99,743)                | (24.39%)                      |
| Restricted for scholarships and donations                      | 112,534             | 128,826                            | (16,292)                | (12.65%)                      |
| <b>Total Fund Balance - Miscellaneous Special Revenue Fund</b> | <u>421,748</u>      | <u>537,783</u>                     | <u>(116,035)</u>        | (21.58%)                      |
| <b>Capital Projects Fund</b>                                   |                     |                                    |                         |                               |
| Restricted for capital projects                                | 1,119,911           | 6,209,634                          | (5,089,723)             | (81.96%)                      |
| Restricted - unspent energy performance debt proceeds          | -                   | 2,350,867                          | (2,350,867)             | (100.00%)                     |
| <b>Total Fund Balance - Capital Projects Fund</b>              | <u>1,119,911</u>    | <u>8,560,501</u>                   | <u>(7,440,590)</u>      | (86.92%)                      |
| <b>Total Fund Balance - All Funds</b>                          | <u>\$56,666,942</u> | <u>\$60,222,934</u>                | <u>(3,555,992)</u>      | (5.90%)                       |

The District can attribute changes to fund balances and reserves primarily due to operating results and Board and voter approved transfers.

**A) General Fund:**

The fund balance in the general fund increased \$4,110,878. Revenues increased \$4,526,732 or 1.80% compared to the prior year, primarily due to increases in real property taxes and state sources, offset by decreases in other tax items and use of money and property.

Expenditures and other financing uses increased by \$7,988,191 or 3.28% compared to the prior year, primarily due to increases in pupil transportation and employee benefits expenditures.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**B) School Lunch Fund:**

The fund balance in the school lunch fund decreased \$110,245. This is attributable to the operating loss for the current year, partially offset by an interfund transfer from general fund.

**C) Miscellaneous Special Revenue Fund:**

The fund balance in the miscellaneous special revenue fund decreased \$116,035. This decrease is due to a reduction in the balance for extraclassroom, coupled with an excess of scholarships awarded over scholarship donations received.

**D) Capital Projects Fund:**

The fund balance in the capital projects fund decreased \$7,440,590. This decrease is due to the current year’s capital outlay for various projects during 2020-2021.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2020-2021 Budget:**

The District’s general fund adopted budget for the year ended June 30, 2021 was \$255,203,276. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,359,665 and budget revisions in the amount of \$889,506, which resulted in a final budget of \$257,452,447. The majority of the funding was real property taxes and other tax items of \$202,212,130.

**B) Change in General Fund’s Unassigned Fund Balance (Budget to Actual):**

The general fund’s unassigned fund balance is a component to total fund balance that is the residual of prior years’ excess revenues over expenditures, net of transfers to reserves and assignments to fund subsequent years’ budgets. It is this balance that is commonly referred to as “Fund Balance”. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

|   |                            |
|---|----------------------------|
| Opening unassigned fund balance                 | \$10,126,141               |
| Revenues over budget                            | 4,361,648                  |
| Expenditures and encumbrances under budget      | 3,223,383                  |
| Funding of reserves                             | (5,730,000)                |
| Interest allocated to reserves                  | (20,921)                   |
| Assigned, appropriated for June 30, 2022 budget | (1,500,000)                |
| Decrease in non-spendable fund balance          | 23,858                     |
| Closing unassigned fund balance                 | <u><u>\$10,484,109</u></u> |

The opening unassigned fund balance of \$10,126,141 is the June 30, 2020 unassigned fund balance.



**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The revenues over budget in the amount of \$4,361,648 were primarily attributable to revenues over budget for miscellaneous revenue and State sources, partially offset by revenues under budget for use of money and property and charges for services (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget in the amount of \$3,223,383 were primarily attributable to the following expenditures: central services and instruction (see Supplemental Schedule #1 for detail).

The District funded the reserves in the amount of \$5,730,000 as follows: the ERS reserve was funded \$2,300,000, the workers' compensation reserve was funded \$950,000, the employee benefit accrued liability reserve was funded \$480,000, and the TRS reserve was funded \$2,000,000.

The District had a budget revision to reduce the use of the unemployment insurance reserve in the amount of \$15,000, and ultimately used no funds from the unemployment insurance reserve. The District also had budget revisions as follows to utilize the respective reserves: insurance reserve \$95,247, ERS reserve \$155,070, and employee benefit accrued liability reserve \$154,676. In addition, the District had a budget revision of \$499,513 for the workers' compensation reserve, to increase the amount of the reserve used to \$664,513.

Interest of \$20,921 was allocated to reserves as follows: \$1,715 to the workers' compensation reserve, \$23 to the unemployment insurance reserve, \$1,140 to the insurance reserve, \$8,097 to the employee benefit accrued liability reserve, \$348 to the liability reserve, \$7,338 to the ERS reserve, and \$2,260 to the TRS reserve.

The assigned, appropriated fund balance of \$1,500,000 for the June 30, 2022 budget is the amount the District has chosen to use to partially fund its operating budget for 2021-22.

The District closed the 2020-2021 fiscal year with \$10,484,109 in unassigned fund balance. NYS Real Property Tax Law § 1318 restricts this number to an amount not greater than 4% of the District's budget for the ensuing fiscal year. The District's unassigned fund balance is within the legal limit.

## **6. CAPITAL ASSET AND DEBT ADMINISTRATION**

### **A) Capital Assets:**

The District paid for furniture and equipment, vehicles, and various additions and renovations during fiscal year 2021. A summary of the District's capital assets, net of depreciation is as follows:

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

| Category                          | Fiscal Year<br>2021         | Fiscal Year<br>2020         | Increase<br>(Decrease)    | Percentage<br>Change |
|-----------------------------------|-----------------------------|-----------------------------|---------------------------|----------------------|
| Land                              | \$1,079,177                 | \$1,079,177                 | \$ -                      | 0.00%                |
| Construction in progress          | 10,268,721                  | 28,175,178                  | (17,906,457)              | (63.55%)             |
| Buildings & building improvements | 242,872,999                 | 217,525,952                 | 25,347,047                | 11.65%               |
| Land improvement                  | 7,940,830                   | 7,940,830                   | -                         | 0.00%                |
| Furniture & equipment             | 12,085,387                  | 11,771,126                  | 314,261                   | 2.67%                |
| Vehicles                          | 1,992,858                   | 1,968,439                   | 24,419                    | 1.24%                |
| Subtotal                          | <u>276,239,972</u>          | <u>268,460,702</u>          | <u>7,779,270</u>          | 2.90%                |
| Less: Accumulated Depreciation    | <u>127,321,740</u>          | <u>121,786,714</u>          | <u>5,535,026</u>          | 4.54%                |
| Total Net Capital Assets          | <u><u>\$148,918,232</u></u> | <u><u>\$146,673,988</u></u> | <u><u>\$2,244,244</u></u> | 1.53%                |

The District spent \$424,084 in the general fund on furniture and equipment and vehicle purchases, and \$7,440,590 in the capital projects fund on capital outlay during the year. The District also had \$5,620,430 in depreciation expense and loss on disposal. See Note 9 to the financial statements for detail.

**B) Long-Term Debt:**

At June 30, 2021, the District had energy performance contract payable of \$20,646,955, and bonds payable inclusive of premiums of \$25,950,330. The decreases in both energy performance contract and serial bonds is due to principal payments made during the year. More detailed information about the District's long-term debt is presented in the Note 12 to the financial statements.

A summary of outstanding debt at June 30, 2021 and 2020 is as follows:

|  | 2021                       | 2020                       | Increase<br>(Decrease)       |
|--|----------------------------|----------------------------|------------------------------|
| Energy performance contract                      | <u>\$20,646,955</u>        | <u>\$22,301,770</u>        | <u>(\$1,654,815)</u>         |
| Serial bonds (inclusive of unamortized premiums) | <u>25,950,330</u>          | <u>35,606,015</u>          | <u>(9,655,685)</u>           |
| Total  | <u><u>\$46,597,285</u></u> | <u><u>\$57,907,785</u></u> | <u><u>(\$11,310,500)</u></u> |

**7. FACTORS BEARING ON THE DISTRICT'S FUTURE**

A) The general fund budget for the 2021-2022 school year was approved by the voters in the amount of \$262,319,665. This is an increase of \$7,116,389 or 2.79% over the previous year's budget. The increase was primarily due to an increase in personnel costs.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- B) The federal government has passed several laws in the past year to address the economic and health consequences of the COVID-19 pandemic, including the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act. The District expects to receive non-recurring revenues to be used to fund expenditures that meet the requirements set forth by the U.S. Department of Education. The District was allocated \$1,849,742 of the American Rescue Plan (ARP Act) Elementary and Secondary School Relief (ESSER) funding. The funds have been applied for use in the years 2021-22, 2022-23, and 2023-24. Additionally, the District was previously allocated \$7,819,005 of the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA). Similarly, these funds were applied for on June 30, 2021 and approved August 23, 2021. However, the funds planned use is for the 2021-22 and 2022-23 school years.
- C) On September 28, 2021 residents within the Smithtown Central School District approved a \$120 million bond referendum for various district-wide capital improvements. The bond will not increase taxes, as new payments for the related work will replace expiring debt payments. Therefore, no new tax revenue will be needed to support the bond payments. The bond referendum prioritizes safety and security, renovates and repairs aging facilities, and continues to provide opportunities for student success.

**8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

Smithtown Central School District  
Mr. Andrew Tobin  
Assistant Superintendent for Finance & Operations  
26 New York Avenue  
Smithtown, New York 11787  
(631) 382-2115

**SMITHTOWN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

**ASSETS**

## Current Assets

|                            |              |
|----------------------------|--------------|
| Cash and cash equivalents  |              |
| Unrestricted               | \$25,093,573 |
| Restricted                 | 41,782,626   |
| Receivables                |              |
| State and federal aid      | 6,921,548    |
| Due from other governments | 6,382,303    |
| Accounts receivable        | 279,724      |
| Prepaid expenditures       | 100,000      |
| Inventories                | 57,638       |

## Non Current Assets

|  |             |
|--|-------------|
| Capital assets                                     |             |
| Not being depreciated                              | 11,347,898  |
| Being depreciated, net of accumulated depreciation | 137,570,334 |

**TOTAL ASSETS**229,535,644**DEFERRED OUTFLOWS OF RESOURCES**

|                                  |            |
|----------------------------------|------------|
| Deferred charges from refundings | 596,831    |
| Other post-employment benefits   | 97,295,345 |
| Pensions                         | 73,796,647 |

**TOTAL DEFERRED OUTFLOWS OF RESOURCES**171,688,823**LIABILITIES**

## Payables

|                                     |            |
|-------------------------------------|------------|
| Accounts payable                    | 3,895,895  |
| Accrued liabilities                 | 1,185,740  |
| Due to other governments            | 2,609,007  |
| Due to teachers' retirement system  | 10,309,035 |
| Due to employees' retirement system | 1,415,739  |
| Due to fiduciary fund               | 82,992     |
| Compensated absences payable        | 300,842    |
| Student deposits                    | 19,712     |
| Accrued interest payable            | 360,040    |

## Unearned Credits

|                        |         |
|------------------------|---------|
| Collections in advance | 163,011 |
|------------------------|---------|

## Long-term liabilities

|  |             |
|--|-------------|
| Due and payable within one year  |             |
| Bonds payable (inclusive of premiums)                                      | 10,070,685  |
| Energy performance contract payable  | 1,704,402   |
| Compensated absences payable   | 553,294     |
| Retirement incentive   | 659,220     |
| Due and payable after one year   |             |
| Bonds payable (inclusive of premiums)                                      | 15,879,645  |
| Energy performance contract payable  | 18,942,553  |
| Compensated absences payable   | 21,838,963  |
| Retirement incentive   | 2,923,380   |
| Claims payable   | 3,368,521   |
| Total other post-employment benefits obligation - SSEHP                    | 437,466,901 |
| Total other post-employment benefits obligation - NYSHIP                   | 2,385,921   |
| Net pension liability - proportionate share - employees' retirement system | 77,520      |
| Net pension liability - proportionate share - teachers' retirement system  | 16,367,340  |

**TOTAL LIABILITIES**552,580,357**DEFERRED INFLOWS OF RESOURCES**

|                                |            |
|--------------------------------|------------|
| Other post-employment benefits | 26,067,187 |
| Pensions                       | 31,651,455 |

**TOTAL DEFERRED INFLOWS OF RESOURCES**57,718,642**NET POSITION**

|                                  |                    |
|----------------------------------|--------------------|
| Net investment in capital assets | <u>102,917,778</u> |
|----------------------------------|--------------------|

## Restricted

|                                    |                   |
|------------------------------------|-------------------|
| Employee benefit accrued liability | 14,215,315        |
| Retirement contribution - ERS      | 14,732,239        |
| Retirement contribution - TRS      | 5,877,388         |
| Workers' compensation              | 3,226,546         |
| Liability                          | 596,425           |
| Insurance                          | 1,861,838         |
| Capital projects                   | 1,119,911         |
| Unemployment insurance             | 40,372            |
| Scholarships and donations         | 112,534           |
|                                    | <u>41,782,568</u> |

|                        |                      |
|------------------------|----------------------|
| Unrestricted (deficit) | <u>(353,774,879)</u> |
|------------------------|----------------------|

**TOTAL NET POSITION (DEFICIT)**(\$209,074,533)

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|  | <u>Expenses</u>        | <u>Program Revenues</u>         |   | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</u> |
|--|------------------------|---------------------------------|---|--|
|  |                        | <u>Charges for<br/>Services</u> | <u>Operating Grants<br/>and Contributions</u> |  |
| <b>FUNCTIONS / PROGRAMS</b>  |                        |                                 |   |  |
| General support  | (\$35,390,049)         |                                 |   | (\$35,390,049)   |
| Instruction  | (235,440,297)          | \$2,342,914                     | 4,679,627                                     | (228,417,756)  |
| Pupil transportation   | (17,584,678)           |                                 |   | (17,584,678)   |
| Debt service-interest  | (2,241,281)            |                                 |   | (2,241,281)  |
| Food service program   | (2,387,080)            | 412,997                         | 1,542,775                                     | (431,308)  |
| <b>TOTAL FUNCTIONS AND PROGRAMS</b>  | <u>(\$293,043,385)</u> | <u>\$2,755,911</u>              | <u>\$6,222,402</u>                            | <u>(284,065,072)</u>   |
| <br><b>GENERAL REVENUES</b>  |                        |                                 |   |  |
| Real property taxes  |                        |                                 |   | 188,178,682  |
| Other tax items - including STAR reimbursement   |                        |                                 |   | 14,095,168   |
| State sources  |                        |                                 |   | 46,793,839   |
| Use of money and property  |                        |                                 |   | 314,356  |
| Sale of property and compensation for loss   |                        |                                 |   | 344,457  |
| Miscellaneous  |                        |                                 |   | 2,785,884  |
| Medicaid reimbursement   |                        |                                 |   | 230,342  |
| <b>TOTAL GENERAL REVENUES</b>  |                        |                                 |   | <u>252,742,728</u>   |
| <br><b>CHANGE IN NET POSITION</b>  |                        |                                 |   | (31,322,344)   |
| <br><b>TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 20)</b> |                        |                                 |   | <u>(177,752,189)</u>   |
| <br><b>TOTAL NET POSITION (DEFICIT) - END OF YEAR</b>                                  |                        |                                 |   | <u>(\$209,074,533)</u>   |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
BALANCE SHEET -- GOVERNMENTAL FUNDS  
JUNE 30, 2021**

|   | <u>General</u>      | <u>Special<br/>Aid</u> | <u>School<br/>Lunch</u> | <u>Miscellaneous<br/>Special Revenue</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|------------------------|-------------------------|--|-----------------------------|---|
| <b>ASSETS</b>   |                     |                        |                         |  |                             |   |
| Cash and cash equivalents   |                     |                        |                         |  |                             |   |
| Unrestricted  | 23,996,374          | 57,307                 | \$246,665               | \$309,214                                | 484,013                     | \$25,093,573                            |
| Restricted  | 40,550,123          |                        |                         | 112,592                                  | 1,119,911                   | 41,782,626                              |
| Receivables   |                     |                        |                         |  |                             |   |
| State and federal aid   | 5,221,436           | 1,303,252              | 396,860                 |  |                             | 6,921,548                               |
| Due from other governments  | 6,382,303           |                        |                         |  |                             | 6,382,303                               |
| Due from other funds  | 1,831,260           |                        |                         |  |                             | 1,831,260                               |
| Accounts receivable   | 278,734             |                        | 990                     |  |                             | 279,724                                 |
| Prepaid expenditures  | 100,000             |                        |                         |  |                             | 100,000                                 |
| Inventories   |                     |                        | 57,638                  |  |                             | 57,638                                  |
| <b>TOTAL ASSETS</b>   | <u>\$78,360,230</u> | <u>\$1,360,559</u>     | <u>\$702,153</u>        | <u>\$421,806</u>                         | <u>\$1,603,924</u>          | <u>\$82,448,672</u>                     |
| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES<br/>AND FUND BALANCES</b>       |                     |                        |                         |  |                             |   |
| Payables  |                     |                        |                         |  |                             |   |
| Accounts payable  | \$3,360,940         | \$82,981               | \$36                    |  | \$451,938                   | \$3,895,895                             |
| Accrued liabilities   | 1,181,198           |                        | 4,542                   |  |                             | 1,185,740                               |
| Due to other governments  | 2,607,300           | 1,545                  | 162                     |  |                             | 2,609,007                               |
| Due to other funds  | 82,992              | 1,271,229              | 527,898                 | \$58                                     | 32,075                      | 1,914,252                               |
| Due to teachers' retirement system  | 10,309,035          |                        |                         |  |                             | 10,309,035                              |
| Due to employees' retirement system   | 1,415,739           |                        |                         |  |                             | 1,415,739                               |
| Compensated absences  | 300,842             |                        |                         |  |                             | 300,842                                 |
| Student deposits  | 19,712              |                        |                         |  |                             | 19,712                                  |
| Unearned credits  |                     |                        |                         |  |                             |   |
| Collections in advance  | 46,330              | 4,804                  | 111,877                 |  |                             | 163,011                                 |
| <b>TOTAL LIABILITIES</b>  | <u>19,324,088</u>   | <u>1,360,559</u>       | <u>644,515</u>          | <u>58</u>                                | <u>484,013</u>              | <u>\$21,813,233</u>                     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>  |                     |                        |                         |  |                             |   |
| Unavailable revenue - general building aid restoration                        | 3,968,497           |                        |                         |  |                             | 3,968,497                               |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                                    | <u>3,968,497</u>    | <u>-</u>               | <u>-</u>                | <u>-</u>                                 | <u>-</u>                    | <u>3,968,497</u>                        |
| <b>FUND BALANCES</b>  |                     |                        |                         |  |                             |   |
| Nonspendable  | 100,000             |                        | 57,638                  |  |                             | 157,638                                 |
| Restricted  |                     |                        |                         |  |                             |   |
| Employee benefit accrued liability  | 14,215,315          |                        |                         |  |                             | 14,215,315                              |
| Retirement contribution - ERS   | 14,732,239          |                        |                         |  |                             | 14,732,239                              |
| Retirement contribution - TRS   | 5,877,388           |                        |                         |  |                             | 5,877,388                               |
| Workers' compensation   | 3,226,546           |                        |                         |  |                             | 3,226,546                               |
| Liability   | 596,425             |                        |                         |  |                             | 596,425                                 |
| Insurance   | 1,861,838           |                        |                         |  |                             | 1,861,838                               |
| Capital projects  |                     |                        |                         |  | 1,119,911                   | 1,119,911                               |
| Unemployment insurance  | 40,372              |                        |                         |  |                             | 40,372                                  |
| Scholarships and Donations  |                     |                        |                         | 112,534                                  |                             | 112,534                                 |
| Assigned  |                     |                        |                         |  |                             |   |
| Appropriated fund balance   | 1,500,000           |                        |                         |  |                             | 1,500,000                               |
| Unappropriated fund balance   | 2,433,413           |                        |                         | 309,214                                  |                             | 2,742,627                               |
| Unassigned  | 10,484,109          |                        |                         |  |                             | 10,484,109                              |
| <b>TOTAL FUND BALANCES</b>  | <u>55,067,645</u>   | <u>-</u>               | <u>57,638</u>           | <u>421,748</u>                           | <u>1,119,911</u>            | <u>56,666,942</u>                       |
| <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF<br/>RESOURCES AND FUND BALANCES</b> | <u>\$78,360,230</u> | <u>\$1,360,559</u>     | <u>\$702,153</u>        | <u>\$421,806</u>                         | <u>\$1,603,924</u>          | <u>\$82,448,672</u>                     |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total Governmental Fund Balances \$56,666,942

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

Deferred inflows of resources-The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method.

Unavailable revenue - general building aid restoration 3,968,497

The cost of building and acquiring capital assets (land, buildings, 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 | \$276,239,972        |             |
| Accumulated depreciation        | <u>(127,321,740)</u> | 148,918,232 |

Deferred inflows of resources- The Statement of Net Position recognizes revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. These amounts will be amortized in future years.

|  |                     |              |
|--|---------------------|--------------|
| Deferred inflows related to total OPEB liability | (\$26,067,187)      |              |
| Deferred inflows related to pensions             | <u>(31,651,455)</u> | (57,718,642) |

Deferred outflows of resources - The Statement of Net Position recognizes expenditures 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 total OPEB liability | \$97,295,345      |             |
| Deferred outflows related to pensions             | <u>73,796,647</u> | 171,091,992 |

The Statement of Net Position will amortize deferred charges from bond refundings received over the life of the bond. Governmental funds record the deferred charges in the year of issuance.

The balance on deferred charges from refundings at June 30, 2021 was 596,831

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of accrued interest on bonds and energy performance debt. (360,040)

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

|   |                     |                      |
|---|---------------------|----------------------|
| Bonds payable, inclusive of premium               | (\$25,950,330)      |                      |
| Energy performance contract payable               | (20,646,955)        |                      |
| Compensated absences payable                      | (22,392,257)        |                      |
| Retirement incentive                              | (3,582,600)         |                      |
| Claims payable                                    | (3,368,521)         |                      |
| Other post-employment benefits obligation         | (439,852,822)       |                      |
| Net pension liability - proportionate share (ERS) | (77,520)            |                      |
| Net pension liability - proportionate share (TRS) | <u>(16,367,340)</u> | <u>(532,238,345)</u> |

Total Net Position (\$209,074,533)

**SMITHTOWN CENTRAL SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|   | General             | Special<br>Aid   | School<br>Lunch  | Miscellaneous<br>Special Revenue | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|---------------------|------------------|------------------|----------------------------------|---------------------|--------------------------------|
| <b>REVENUES</b>   |                     |                  |                  |                                  |                     |                                |
| Real property taxes   | \$188,178,682       |                  |                  |                                  |                     | \$188,178,682                  |
| Other tax items - including STAR reimbursement                          | 14,095,168          |                  |                  |                                  |                     | 14,095,168                     |
| Charges for services  | 1,953,476           |                  |                  | \$389,438                        |                     | 2,342,914                      |
| Use of money and property   | 314,055             |                  | \$196            | 105                              |                     | 314,356                        |
| Forfeiture of deposits  | 2                   |                  |                  |                                  |                     | 2                              |
| Sale of property and compensation for loss                              | 344,457             |                  |                  |                                  |                     | 344,457                        |
| Miscellaneous   | 2,785,805           | \$2,691          | 77               | 37,615                           |                     | 2,826,188                      |
| State sources   | 47,730,082          | 1,442,420        | 55,722           |                                  |                     | 49,228,224                     |
| Federal sources   | 504,802             | 2,922,441        | 1,370,420        |                                  |                     | 4,797,663                      |
| Surplus food  |                     |                  | 116,633          |                                  |                     | 116,633                        |
| Sales - school lunch  |                     |                  | 412,997          |                                  |                     | 412,997                        |
| <b>TOTAL REVENUES</b>   | <b>255,906,529</b>  | <b>4,367,552</b> | <b>1,956,045</b> | <b>427,158</b>                   | <b>-</b>            | <b>262,657,284</b>             |
| <b>EXPENDITURES</b>   |                     |                  |                  |                                  |                     |                                |
| General support   | 24,771,301          |                  |                  |                                  |                     | 24,771,301                     |
| Instruction   | 140,529,143         | 4,667,446        |                  | 543,193                          |                     | 145,739,782                    |
| Pupil transportation  | 17,009,105          |                  |                  |                                  |                     | 17,009,105                     |
| Employee benefits   | 55,450,847          |                  |                  |                                  |                     | 55,450,847                     |
| Debt service - principal  | 10,219,815          |                  |                  |                                  |                     | 10,219,815                     |
| Debt service - interest   | 3,207,691           |                  |                  |                                  |                     | 3,207,691                      |
| Cost of sales   |                     |                  | 2,374,145        |                                  |                     | 2,374,145                      |
| Capital outlay  |                     |                  |                  |                                  | \$7,440,590         | 7,440,590                      |
| <b>TOTAL EXPENDITURES</b>   | <b>251,187,902</b>  | <b>4,667,446</b> | <b>2,374,145</b> | <b>543,193</b>                   | <b>7,440,590</b>    | <b>266,213,276</b>             |
| <b>EXCESS (DEFICIENCY)<br/>OF REVENUES OVER EXPENDITURES</b>            | <b>4,718,627</b>    | <b>(299,894)</b> | <b>(418,100)</b> | <b>(116,035)</b>                 | <b>(7,440,590)</b>  | <b>(3,555,992)</b>             |
| <b>OTHER FINANCING SOURCES AND (USES)</b>                               |                     |                  |                  |                                  |                     |                                |
| Operating transfers in  |                     | 299,894          | 307,855          |                                  |                     | 607,749                        |
| Operating transfers (out)   | (607,749)           |                  |                  |                                  |                     | (607,749)                      |
| <b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>                         | <b>(607,749)</b>    | <b>299,894</b>   | <b>307,855</b>   | <b>-</b>                         | <b>-</b>            | <b>-</b>                       |
| <b>NET CHANGE IN FUND BALANCES</b>                                      | <b>4,110,878</b>    | <b>-</b>         | <b>(110,245)</b> | <b>(116,035)</b>                 | <b>(7,440,590)</b>  | <b>(3,555,992)</b>             |
| <b>FUND BALANCES - BEGINNING OF YEAR,<br/>AS RESTATED (SEE NOTE 20)</b> | <b>50,956,767</b>   | <b>-</b>         | <b>167,883</b>   | <b>537,783</b>                   | <b>8,560,501</b>    | <b>60,222,934</b>              |
| <b>FUND BALANCES - END OF YEAR</b>                                      | <b>\$55,067,645</b> | <b>\$ -</b>      | <b>\$57,638</b>  | <b>\$421,748</b>                 | <b>\$1,119,911</b>  | <b>56,666,942</b>              |



**SMITHTOWN CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|  |                     |                              |
|--|---------------------|------------------------------|
| Net Change in Fund Balances  |                     | (\$3,555,992)                |
| Amounts reported for governmental activities in the Statement of Activities are different because:   |                     |                              |
| Long-Term Revenue and Expense Differences  |                     |                              |
| <p>In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences from June 30, 2020 to June 30, 2021 changed by</p>   |                     |                              |
|  | (877,516)           | (877,516)                    |
| <p>Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method.</p>   |                     |                              |
| Unavailable revenue - State aid  | (\$550,710)         |                              |
| Unavailable revenue - general building aid restoration   | <u>(385,533)</u>    | (936,243)                    |
| <p>Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Accrued claims payable from June 30, 2020 to June 30, 2021 changed by</p>  |                     |                              |
|  |                     | 298,915                      |
| <p>Retirement incentive in the Statement of Activities is measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Retirement incentive payable changed by</p>  |                     |                              |
|  |                     | 904,520                      |
| <p>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.</p>   |                     |                              |
| Teachers' retirement system  | (\$12,184,205)      |                              |
| Employees' retirement system   | 1,872,930           |                              |
| Other post-employment benefits obligation  | <u>(30,275,222)</u> | (40,586,497)                 |
| Capital Related Differences  |                     |                              |
| <p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.</p>   |                     |                              |
| Capital outlays  | \$7,864,674         |                              |
| Depreciation expense and loss on disposals   | <u>(5,620,430)</u>  | 2,244,244                    |
| Long-Term Debt Differences   |                     |                              |
| <p>Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>   |                     |                              |
|  |                     | 8,565,000                    |
| <p>Repayment of energy performance contract principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.</p>  |                     |                              |
|  |                     | 1,654,815                    |
| <p>Governmental funds may report premiums, discounts, and similar items on the refunded bonds as revenues or expenditures. These amounts are deferred and amortized in the Statement of Activities. Amortization for the fiscal year ended June 30, 2021 was</p>   |                     |                              |
| Amortization on bond premiums  | \$1,090,685         |                              |
| Amortization on deferred charges on refundings   | <u>(273,090)</u>    | 817,595                      |
| <p>Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statements of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2020 to June 30, 2021 changed by</p> |                     |                              |
|  |                     | <u>148,815</u>               |
| Change in Net Position   |                     | <u><u>(\$31,322,344)</u></u> |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2021**

|   | <b>Custodial</b> |
|---|------------------|
| <b>ASSETS</b>                             |                  |
| Cash and cash equivalents - restricted    | \$59,554         |
| Due from governmental funds               | 82,992           |
| <b>TOTAL ASSETS</b>                       | <b>\$142,546</b> |
| <b>LIABILITIES</b>                        |                  |
| Other liabilities                         |                  |
| Due to governmental funds                 |                  |
| <b>TOTAL LIABILITIES</b>                  | -                |
| <b>NET POSITION</b>                       |                  |
| Restricted                                | \$142,546        |
| <b>TOTAL NET POSITION</b>                 | <b>142,546</b>   |
| <b>TOTAL LIABILITIES AND NET POSITION</b> | <b>\$142,546</b> |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|  | <b>Custodial</b> |
|--|------------------|
| <b>ADDITIONS</b>   |                  |
| 41J conversions for retiree benefits                               | \$109,516        |
| <b>TOTAL ADDITIONS</b>   | 109,516          |
| <b>DEDUCTIONS</b>  |                  |
| 41J disbursements for retiree benefits                             | 57,123           |
| Miscellaneous  | 16,943           |
| <b>TOTAL DEDUCTIONS</b>  | 74,066           |
| <b>CHANGE IN NET POSITION</b>                                      | 35,450           |
| <b>NET POSITION - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 20)</b> | 107,096          |
| <b>NET POSITION - END OF YEAR</b>                                  | \$142,546        |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:**

The financial statements of Smithtown Central School District (the “District”) 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.

Certain significant accounting principles and policies utilized by the District are described below:

**A) Reporting entity:**

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education (the “Board”) consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. The Board has authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. 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 District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s 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 District’s reporting entity.

**B) Joint venture:**

The District is a component district in the Western Suffolk Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

A BOCES' budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative, program, and capital costs is determined by resident public school district enrollment, as defined in the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

**C) Basis of presentation:**

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column includes capital specific grants, if applicable.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's 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, including but not limited to real property taxes, are presented as general revenues.

Fund Financial Statements

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

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The District reports the following major governmental funds:

**General Fund:** This fund is the District's 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 District's food service operations. The school lunch operations are supported by federal and state grants and charges to participants for its services.

**Miscellaneous Special Revenue Fund:** This fund is used to account for assets held by the District 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.

The District reports the following fiduciary fund:

**Fiduciary Fund:** This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or custodian for resources that belong to others. These activities are not included in the District-Wide Financial Statements because their resources do not belong to the District and are not available to be used. The District's fiduciary fund includes the custodial fund. This fund is custodial in nature. Assets are held by the District as a custodian. This fund reports certain retiree benefits offered to retirees through Section 41(j) of the New York Retirement and Social Security Law (RSSL), as well as employee flex spending accounts administered by a third party.

**D) Measurement focus and basis of accounting:**

The District-Wide and Fiduciary Fund 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. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

**E) Real property taxes:**

Calendar

Real property taxes are levied annually by the Board no later than October 1, and become a lien on December 1. The District's tax levy is collected by the town of Smithtown (the "Town") along with the respective Town and Suffolk County (the "County") levies. Tax collections are remitted to the District and Town comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act.

Enforcement

Uncollected real property taxes are subsequently enforced by the County. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

**F) Restricted resources:**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's 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 District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flows. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

funds include the transfer of expenditures and revenues to provide financing or other services.

In the District-Wide Financial Statements, eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary fund.

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 District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 10 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 and deferred outflows, liabilities and deferred inflows, 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 computation of compensated absences, retirement incentives, workers' compensation claims, potential contingent liabilities, other post-employment benefits, pension asset/liability, and useful lives of capital assets.

**I) Cash and cash equivalents:**

The District's cash and cash equivalents consist of cash on hand and demand deposits.

**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) Prepaid items and inventories:**

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to prepay workers' compensation expenses reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset



**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market.

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

A nonspendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch 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 for acquisitions subsequent to 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals, are used. Donated assets are reported at acquisition 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 District-Wide Financial Statements are as follows:

|                                  | Capitalization<br>Threshold | Depreciation<br>Method | Estimated<br>Useful Life |
|----------------------------------|-----------------------------|------------------------|--------------------------|
| Building & building improvements | \$1,000                     | Straight-line          | 50 years                 |
| Land improvements                | \$1,000                     | Straight-line          | 20 years                 |
| Furniture & equipment            | \$1,000                     | Straight-line          | 5-20 years               |
| Vehicles                         | \$1,000                     | Straight-line          | 8 years                  |

**M) 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 District reported deferred outflows of resources relating to the unamortized amount of deferred charges from prior years' refunding of bonds that is being amortized as a component of interest expense on a straight-line over the remaining life of the new debt. The District also reported deferred outflows of resources related to pensions and other post-employment benefits (OPEB) reported in the District-Wide Statement of Net Position, which are detailed further in Notes 13, 14, and 16.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 District reported deferred inflows of resources related to pensions and OPEB reported in the District-Wide Statement of Net Position, and are detailed further in Notes 14 and 16.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflows of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows are classified as revenues. The District recorded \$3,968,497 in general building aid restoration as unavailable revenue in the general fund. The District-Wide Financial Statements, however, report this deferred inflow as revenue in accordance with the accrual basis of accounting and economic resources measurement focus.

**N) Collections in advance:**

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. See Note 8 for further detail.

**O) Vested employee benefits:**

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical 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 payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The District 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.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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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 expensed on a pay-as-you go basis.

**Retirement incentive:**

The District entered into agreements with eligible retirees regarding retirement incentive plans in the fiscal years 2006-2010. The agreements called for retirees to choose between a lump sum death benefit or an option which incorporated a lump sum death benefit of a lower amount plus an income stream consisting of annual payments for 10 years, beginning the 11<sup>th</sup> year after retirement. The income stream payments for the covered employees who retired from June 2006 through June 2010 were paid during the 2020-2021 school year. The District has contracted with a third party (the Hartford) to assume all liability for future payments to be made with regard to these policies, other than the income stream payments. The District has a liability for the retirement incentive income stream payments for the next 9 years, resulting in a total liability of \$3,490,000, which is reported in the District-Wide Statement of Net Position, and is detailed further in Note 12.

Beginning June 30, 2020, the District offered a retirement incentive for members of the Smithtown Teacher's Association bargaining unit which entitles eligible members of that bargaining unit who retire between June 30, 2020 – June 30, 2024, and who adhere to specific criteria defined in the collective bargaining unit, to a payment of between \$500 - \$1,000 for each completed year of service with the District. The liability for this retirement incentive is calculated in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. The District recorded a liability of \$92,600 for this retirement incentive as of June 30, 2021, which is reported in the District-Wide Statement of Net Position, and is detailed further in Note 12.

In the fund financial statements, a liability is reported only for payments due for unused retirement incentives for those employees who have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

**P) Other benefits:**

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care

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benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**Q) Short-term debt:**

The District may issue Revenue Anticipation Notes (RAN) and Tax Anticipation Notes (TAN) in anticipation of the receipt of revenues. These notes are recorded as liabilities of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent liabilities that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

The District has issued and retired \$80,000,000 in TANs in the fiscal year ended June 30, 2021. See Note 11 for further detail.

**R) Accrued liabilities and long-term liabilities:**

Payables, accrued liabilities, and long-term liabilities are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, net pension liability, retirement incentives, other post-employment benefits obligation, and compensated absences that will be paid from governmental funds are reported as liabilities in the Fund Financial Statements only to the extent that they are due for payment in the current year. Bonds and other long-term liabilities that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

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

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**S) Equity classifications:**

District-Wide Financial Statements:

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

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvement of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gains 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 the balance of net position that does not meet the definition of the above two classifications and is deemed to be available for general use by the District.

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:

**Nonspendable 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. At June 30, 2021, the District has \$100,000 in the general fund for prepaid workers' compensation expense and \$57,638 in nonspendable fund balance for inventory recorded in the school lunch fund.

**Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following reserves as restricted:

Employee Benefit Accrued Liability

According to General Municipal Law §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.

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Retirement Contribution

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.

Workers' Compensation

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

Liability Reserve

According to Education Law §1709(8)(c), must be used to pay for liability claims incurred. Separate funds for liability claims are required, and this reserve may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts, except city school districts with a population greater than 125,000. This reserve is accounted for in the general fund.

Insurance Reserve

According to General Municipal Law §6-n, must be used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid

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from the reserve without judicial approval. This reserve is accounted for in the general fund.

Capital Projects

According to Education Law §3651, must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term, and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by the capital reserve.

Unemployment Insurance

According to General Municipal Law §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 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 District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund.

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 District's highest level of decision-making authority (i.e., the Board). The District has no committed fund balances as of June 30, 2021.

**Assigned fund balance** – Includes amounts that are constrained by the District's 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 District management through Board policies.

**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

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eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balances of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. The District's unassigned fund balance in the general fund at June 30, 2021 is within the legal limit.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law, or by formal action of the Board if voter approval is not required. Amendments or modifications to the applied or transferred fund balance must be approved by formal action of the Board.

The Board shall designate the authority to assign fund balances, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

Order of Use of Fund Balances

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves), the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**T) New accounting pronouncements:**

GASB has issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), effective for the fiscal year ended June 30, 2021. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported. The District has adopted and implemented GASB Statement No. 84, *Fiduciary Activities*, in 2021. See Note 20 for further consideration.

**U) Future accounting pronouncements:**

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2022. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a



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lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-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 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 District’s governmental funds differ from “net position” of governmental activities reported in the Statement of Net Position. The difference primarily results from the additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

**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 Financial Statements and the gain or loss on the sale

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of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the Fund Financial Statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-term debt transaction differences:

Long-term debt transaction 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:**

**A) Budgets:**

The District administration prepares a proposed budget for approval by the Board for the following governmental funds for which legal (appropriated) budgets are adopted.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board as a result of selected new revenue sources not included in the original budget (when permitted by law). These 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. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

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

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**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 or restrictions 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 District's investment policies. Resources must be deposited in Federal Deposit Insurance Company (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 districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

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

**B) Restricted Cash and Cash Equivalents:**

Restricted cash and cash equivalents represent cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash and cash equivalents at June 30, 2021

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included \$41,782,626 within the governmental funds for general reserves, capital projects, and scholarships and donations purposes, and \$59,554 in the fiduciary fund.

**C) Investments:**

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

**NOTE 5 – PARTICIPATION IN BOCES:**

During the fiscal year, the District was billed \$13,492,200 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$4,706,464. Financial statements for the BOCES are available from the BOCES administrative office at: Western Suffolk Board of Cooperative Educational Services, 507 Deer Park Road, Dix Hills, New York 11746.

**NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:**

State and federal aid receivables at June 30, 2021 consisted of the following:

|                                     |                    |
|-------------------------------------|--------------------|
| General Fund                        |                    |
| General aid - restored building aid | \$3,968,497        |
| Excess cost aid                     | 1,036,440          |
| Workers compensation                | 1,710              |
| Medicaid                            | 125,000            |
| CARES Act Education Stabilization   | 89,789             |
| Total - General Fund                | <u>5,221,436</u>   |
| Special Aid Fund                    |                    |
| Federal aid                         | 667,948            |
| State aid                           | 635,304            |
| Total - Special Aid Fund            | <u>1,303,252</u>   |
| School Lunch Fund                   |                    |
| Federal lunch                       | 381,582            |
| State lunch                         | 15,278             |
| Total - School Lunch Fund           | <u>396,860</u>     |
| Total - All Funds                   | <u>\$6,921,548</u> |

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District management has deemed the amounts to be fully collectible. See Note 19 for further information on building aid restoration.

**NOTE 7 – DUE FROM OTHER GOVERNMENTS:**

Due from other governments in the general fund at June 30, 2021 consisted of the following:

|  |                           |
|--|---------------------------|
| BOCES aid  | \$4,817,495               |
| PILOT  | 394,959                   |
| CPSE - Due from Suffolk County                       | 186,620                   |
| Tuition and health services - other school districts | <u>983,229</u>            |
| Total  | <u><u>\$6,382,303</u></u> |

District management has deemed the amounts to be fully collectible.

**NOTE 8 – COLLECTIONS IN ADVANCE:**

Collections in advance at June 30, 2021 consisted of the following:

|  |                                |
|--|--------------------------------|
| General Fund                                       |                                |
| Drivers education                                  | \$22,330                       |
| Smithtown Teachers Association - prepayment credit | <u>24,000</u>                  |
| Total - General Fund                               | <u><u>46,330</u></u>           |
| Special Aid Fund                                   |                                |
| Federal grants                                     | 4,495                          |
| Local grants                                       | <u>309</u>                     |
| Total - Federal Fund                               | <u><u>4,804</u></u>            |
| School Lunch Fund                                  |                                |
| Student prepaid meals                              | <u>111,877</u>                 |
| Total - All Funds                                  | <u><u><u>\$163,011</u></u></u> |

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**NOTE 9 - CAPITAL ASSETS:**

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

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Retirements/<br/>Reclassifications</u> | <u>Ending<br/>Balance</u> |
|---|------------------------------|--------------------|---|---------------------------|
| Governmental activities:                    |                              |                    |   |                           |
| Capital assets that are not depreciated:    |                              |                    |   |                           |
| Land  | \$1,079,177                  |                    |   | \$1,079,177               |
| Construction in progress                    | 28,175,178                   | \$7,440,590        | (\$25,347,047)                            | 10,268,721                |
| Total capital assets not being depreciated  | <u>29,254,355</u>            | <u>7,440,590</u>   | <u>(25,347,047)</u>                       | <u>11,347,898</u>         |
| Capital assets that are depreciated:        |                              |                    |   |                           |
| Building & building improvements            | 217,525,952                  |                    | 25,347,047                                | 242,872,999               |
| Land improvements                           | 7,940,830                    |                    |   | 7,940,830                 |
| Furniture & equipment                       | 11,771,126                   | 399,665            | (85,404)                                  | 12,085,387                |
| Vehicles                                    | 1,968,439                    | 24,419             |   | 1,992,858                 |
| Total capital assets being depreciated      | <u>239,206,347</u>           | <u>424,084</u>     | <u>25,261,643</u>                         | <u>264,892,074</u>        |
| Less accumulated depreciation:              |                              |                    |   |                           |
| Building & building improvements            | 105,303,072                  | 4,753,053          |   | 110,056,125               |
| Land improvements                           | 6,472,498                    | 245,235            |   | 6,717,733                 |
| Furniture & equipment                       | 8,717,795                    | 476,337            | (78,579)                                  | 9,115,553                 |
| Vehicles                                    | 1,293,349                    | 138,980            |   | 1,432,329                 |
| Total accumulated depreciation              | <u>121,786,714</u>           | <u>5,613,605</u>   | <u>(78,579)</u>                           | <u>127,321,740</u>        |
| Total capital assets being depreciated, net | <u>117,419,633</u>           | <u>(5,189,521)</u> | <u>25,340,222</u>                         | <u>137,570,334</u>        |
| Total capital assets, net                   | <u>\$146,673,988</u>         | <u>\$2,251,069</u> | <u>(\$6,825)</u>                          | <u>\$148,918,232</u>      |

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

|                      |                    |
|----------------------|--------------------|
| General support      | \$300,162          |
| Instruction          | 5,306,030          |
| Pupil transportation | 1,303              |
| Food service program | 12,935             |
|                      | <u>\$5,620,430</u> |

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**NOTE 10 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

|                                    | Interfund           |                     | Interfund         |                   |
|------------------------------------|---------------------|---------------------|-------------------|-------------------|
|                                    | Receivable          | Payable             | Revenues          | Expenditures      |
| General fund                       | \$1,831,260         | \$82,992            |                   | \$607,749         |
| Special aid fund                   |                     | 1,271,229           | \$299,894         |                   |
| School lunch fund                  |                     | 527,898             | 307,855           |                   |
| Miscellaneous special revenue fund |                     | 58                  |                   |                   |
| Capital projects fund              |                     | 32,075              |                   |                   |
| <br>                               |                     |                     |                   |                   |
| Total government activities        | 1,831,260           | 1,914,252           | 607,749           | 607,749           |
| Custodial fund                     | 82,992              |                     |                   |                   |
| Totals                             | <u>\$ 1,914,252</u> | <u>\$ 1,914,252</u> | <u>\$ 607,749</u> | <u>\$ 607,749</u> |

The District typically transfers from the general fund to the special aid fund to fund the District's share of costs for the summer program for students with disabilities. The District transferred from the general fund to the school lunch fund to cover the fund's net operating loss.

The District 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 11 - SHORT-TERM DEBT:**

Transactions in short-term debt for the year are summarized below:

|     | Maturity | Interest<br>Rate | Beginning<br>Balance | Issued              | Redeemed            | Ending<br>Balance |
|-----|----------|------------------|----------------------|---------------------|---------------------|-------------------|
| TAN | 6/25/21  | 2.00%            | <u>\$ -</u>          | <u>\$80,000,000</u> | <u>\$80,000,000</u> | <u>\$ -</u>       |

This debt was issued for the purpose of providing cash flow to the general fund in anticipation of revenues from property taxes.

Interest on short-term debt for the year was \$1,173,333.

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**NOTE 12 – LONG-TERM LIABILITIES:**

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

|   | Balance<br>June 30, 2020 | Additions           | Reductions            | Balance<br>June 30, 2021 | Amounts<br>Due Within<br>One Year |
|---|--------------------------|---------------------|-----------------------|--------------------------|-----------------------------------|
| Long-term debt:                                 |                          |                     |                       |                          |                                   |
| Bonds payable                                   |                          |                     |                       |                          |                                   |
| Refunding bonds                                 | \$31,570,000             |                     | (\$8,565,000)         | \$23,005,000             | \$8,980,000                       |
| Add: Premium on obligations                     | 4,036,015                |                     | (1,090,685)           | 2,945,330                | 1,090,685                         |
| Total Bonds payable                             | <u>35,606,015</u>        | <u>-</u>            | <u>(9,655,685)</u>    | <u>25,950,330</u>        | <u>10,070,685</u>                 |
| Other long-term liabilities:                    |                          |                     |                       |                          |                                   |
| Energy performance contract payable             | 22,301,770               |                     | (1,654,815)           | 20,646,955               | 1,704,402                         |
| Compensated absences payable                    | 21,514,741               | \$1,383,425         | (505,909)             | 22,392,257               | 553,294                           |
| Retirement incentive                            | 4,487,120                | 92,600              | (97,120)              | 3,582,600                | 659,220                           |
| Claims payable                                  | 3,667,436                | 765,197             | (1,064,112)           | 3,368,521                |                                   |
| Total other post-employment benefits obligation | 378,121,824              | 70,058,525          | (8,327,527)           | 439,852,822              |                                   |
| Net pension liability-proportionate share - ERS | 21,657,674               |                     | (21,580,154)          | 77,520                   |                                   |
| Net pension liability-proportionate share - TRS | -                        | 26,211,476          | (9,844,136)           | 16,367,340               |                                   |
| Total Long-term liabilities                     | <u>\$487,356,580</u>     | <u>\$98,511,223</u> | <u>(\$53,629,458)</u> | <u>\$532,238,345</u>     | <u>\$12,987,601</u>               |

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, energy performance contract payable, compensated absences payable, retirement incentive payable, claims payable, other post-employment benefits obligation, and net pension liabilities.

**A) Bonds Payable**

Bonds payable is composed of the following:

| Description           | Issue<br>Date | Final<br>Maturity | Interest<br>Rate | Outstanding<br>at June 30,2021 |
|-----------------------|---------------|-------------------|------------------|--------------------------------|
| Refunding serial bond | 6/1/2011      | 8/1/2022          | 0.39 - 5.00%     | \$7,980,000                    |
| Refunding serial bond | 5/17/2013     | 10/15/2024        | 2.00-5.00%       | 15,025,000                     |
|                       |               |                   |                  | <u>\$23,005,000</u>            |



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The following is a summary of debt service requirements for bonds payable:

| Fiscal Year Ended<br>June 30, | Principal           | Interest           | Total               |
|-------------------------------|---------------------|--------------------|---------------------|
| 2022                          | \$8,980,000         | \$925,750          | \$9,905,750         |
| 2023                          | 6,135,000           | 547,875            | 6,682,875           |
| 2024                          | 3,845,000           | 298,375            | 4,143,375           |
| 2025                          | 4,045,000           | 101,125            | 4,146,125           |
|                               | <u>\$23,005,000</u> | <u>\$1,873,125</u> | <u>\$24,878,125</u> |

Upon default of the payment of principal or interest on the serial bonds of the District, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance of the District and apply the amount so withheld to the payment of the defaulted principal or interest with respect to the serial bonds.

**B) Energy Performance Contract Payable**

Energy performance contract payable is composed of the following:

| Description                 | Issue<br>Date | Final<br>Maturity | Interest<br>Rate | Outstanding<br>at June 30, 2021 |
|-----------------------------|---------------|-------------------|------------------|---------------------------------|
| Energy performance contract | 9/9/2013      | 3/9/2025          | 2.850%           | \$1,490,130                     |
| Energy performance contract | 2/19/2019     | 6/15/2033         | 3.030%           | 19,156,825                      |
|                             |               |                   |                  | <u>\$20,646,955</u>             |

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

| Fiscal Year Ended<br>June 30, | Principal            | Interest            | Total                |
|-------------------------------|----------------------|---------------------|----------------------|
| 2022                          | \$1,704,402          | \$620,396           | \$2,324,798          |
| 2023                          | 1,755,476            | 569,322             | 2,324,798            |
| 2024                          | 1,808,081            | 516,718             | 2,324,799            |
| 2025                          | 1,862,262            | 462,536             | 2,324,798            |
| 2026                          | 1,518,426            | 409,557             | 1,927,983            |
| 2027-2031                     | 8,310,775            | 1,329,138           | 9,639,913            |
| 2032-2033                     | 3,687,533            | 168,432             | 3,855,965            |
| Total                         | <u>\$ 20,646,955</u> | <u>\$ 4,076,099</u> | <u>\$ 24,723,054</u> |

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**C) Long-Term Interest**

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

|   |             |
|---|-------------|
| Interest paid                             | \$2,034,358 |
| Plus interest accrued in the current year | 360,040     |
| Less interest accrued in the prior year   | (508,855)   |
| Plus amortization of deferred charges     | 273,090     |
| Less amortization of premium              | (1,090,685) |
| Total expense                             | \$1,067,948 |

**NOTE 13 – DEFERRED OUTFLOWS OF RESOURCES:**

The deferred charges on refunding recorded in the District-Wide Financial Statements as deferred outflow of resources at June 30, 2021 consisted of the following:

|                                     | Total Years<br>Amortized | Initial Amount<br>at Refunding | Amortization<br>To Date | Balance at<br>June 30, 2021 |
|-------------------------------------|--------------------------|--------------------------------|-------------------------|-----------------------------|
| 2011 Bond Refunding                 | 11                       | \$ 2,001,924                   | \$ 1,807,707            | \$ 194,217                  |
| 2013 Bond Refunding                 | 12.5                     | 1,164,847                      | 762,233                 | 402,614                     |
| Total deferred charges on refunding |                          | \$ 3,166,771                   | \$ 2,569,940            | \$ 596,831                  |

The deferred charges on the refundings are being amortized over the lives of the refunding bonds. Amortization is included as a component of interest expense on the District-Wide Financial Statements.

**NOTE 14 – PENSION PLANS:**

**A) Plan Descriptions and Benefits Provided:**

i) Teachers' Retirement System

The District 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.

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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 NYSSTR Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all 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. 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 District also participates in the Public Employees' Group Life Insurance Plan which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244.

**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
    - 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 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

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- 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 after July 27, 1976
    - 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 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
    - 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<sup>st</sup>. The District's average contribution rate for ERS' fiscal year ended March 31, 2021 for covered payroll was 21.6% for Tier 1, 19.8% for Tier 2, 16.2% for Tiers 3 & 4, 13.5% for Tier 5, and 9.7% for Tier 6.

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, 2021 was 9.53% of covered payroll.

The District's 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 District's year end were:

|      | NYSERS      | NYSTRS       |
|------|-------------|--------------|
| 2021 | \$4,188,409 | \$9,844,136  |
| 2020 | \$3,986,074 | \$8,907,412  |
| 2019 | \$3,974,845 | \$10,484,465 |

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

At June 30, 2021, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all

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participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

|  | <u>ERS</u>     |    | <u>TRS</u>    |
|--|----------------|----|---------------|
| Measurement date   | March 31, 2021 |    | June 30, 2020 |
| Net pension liability  | \$ 77,520      | \$ | 16,367,340    |
| District's portion of the Plan's total net pension liability | 0.0778518%     |    | 0.592318%     |
| Change in proportion since prior measurement date            | -0.0000394%    |    | 0.0000074%    |

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$22,033,459 for TRS and pension expense of \$2,316,319 for ERS. At June 30, 2021, the District 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  | \$ 946,731                            | \$ 14,341,065        |                                      | \$ 838,795          |
| Changes of assumptions  | 14,253,453                            | 20,700,875           | \$ 268,824                           | 7,378,781           |
| Net difference between projected and actual earnings on pension plan investments                                    |                                       | 10,689,308           | 22,268,348                           |                     |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 1,446,185                             | 159,155              | 495,138                              | 401,569             |
| District's contributions subsequent to the measurement date   | 1,415,739                             | 9,844,136            |                                      |                     |
|   | <u>\$ 18,062,108</u>                  | <u>\$ 55,734,539</u> | <u>\$ 23,032,310</u>                 | <u>\$ 8,619,145</u> |

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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|                  | <u>ERS</u>            | <u>TRS</u>           |
|------------------|-----------------------|----------------------|
| Plan Year ended: |                       |                      |
| 2021             |                       | \$ 6,373,239         |
| 2022             | \$ (916,739)          | 12,868,204           |
| 2023             | (189,356)             | 10,494,085           |
| 2024             | (1,059,780)           | 6,504,824            |
| 2025             | (4,220,066)           | 279,062              |
| Thereafter       | -                     | 751,844              |
| Total            | <u>\$ (6,385,941)</u> | <u>\$ 37,271,258</u> |

Actuarial Assumptions

The total pension 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 liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

|                            | <u>ERS</u>                        | <u>TRS</u>                      |
|----------------------------|-----------------------------------|---------------------------------|
| Measurement date           | March 31, 2021                    | June 30, 2020                   |
| Actuarial valuation date   | April 1, 2020                     | June 30, 2019                   |
| Interest rate              | 5.90%                             | 7.10%                           |
| Salary scale               | 4.40%                             | 4.72% - 1.90%                   |
| Cost of living adjustments | 1.4% annually                     | 1.3%, annually                  |
| Decrement tables           | April 1, 2015 -<br>March 31, 2020 | July 1, 2009 -<br>June 30, 2014 |
|                            | System's Experience               | System's Experience             |
| Inflation rate             | 2.70%                             | 2.20%                           |

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2019, 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, 2020 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, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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The long term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of 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>           |                       |
|--|-----------------------|-----------------------|----------------------|-----------------------|
|  | <u>March 31, 2021</u> |                       | <u>June 30, 2020</u> |                       |
|  | <u>Target</u>         | <u>Long-term</u>      | <u>Target</u>        | <u>Long-term</u>      |
| <u>Asset type</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                        | 32%                   | 4.05%                 | 33%                  | 7.10%                 |
| International equity                   | 15%                   | 6.30%                 | 16%                  | 7.70%                 |
| Global equity                          |                       |                       | 4%                   | 7.40%                 |
| Private equity                         | 10%                   | 6.75%                 | 8%                   | 10.40%                |
| Real estate                            | 9%                    | 4.95%                 | 11%                  | 6.80%                 |
| Opportunistic/Absolute return strategy | 3%                    | 4.50%                 |                      |                       |
| Credit                                 | 4%                    | 3.63%                 |                      |                       |
| Real assets                            | 3%                    | 5.95%                 |                      |                       |
| Fixed income                           | 23%                   | 0.00%                 |                      |                       |
| Cash                                   | 1%                    | 0.50%                 |                      |                       |
| Domestic fixed income securities       |                       |                       | 16%                  | 1.80%                 |
| Global bonds                           |                       |                       | 2%                   | 1.00%                 |
| High-yield bonds                       |                       |                       | 1%                   | 3.90%                 |
| Private debt                           |                       |                       | 1%                   | 5.20%                 |
| Real estate debt                       |                       |                       | 7%                   | 3.60%                 |
| Cash equivalents                       |                       |                       | 1%                   | 0.70%                 |
|  | 100%                  |                       | 100%                 |                       |

The expected real rate of return is net of the long-term inflation assumptions of 2.00% for ERS, and 2.20% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 5.9% for ERS and 7.10% 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

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make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9% for ERS and 7.1% for TRS, as well as what the District's 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 6.1% for TRS) or 1-percentage-point higher (6.9% for ERS and 8.1% for TRS) than the current rate:

| ERS  | 1%<br>Decrease<br>(4.9%) | Current<br>Assumption<br>(5.9%) | 1%<br>Increase<br>(6.9%) |
|--|--------------------------|---------------------------------|--------------------------|
| District's proportionate share<br>of the net pension asset (liability) | <u>(\$21,516,591)</u>    | <u>(\$77,520)</u>               | <u>\$19,694,321</u>      |

| TRS  | 1%<br>Decrease<br>(6.1%) | Current<br>Assumption<br>(7.1%) | 1%<br>Increase<br>(8.1%) |
|--|--------------------------|---------------------------------|--------------------------|
| District's proportionate share<br>of the net pension asset (liability) | <u>(\$103,386,847)</u>   | <u>(\$16,367,340)</u>           | <u>\$56,664,079</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, 2021         | June 30, 2020         |
| Employers' total pension liability                                      | \$ (220,680,157)       | \$ (123,242,776)      |
| Plan Net Position   | <u>220,580,583</u>     | <u>120,479,505</u>    |
| Employers' net pension liability  | <u>\$ (99,574)</u>     | <u>\$ (2,763,271)</u> |
| Ratio of plan net position to the<br>Employers' total pension liability | 99.95%                 | 97.76%                |



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Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$1,415,739.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 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, 2021 amounted to \$10,309,035.

**NOTE 15 – OTHER RETIREMENT PLANS:**

**A) Tax Sheltered Annuities:**

The District 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 District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2021, totaled \$582,909 and \$5,721,611 respectively.

**B) Deferred Compensation Plan:**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for some employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2021 totaled \$599,036.

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**NOTE 16 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:**

**New York State Health Insurance Plan – Empire Plan (NYSHIP)**

**A) General Information about the OPEB Plan:**

Plan Description

The District’s OPEB Plan (the “OPEB Plan”), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program (NYSHIP), and are administered by Emblem Health. Effective January 1, 2020, Empire Blue Cross Blue Shield was no longer offered. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The OPEB Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute 50% for individual or family coverage for the Smithtown Schools Administrators’ Association, 74% of individual, and 59% of family coverage for other bargaining units, and 0% of the premiums for surviving spouses. The District recognizes the cost of the OPEB Plan annually as expenditures in the fund financial statements as payments are accrued. For measurement period ending June 30, 2020, the District contributed an estimated \$77,512 to the Plan, including \$77,512 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund the OPEB Plan by any other means than the “pay as you go” method.

Employees Covered by Benefit Terms

At June 30, 2019, the date of the last full valuation, the following employees were covered by the benefit terms:

|  |    |  |
|--|----|--|
| Inactive employees or beneficiaries currently receiving benefit payments | 7  |  |
| Inactive employees entitled to but not yet receiving benefit payments    | 0  |  |
| Active employees   | 7  |  |
| Total  | 14 |  |

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**B) Total OPEB Liability:**

The District's total OPEB liability of \$2,385,921 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|  |   |
|--|---|
| Inflation                                      | 2.50%   |
| Salary increases                               | 3.80%, including inflation  |
| Discount rate                                  | 2.21%   |
| Healthcare cost trend rates                    |   |
| Pre-65 medical/hospital/retiree contributions  | 6.5% decreasing by 0.5% per year until an ultimate trend of 4.5% is reached |
| Post-65 medical/hospital/retiree contributions |   |
| Medicare Part B                                | 4.5%  |

The discount rate was based on the yield of the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index.

Mortality assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study done by the Office of the Actuary of New York State Employees' Retirement System, and used for the ERS 2018 actuarial valuation.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**C) Changes in the Total OPEB Liability:**

|  |              |
|--|--------------|
| Balance at June 30, 2020                           | \$ 1,933,657 |
| Changes for the fiscal year:                       |              |
| Service cost                                       | 47,976       |
| Interest   | 68,011       |
| Changes of benefit terms                           | -            |
| Differences between expected and actual experience | -            |
| Changes in assumptions or other inputs             | 413,789      |
| Benefit payments                                   | (77,512)     |
| Net changes  | 452,264      |
| Balance at June 30, 2021                           | \$ 2,385,921 |

Significant plan changes since the last valuation include the plan no longer offering Empire Blue Cross Blue Shield coverage effective January 1, 2020, resulting in three retirees and two active participants being excluded from the valuation.

Changes of assumptions include the change in the discount rate from 3.50% as of June 30, 2019, to 2.21% as of June 30, 2020.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

|                      | 1%<br>Decrease<br>(1.21%) | Discount<br>Rate<br>(2.21%) | 1%<br>Increase<br>(3.21%) |
|----------------------|---------------------------|-----------------------------|---------------------------|
|                      |                           |                             |                           |
| Total OPEB liability | \$2,797,316               | \$2,385,921                 | \$2,055,278               |

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

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

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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|                      | <u>1% Decrease</u> | Current<br>Healthcare<br>Cost Trend<br>Rates | <u>1% Increase</u> |
|----------------------|--------------------|--|--------------------|
| Total OPEB liability | <u>\$2,034,287</u> | <u>\$2,385,921</u>                           | <u>\$2,829,163</u> |

**D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the fiscal year ended June 30, 2021, the District recognized OPEB expense (credit) of (\$243,157). At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|--|---|--|
| Payments subsequent to the measurement date        | \$ 42,766                                 | \$ -                                     |
| Differences between expected and actual experience | -   | 482,303                                  |
| Changes of assumptions or other inputs             | <u>316,655</u>                            | <u>309,940</u>                           |
|  | <u>\$ 359,421</u>                         | <u>\$ 792,243</u>                        |

Benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2022. Other 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: |                     |
|----------------------------|---------------------|
| 2022                       | \$ (359,144)        |
| 2023                       | (178,830)           |
| 2024                       | 37,133              |
| 2025                       | 25,253              |
| Thereafter                 | -                   |
|                            | <u>\$ (475,588)</u> |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**Suffolk School Employees Health Plan (SSEHP):**

**A) General Information about the OPEB Plan:**

Plan Description

The District primarily provides post-employment hospital, medical and prescription drug benefit coverage to retired employees and their spouses and eligible dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements.

On January 1, 1992, the District joined together with other districts to form an employee health insurance consortium, the Suffolk School Employees Health Plan (the "Plan"). The Plan is a public entity risk pool currently operating as a common risk management and health insurance program and is considered an agent multiple-employer health plan. The Plan is administered by United Health Care. The District pays an annual premium to the pool for its health insurance coverage. The Plan has obtained stop-loss insurance to reduce its exposure to excessive losses resulting from large covered claims. Although stop-loss insurance permits recovery of a portion of such losses from the insurance carrier, it does not discharge the Plan's responsibility for payment of the claim. The Plan also permits the assessment of additional contributions from the participating District employers in the form of supplemental assessments in the event of a plan shortfall in any fiscal year. The plan issues a publicly available financial report. The report may be obtained by writing to the New York State Insurance Department Life Insurance Companies Bureau, 160 West Broadway, New York, NY 10013. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

The Plan established a liability for both reported and unreported insured events, which includes estimates of both future payments or losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Benefits Provided

The Plan provides medical, prescription and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 59% and 80% of premiums for retirees and for family coverage depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For measurement period ending December 31, 2020, the District contributed an estimated \$8,250,015 to the

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Plan, including \$8,250,015 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the “pay as you go” method.

Employees Covered by Benefit Terms

At December 31, 2019, the date of the last full valuation, the following employees were covered by the benefit terms:

|  |                     |
|--|---------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 1,237               |
| Inactive employees entitled to but not yet receiving benefit payments    | 0                   |
| Active employees   | <u>1,014</u>        |
| Total  | <u><u>2,251</u></u> |

**B) Total OPEB Liability:**

The District’s total OPEB liability of \$437,466,901 was measured as of December 31, 2020, and was determined by an actuarial valuation as of December 31, 2019.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                                      |   |
|--------------------------------------|---|
| Inflation                            | 2.50%   |
| Salary increases                     | 3.90%, including inflation  |
| Discount rate                        | 2.12%   |
| Healthcare cost trend rates          |   |
| Pre-65 medical/retiree contributions | 5.5% decreasing by 0.5% per year to an ultimate trend of 4.5% is reached    |
| Post-65 medical                      | 4.5%  |
| Prescription drug                    | 7.5% decreasing by 0.5% per year until an ultimate trend of 4.5% is reached |
| Administrative costs                 | 3.0%  |

The discount rate was based on the yield on 20-year tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher as shown in the Bond Buyer 20-Bond General Obligation Index as of December 31, 2020.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Mortality assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study done by the Office of the Actuary of the New York State Teachers' Retirement System as shown in its "Report on the 2015 Recommended Actuarial Assumptions" dated October 19, 2015 and used for the TRS valuation as of June 30, 2018.

**C) Changes in the Total OPEB Liability:**

|  |                              |
|--|------------------------------|
| Balance at December 31, 2019                       | <u>\$ 376,188,167</u>        |
| Changes for the fiscal year:                       |                              |
| Service cost                                       | 13,910,435                   |
| Interest   | 10,576,440                   |
| Changes of benefit terms                           | -                            |
| Differences between expected and actual experience | -                            |
| Changes in assumptions or other inputs             | 45,041,874                   |
| Benefit payments                                   | <u>(8,250,015)</u>           |
| Net changes  | <u>61,278,734</u>            |
| Balance at December 31, 2020                       | <u><u>\$ 437,466,901</u></u> |

There were no significant plan changes since the last valuation.

The discount rate used for the valuation was changed from 2.74% as of December 31, 2019 to 2.12% as of December 31, 2020.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.12%) or 1-percentage-point higher (3.12%) than the current discount rate:

|                      | 1%<br>Decrease<br>(1.12%)   | Discount<br>Rate<br>(2.12%) | 1%<br>Increase<br>(3.12%)   |
|----------------------|-----------------------------|-----------------------------|-----------------------------|
|                      | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total OPEB liability | <u>\$526,666,422</u>        | <u>\$437,466,901</u>        | <u>\$367,996,521</u>        |

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

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



**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|                      | <u>1% Decrease</u>   | Current<br>Healthcare<br>Cost Trend<br>Rates | <u>1% Increase</u>   |
|----------------------|----------------------|--|----------------------|
| Total OPEB liability | <u>\$359,125,994</u> | <u>\$437,466,901</u>                         | <u>\$541,841,910</u> |

**D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:**

For the fiscal year ended June 30, 2021, the District recognized OPEB expense (credit) of \$39,023,921. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|--|---|--|
| Contributions subsequent to the measurement date   | \$ 4,622,070                              | \$ -                                     |
| Differences between expected and actual experience | 14,793,827                                | -  |
| Changes of assumptions or other inputs             | <u>77,520,027</u>                         | <u>25,274,944</u>                        |
|  | <u>\$ 96,935,924</u>                      | <u>\$ 25,274,944</u>                     |

Benefit payments made subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the fiscal year ended June 30, 2022. Other 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: |                      |
|----------------------------|----------------------|
| 2022                       | \$ 14,537,045        |
| 2023                       | 14,730,615           |
| 2024                       | 17,043,269           |
| 2025                       | 16,118,667           |
| 2026                       | <u>4,609,314</u>     |
|                            | <u>\$ 67,038,910</u> |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**NOTE 17 - TAX ABATEMENTS:**

The Suffolk County Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 911-A, entered into various property tax abatement programs for the purpose of economic development and general prosperity and economic welfare of the County. The District's property tax revenue was reduced by \$1,362,824 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$781,230 for these programs during the fiscal year.

**NOTE 18 – RISK MANAGEMENT**

**A) General:**

The District 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 District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported claims which were incurred on or before year-end but not paid. Liabilities do not include an amount for claims which were incurred on or before year-end but not reported (IBNR). As of June 30, 2021, the District has estimated potential workers' compensation claims of \$3,368,521 and has a workers' compensation reserve balance of \$3,226,546. The program is accounted for in the general fund of the District.

Claims activity is summarized below:

|   | <u>2021</u>        | <u>2020</u>        |
|---|--------------------|--------------------|
| Unpaid claims at beginning of year            | \$3,667,436        | \$3,101,298        |
| Incurred claims and claim adjustment expenses | 765,197            | 1,127,999          |
| Claims payments                               | <u>(1,064,112)</u> | <u>(561,861)</u>   |
| Unpaid claims at year end                     | <u>\$3,368,521</u> | <u>\$3,667,436</u> |

The District has chosen to establish a self-funded dental benefit program for its employees. The benefit programs administrator is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the general fund of the District.

**C) Public Entity Risk Pool:**

The District participates in New York Schools Insurance Reciprocal, a non-risk-retained public entity risk pool for its District property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool.

**NOTE 19 – COMMITMENTS AND CONTINGENCIES**

**A) Grants:**

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

**B) Operating Leases:**

The District leases various copiers under non-cancelable operating leases. Rental expense of \$105,413 was incurred for the fiscal year ended June 30, 2021. Below is a summary of future obligations under operating leases:

| Fiscal Year<br>Ending June 30, | Total             |
|--------------------------------|-------------------|
| 2022                           | \$ 91,838         |
| 2023                           | 74,301            |
| 2024                           | 46,371            |
| 2025                           | 37,695            |
| 2026                           | 2,804             |
| Total                          | <u>\$ 253,009</u> |

**C) Litigation:**

The District 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 District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**D) Encumbrances:**

The following encumbrances are classified as restricted or assigned in the governmental funds at June 30, 2021:

General Fund:

|                    |                           |
|--------------------|---------------------------|
| General support    | \$2,207,084               |
| Instructional      | <u>226,329</u>            |
| Total General Fund | <u><u>\$2,433,413</u></u> |

Capital Projects Fund:

|                  |                    |
|------------------|--------------------|
| Capital projects | <u>\$1,062,841</u> |
|------------------|--------------------|

**E) Building aid restoration:**

The District had a loss of building aid due to the District's late filing of the final building project reports for four capital projects with the State Education Department in previous years. Section 31 of Chapter 57 of the Laws of 2012 provides for amnesty for late filed final cost reports. Under this provision, rather than losing all building aid associated with these projects, a late filing penalty was assessed. The District has filed the necessary paperwork for building aid restoration. The estimated amount of aid to be restored, according to the State Education Department, is as follows:

|  |                           |
|--|---------------------------|
| Total aid  | \$7,949,689               |
| Penalty  | <u>(304,044)</u>          |
| Total aid, net of penalty                                  | 7,645,645                 |
| Total aid recognized as of June 30, 2021                   | <u>3,677,148</u>          |
| Total building aid restoration receivable at June 30, 2021 | <u><u>\$3,968,497</u></u> |

**NOTE 20 – RESTATEMENT OF FUND BALANCES / NET POSITION**

During the year ended June 30, 2021, the District implemented GASB Statement No. 84. The adoption and implementation of this Statement resulted in reporting changes in current assets and other assets and other liabilities. The District's net fund balance and net position have been restated as follows:

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|   | General Fund         | Miscellaneous<br>Special<br>Revenue Fund | Statement of<br>Net Position | Custodial Fund    |
|---|----------------------|--|------------------------------|-------------------|
| Fund Balance/Net Position                 |                      |  |                              |                   |
| Beginning of Year as Reported             | \$ 50,956,767        | \$ -                                     | \$ (178,289,972)             | \$ -              |
| Assets                                    |                      |  |                              |                   |
| Cash                                      | 146,269              | 408,957                                  | 555,226                      |                   |
| Cash - restricted                         |                      | 128,826                                  | 128,826                      | 107,096           |
| Total Assets                              | <u>146,269</u>       | <u>537,783</u>                           | <u>684,052</u>               | <u>107,096</u>    |
| Liabilities                               |                      |  |                              |                   |
| Other liabilities                         | 146,269              |  | 146,269                      |                   |
| Total Liabilities                         | <u>146,269</u>       | <u>-</u>                                 | <u>146,269</u>               | <u>-</u>          |
| Fund Balance/Net Position                 |                      |  |                              |                   |
| Restricted - fiduciary fund               |                      |  |                              | 107,096           |
| Restricted for scholarships and donations | -                    | 128,826                                  | 128,826                      | -                 |
| Assigned unappropriated fund balance      | -                    | 408,957                                  | 408,957                      | -                 |
| Total Fund Balance/Net Position           | <u>-</u>             | <u>537,783</u>                           | <u>537,783</u>               | <u>107,096</u>    |
| Fund Balance/Net Position                 |                      |  |                              |                   |
| Beginning of Year, as Restated            | <u>\$ 50,956,767</u> | <u>\$ 537,783</u>                        | <u>\$ (177,752,189)</u>      | <u>\$ 107,096</u> |

**NOTE 21 – SUBSEQUENT EVENTS:**

Management of the District evaluated events through October 8, 2021 which is the date the financial statements were available to be issued, and noted the following:

- A) The District applied for additional funding under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in the amount of \$6,730,896 for the Elementary and Secondary School Emergency Relief Program (ESSER) and \$1,088,109 for the Governor’s Emergency Education Relief Program (GEER), which were approved in August of 2021.
- B) On October 5, 2021, the District issued a tax anticipation note in the amount of \$50,000,000, which is due June 29, 2022, and bears an interest rate of 1.25%, and a premium of \$403,740.
- C) On September 28, 2021 residents within the Smithtown Central School District approved a \$120 million bond referendum for various district-wide capital improvements. The bond will not increase taxes, as new payments for the related work will replace expiring debt payments. Therefore, no new tax revenue will be needed to support the bond payments. The bond referendum prioritizes safety and security, renovates and repairs aging facilities, and continues to provide opportunities for student success.

**SUPPLEMENTARY INFORMATION**

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|   | <u>Original Budget</u> | <u>Final Budget</u>  | <u>Actual<br/>(Budgetary Basis)</u> | <u>Final Budget<br/>Variance<br/>with Budgetary<br/>Actual</u> |
|---|------------------------|----------------------|-------------------------------------|--|
| <b>REVENUES</b>   |                        |                      |                                     |  |
| Local sources   |                        |                      |                                     |  |
| Real property taxes   | \$187,208,364          | \$188,184,794        | \$188,178,682                       | (\$6,112)  |
| Other real property tax items   | 15,003,766             | 14,027,336           | 14,095,168                          | 67,832   |
| Charges for services  | 2,170,000              | 2,170,000            | 1,953,476                           | (216,524)  |
| Use of money & property   | 484,000                | 484,000              | 314,055                             | (169,945)  |
| Forfeiture of deposit   | 3,500                  | 3,500                | 2                                   | (3,498)  |
| Sale of property<br>& compensation for loss   | 287,500                | 287,500              | 344,457                             | 56,957   |
| Miscellaneous   | 1,120,000              | 1,120,000            | 2,785,805                           | 1,665,805  |
| State sources   |                        |                      |                                     |  |
| Basic formula   | 26,942,142             | 26,667,681           | 26,462,940                          | (204,741)  |
| Excess cost aid   | 5,342,277              | 5,342,277            | 7,057,360                           | 1,715,083  |
| Lottery aid   | 8,676,665              | 8,676,665            | 7,516,627                           | (1,160,038)  |
| Commercial Gaming aid   | 188,500                | 188,500              | 281,303                             | 92,803   |
| BOCES aid   | 3,087,330              | 3,087,330            | 4,706,464                           | 1,619,134  |
| Textbook aid  | 530,819                | 530,819              | 531,357                             | 538  |
| Computer software/hardware aid  | 239,797                | 239,797              | 239,683                             | (114)  |
| Library A/V Loan Program Aid  | 60,221                 | 60,221               | 60,156                              | (65)   |
| Tuition for students with disabilities  | -                      | -                    | 252,616                             | 252,616  |
| Other state aid   | -                      | -                    | 621,576                             | 621,576  |
| Federal sources   | 200,000                | 474,461              | 504,802                             | 30,341   |
| <b>TOTAL REVENUES AND OTHER<br/>FINANCING SOURCES</b>   | <u>251,544,881</u>     | <u>251,544,881</u>   | <u>\$255,906,529</u>                | <u>\$4,361,648</u>   |
| Appropriated fund balance   | 3,478,395              | 3,478,395            |                                     |  |
| Appropriated reserves   | <u>1,539,665</u>       | <u>2,429,171</u>     |                                     |  |
| <b>TOTAL REVENUES , OTHER FINANCING<br/>SOURCES, AND APPROPRIATED FUND<br/>BALANCE AND RESERVES</b> | <u>\$256,562,941</u>   | <u>\$257,452,447</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.

SMITHTOWN CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

|  | Original Budget | Final Budget  | Actual<br>(Budgetary Basis) | Year-End<br>Encumbrances | Final Budget<br>Variance with<br>Budgetary Actual<br>and Encumbrances |
|--|-----------------|---------------|-----------------------------|--------------------------|---|
| <b>EXPENDITURES</b>                                    |                 |               |                             |                          |   |
| General Support  |                 |               |                             |                          |   |
| Board of education                                     | \$172,968       | \$172,100     | \$160,298                   |                          | \$11,802  |
| Central administration                                 | 690,080         | 750,553       | 719,561                     |                          | 30,992  |
| Finance  | 2,112,198       | 1,937,209     | 1,908,199                   | \$444                    | 28,566  |
| Staff  | 1,437,832       | 1,354,253     | 1,300,798                   |                          | 53,455  |
| Central services                                       | 18,548,211      | 21,724,321    | 18,666,343                  | 2,206,640                | 851,338   |
| Special items  | 2,073,500       | 2,106,380     | 2,016,102                   |                          | 90,278  |
| Total General Support                                  | 25,034,789      | 28,044,816    | 24,771,301                  | 2,207,084                | 1,066,431   |
| Instruction  |                 |               |                             |                          |   |
| Instruction, adm. & imp.                               | 15,602,449      | 14,552,850    | 13,849,257                  | 11,258                   | 692,335   |
| Teaching - regular school                              | 75,854,039      | 74,291,079    | 73,485,709                  | 73,772                   | 731,598   |
| Programs for children with<br>handicapping conditions  | 32,650,510      | 32,918,096    | 32,779,304                  |                          | 138,792   |
| Occupational education                                 | 2,522,050       | 2,542,483     | 2,513,508                   | 8,510                    | 20,465  |
| Teaching special schools                               | 97,580          | 24,770        | 250                         |                          | 24,520  |
| Instructional media                                    | 6,060,567       | 6,810,681     | 6,680,341                   | 61,178                   | 69,162  |
| Pupil services   | 11,965,641      | 11,600,784    | 11,220,774                  | 71,611                   | 308,399   |
| Total Instruction                                      | 144,752,836     | 142,740,743   | 140,529,143                 | 226,329                  | 1,985,271   |
| Pupil Transportation                                   | 17,448,652      | 17,131,680    | 17,009,105                  |                          | 122,575   |
| Community Services                                     | 2,250           | 2,250         |                             |                          | 2,250   |
| Employee Benefits                                      | 55,800,239      | 55,497,701    | 55,450,847                  |                          | 46,854  |
| Debt Service   |                 |               |                             |                          |   |
| Debt service principal                                 | 10,219,816      | 10,219,816    | 10,219,815                  |                          | 1   |
| Debt service interest                                  | 2,734,359       | 3,207,692     | 3,207,691                   |                          | 1   |
| Total Debt Service                                     | 12,954,175      | 13,427,508    | 13,427,506                  | -                        | 2   |
| <b>TOTAL EXPENDITURES</b>                              | 255,992,941     | 256,844,698   | 251,187,902                 | 2,433,413                | 3,223,383   |
| Other financing uses                                   |                 |               |                             |                          |   |
| Transfers to other funds                               | 570,000         | 607,749       | 607,749                     |                          | -   |
| <b>TOTAL EXPENDITURES AND OTHER FINANCING<br/>USES</b> | \$256,562,941   | \$257,452,447 | 251,795,651                 | \$2,433,413              | \$3,223,383   |
| <b>NET CHANGE IN FUND BALANCES</b>                     |                 |               | 4,110,878                   |                          |   |
| <b>FUND BALANCES - BEGINNING OF YEAR</b>               |                 |               | 50,956,767                  |                          |   |
| <b>FUND BALANCES- END OF YEAR</b>                      |                 |               | \$55,067,645                |                          |   |

**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.



**SMITHTOWN CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE FISCAL YEARS ENDED JUNE 30,**

|   | 2021                 |                    | 2020                 |                    | 2019                 |                    | 2018                 |                    |
|---|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|----------------------|--------------------|
|   | SSEHP                | NYSHIP             | SSEHP                | NYSHIP             | SSEHP                | NYSHIP             | SSEHP                | NYSHIP             |
| <b>Total OPEB Liability</b>   |                      |                    |                      |                    |                      |                    |                      |                    |
| Service cost  | \$13,910,435         | \$47,976           | \$8,514,302          | \$94,608           | \$10,677,547         | \$122,344          | \$9,390,580          | \$238,212          |
| Interest  | 10,576,440           | 68,011             | 11,538,189           | 163,310            | 10,365,657           | 153,504            | 11,664,594           | 141,959            |
| Changes of benefit terms  | -                    | -                  | -                    | (1,541,103)        | -                    | -                  | -                    | -                  |
| Differences between expected and actual experience                      | -                    | -                  | 15,199,668           | (796,400)          | -                    | -                  | 15,687,325           | (285,459)          |
| Changes of assumptions or other inputs                                  | 45,041,874           | 413,789            | 63,289,967           | (143,627)          | (33,661,079)         | (221,576)          | (27,107,926)         | (685,177)          |
| Benefit payments  | (8,250,015)          | (77,512)           | (7,546,419)          | (126,067)          | (6,974,821)          | (117,286)          | (8,017,571)          | (89,180)           |
| <b>Net change in total OPEB liability</b>                               | <b>61,278,734</b>    | <b>452,264</b>     | <b>90,995,707</b>    | <b>(2,349,279)</b> | <b>(19,592,696)</b>  | <b>(63,014)</b>    | <b>1,617,002</b>     | <b>(679,645)</b>   |
| <b>Total OPEB liability - beginning</b>                                 | <b>376,188,167</b>   | <b>1,933,657</b>   | <b>285,192,460</b>   | <b>4,282,936</b>   | <b>304,785,156</b>   | <b>4,345,950</b>   | <b>303,168,154</b>   | <b>5,025,595</b>   |
| <b>Total OPEB liability - ending</b>                                    | <b>\$437,466,901</b> | <b>\$2,385,921</b> | <b>\$376,188,167</b> | <b>\$1,933,657</b> | <b>\$285,192,460</b> | <b>\$4,282,936</b> | <b>\$304,785,156</b> | <b>\$4,345,950</b> |
| <b>Covered employee payroll</b>   | <b>\$124,801,109</b> | <b>\$642,072</b>   | <b>\$122,197,100</b> | <b>\$943,371</b>   | <b>\$118,378,764</b> | <b>\$1,137,053</b> | <b>\$115,206,314</b> | <b>\$1,011,023</b> |
| <b>Total OPEB liability as a percentage of covered-employee payroll</b> | <b>350.53%</b>       | <b>371.60%</b>     | <b>307.85%</b>       | <b>204.97%</b>     | <b>240.92%</b>       | <b>376.67%</b>     | <b>264.56%</b>       | <b>429.86%</b>     |

**Notes to Schedule:***Trust Assets*

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

*Suffolk School Employees Health Plan - SSEHP*

The per capita health costs and the future trend rates on such costs were revised in 2018 based on past experience and future expectations.

The mortality rates were changed in 2018 to those used in the New York State Teachers' Retirement System actuarial valuation as of June 30, 2016.

The turnover rates were changed in 2018 to those used in the New York State Teachers' Retirement System actuarial valuation as of June 30, 2016.

The discount rate used for the valuation was 3.78% as of December 31, 2016 3.44% as of December 31, 2017, 4.10% as of December 31, 2018, 2.74% as of December 31, 2019, and 2.12% as of December 31, 2020.

*New York State Health Insurance Plan - NYSHIP (HMO)*

The per capita health costs and the future trend rates on such costs were revised in 2018 based on past experience and future expectations. The projected per capita claims costs were revised as of December 31, 2019 to reflect changes in the HMO premium amounts.

The mortality, turnover and retirement rates were changed in 2018 to those used in the NYS ERS's 2017 Actuarial Valuation.

The discount rate used for the valuation was 2.85% as of June 30, 2016, 3.58% as of June 30, 2017, 3.87% as of June 30, 2018, 3.5% as of June 30, 2019, and 2.21% as of June 30, 2020.

Effective January 1, 2020, Empire Blue Cross Blue Shield was no longer offered.

*The amounts presented for the fiscal years are as of the measurement dates of the Plans.*

**SMITHTOWN CENTRAL SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY) ASSET**  
**FOR THE LAST EIGHT FISCAL YEARS ENDED JUNE 30,**

| <b>NYSERS Pension Plan</b>  |                 |                 |                |                |                |                 |                |                |
|---|-----------------|-----------------|----------------|----------------|----------------|-----------------|----------------|----------------|
|   | <u>2021</u>     | <u>2020</u>     | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>     | <u>2015</u>    | <u>2014</u>    |
| District's proportion of the net pension (liability) asset  | 0.0778518%      | 0.0817870%      | 0.0853507%     | 0.0852733%     | 0.0859617%     | 0.089255%       | 0.0884900%     | 0.0884900%     |
| District's proportionate share of the net pension (liability) asset   | \$ (77,520)     | \$ (21,657,674) | \$ (6,047,358) | \$ (2,752,149) | \$ (8,077,155) | \$ (14,325,756) | \$ (2,989,409) | \$ (3,998,740) |
| District's covered payroll  | \$ 29,418,602   | \$ 29,655,093   | \$ 28,736,184  | \$ 29,101,404  | \$ 28,101,660  | \$ 27,988,998   | \$ 27,642,731  | \$ 26,804,814  |
| District's proportionate share of the net pension (liability) asset<br>as a percentage of its covered payroll | 0.26%           | 73.03%          | 21.04%         | 9.46%          | 28.74%         | 51.18%          | 10.81%         | 14.92%         |
| Plan fiduciary net position as a percentage of the total pension (liability) asset                            | 99.95%          | 86.39%          | 96.27%         | 98.24%         | 94.70%         | 90.68%          | 97.95%         | 97.20%         |
| <b>NYSTRS Pension Plan</b>  |                 |                 |                |                |                |                 |                |                |
|   | <u>2021</u>     | <u>2020</u>     | <u>2019</u>    | <u>2018</u>    | <u>2017</u>    | <u>2016</u>     | <u>2015</u>    | <u>2014</u>    |
| District's proportion of the net pension (liability) asset  | 0.592318%       | 0.591576%       | 0.591777%      | 0.589709%      | 0.581748%      | 0.588488%       | 0.585781%      | 0.590478%      |
| District's proportionate share of the net pension (liability) asset   | \$ (16,367,340) | \$ 15,369,194   | \$ 10,700,896  | \$ 4,482,376   | \$ (6,230,768) | \$ 61,125,115   | \$ 65,252,313  | \$ 3,886,841   |
| District's covered payroll  | \$ 101,331,666  | \$ 99,921,409   | \$ 97,358,360  | \$ 94,513,199  | \$ 90,855,039  | \$ 86,386,552   | \$ 86,362,902  | \$ 87,509,573  |
| District's proportionate share of the net pension (liability) asset<br>as a percentage of its covered payroll | -16.15%         | 15.38%          | 10.99%         | 4.74%          | 6.86%          | 70.76%          | 75.56%         | 4.44%          |
| Plan fiduciary net position as a percentage of the total pension (liability) asset                            | 97.76%          | 102.17%         | 101.53%        | 100.66%        | 99.01%         | 110.46%         | 111.48%        | 100.70%        |

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

SMITHTOWN CENTRAL SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,

| <u>NYSERS Pension Plan</u>   |                  |                  |                   |                  |                   |                   |                   |                   |                   |                  |
|--|------------------|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
|  | <u>2021</u>      | <u>2020</u>      | <u>2019</u>       | <u>2018</u>      | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       | <u>2012</u>      |
| Contractually required contribution                                  | \$ 4,188,409     | \$ 3,986,074     | \$ 3,974,845      | \$ 3,883,522     | \$ 3,854,446      | \$ 4,443,231      | \$ 4,746,625      | \$ 4,899,841      | \$ 4,603,140      | \$ 4,082,615     |
| Contributions in relation to the contractually required contribution | <u>4,188,409</u> | <u>3,986,074</u> | <u>3,974,845</u>  | <u>3,883,522</u> | <u>3,854,446</u>  | <u>4,443,231</u>  | <u>4,746,625</u>  | <u>4,899,841</u>  | <u>4,603,140</u>  | <u>4,082,615</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>       | <u>\$ -</u>      | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>      |
| District's covered payroll   | \$30,087,334     | \$30,266,799     | \$28,930,943      | \$26,368,195     | \$26,278,333      | \$26,150,541      | \$ 25,953,219     | \$ 25,479,557     | \$ 25,087,619     | \$ 24,481,561    |
| Contributions as a percentage of covered payroll                     | 13.92%           | 13.17%           | 13.74%            | 14.73%           | 14.67%            | 16.99%            | 18.29%            | 19.23%            | 18.35%            | 16.68%           |
| <u>NYSTRS Pension Plan</u>   |                  |                  |                   |                  |                   |                   |                   |                   |                   |                  |
|  | <u>2021</u>      | <u>2020</u>      | <u>2019</u>       | <u>2018</u>      | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       | <u>2014</u>       | <u>2013</u>       | <u>2012</u>      |
| Contractually required contribution                                  | \$ 9,844,136     | \$ 8,907,412     | \$ 10,484,465     | \$ 9,446,602     | \$ 10,952,279     | \$ 11,903,452     | \$ 15,496,330     | \$ 14,060,950     | \$ 10,240,674     | \$ 9,728,301     |
| Contributions in relation to the contractually required contribution | <u>9,844,136</u> | <u>8,907,412</u> | <u>10,484,465</u> | <u>9,446,602</u> | <u>10,952,279</u> | <u>11,903,452</u> | <u>15,496,330</u> | <u>14,060,950</u> | <u>10,240,674</u> | <u>9,728,301</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>       | <u>\$ -</u>      | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>      |
| District's covered payroll   | \$ 104,112,442   | \$ 101,331,666   | \$ 99,921,409     | \$ 97,358,360    | \$ 94,513,199     | \$ 90,855,039     | \$ 86,386,552     | \$ 86,362,902     | \$ 87,509,573     | \$ 86,787,409    |
| Contributions as a percentage of covered payroll                     | 9.46%            | 8.79%            | 10.49%            | 9.70%            | 11.59%            | 13.10%            | 17.94%            | 16.28%            | 11.70%            | 11.21%           |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET  
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

|   |                             |
|---|-----------------------------|
| Adopted Budget  | \$255,203,276               |
| Add: Prior year's encumbrances                                      | <u>1,359,665</u>            |
| Original Budget   | \$256,562,941               |
| Budget Revisions:   |                             |
| Add:  |                             |
| Increase in appropriated workers' compensation reserve              | 499,513                     |
| Increase in appropriated retirement contribution reserve (ERS)      | 155,070                     |
| Increase in appropriated insurance reserve                          | 95,247                      |
| Increase in appropriated employee benefit accrued liability reserve | 154,676                     |
| Deduct:   |                             |
| Decrease in appropriated unemployment reserve                       | <u>(15,000)</u>             |
| Final Budget  | <u><u>\$257,452,447</u></u> |

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

|   |                            |
|---|----------------------------|
| 2021-2022 voter approved expenditure budget                                   | <u>\$262,319,665</u>       |
| Maximum allowed (4% of 2021-2022 budget)                                      | <u>\$10,492,787</u>        |
| General fund fund balance subject to Section 1318 of<br>Real Property Tax Law |                            |
| Assigned fund balance   | 3,933,413                  |
| Unassigned fund balance   | <u>10,484,109</u>          |
| Total unrestricted fund balance   | <u>14,417,522</u>          |
| Less:   |                            |
| Appropriated fund balance   | 1,500,000                  |
| Encumbrances  | <u>2,433,413</u>           |
| Total adjustments   | <u>3,933,413</u>           |
| General fund fund balance subject to Section 1318 of Real Property Tax Law    | <u><u>\$10,484,109</u></u> |
| Actual percentage   | 4.00%                      |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND  
AS OF JUNE 30, 2021**

| Project Title                            | Prior Year<br>Appropriation | Current<br>Appropriation | Expenditures and Transfers to Date |                                |                      | Unexpended<br>Balance | Methods of Financing       |              |                      | Fund<br>Balance<br>June 30, 2021 |                     |
|--|-----------------------------|--------------------------|------------------------------------|--------------------------------|----------------------|-----------------------|----------------------------|--------------|----------------------|----------------------------------|---------------------|
|  |                             |                          | Prior Year's                       | Current Year<br>Capital Outlay | Total                |                       | Proceeds of<br>Obligations | State Aid    | Local<br>Sources     |                                  | Total               |
| <b>Capital Reserve 2018-19</b>           |                             |                          |                                    |                                |                      |                       |                            |              |                      |                                  |                     |
| Smithtown Elementary Renovations         | \$ 1,336,582                | \$ 1,574,577             | \$ 654,859                         | \$ 696,326                     | \$ 1,351,185         | \$ 223,392            |                            | \$ 1,574,577 | \$ 1,574,577         | \$ 223,392                       |                     |
| St. James Renovations                    | 170,519                     | 206,016                  | 16,409                             | 150,538                        | 166,947              | 39,069                |                            | 206,016      | 206,016              | 39,069                           |                     |
| Commissary/Warehouse Renovations         | 2,384                       | 74,590                   | 1,772                              | 4,777                          | 6,549                | 68,041                |                            | 74,590       | 74,590               | 68,041                           |                     |
| High School East Renovations             | 1,742,079                   | 1,782,124                | 1,741,079                          | 1,466                          | 1,742,545            | 39,579                |                            | 1,782,124    | 1,782,124            | 39,579                           |                     |
| Dogwood Renovations                      | 1,812                       | 234,949                  | 1,199                              | 7,511                          | 8,710                | 226,239               |                            | 234,949      | 234,949              | 226,239                          |                     |
| Mt. Pleasant Renovations                 | 1,812                       | 45,667                   | 1,199                              | 2,510                          | 3,709                | 41,958                |                            | 45,667       | 45,667               | 41,958                           |                     |
| Great Hollow MS Renovations              | 2,063,073                   | 2,124,980                | 792,800                            | 1,330,881                      | 2,123,681            | 1,299                 |                            | 2,124,980    | 2,124,980            | 1,299                            |                     |
| Mills Pond Renovations                   | 1,812                       | 56,167                   | 1,199                              | 3,337                          | 4,536                | 51,631                |                            | 56,167       | 56,167               | 51,631                           |                     |
| Accompsett Elementary Renovations        | 631,726                     | 678,840                  | 480,632                            | 158,354                        | 638,986              | 39,854                |                            | 678,840      | 678,840              | 39,854                           |                     |
| Tackan Renovations                       | 1,812                       | 56,167                   | 1,200                              | 3,338                          | 4,538                | 51,629                |                            | 56,167       | 56,167               | 51,629                           |                     |
| Nesaquake MS Renovations                 | 19,631                      | 515,290                  | 13,718                             | 298,401                        | 312,119              | 203,171               |                            | 515,290      | 515,290              | 203,171                          |                     |
| Accompsett MS Renovations                | 1,921,529                   | 1,913,687                | 1,329,033                          | 584,654                        | 1,913,687            | -                     |                            | 1,913,687    | 1,913,687            | -                                |                     |
| Accompsett MS Renovations II             | 1,681,499                   | 1,785,748                | 461,311                            | 1,278,336                      | 1,739,647            | 46,101                |                            | 1,785,748    | 1,785,748            | 46,101                           |                     |
| High School West Renovations             | 2,193,876                   | 2,196,459                | 1,596,276                          | 569,294                        | 2,165,570            | 30,889                |                            | 2,196,459    | 2,196,459            | 30,889                           |                     |
| Unallocated                              | 1,532,174                   | 57,059                   | -                                  | -                              | -                    | 57,059                |                            | 57,059       | 57,059               | 57,059                           |                     |
| <b>Total Capital Reserve 2018-19</b>     | <b>\$ 13,302,320</b>        | <b>\$ 13,302,320</b>     | <b>7,092,686</b>                   | <b>\$ 5,089,723</b>            | <b>\$ 12,182,409</b> | <b>\$ 1,119,911</b>   | <b>\$ -</b>                | <b>\$ -</b>  | <b>\$ 13,302,320</b> | <b>\$ 13,302,320</b>             | <b>\$ 1,119,911</b> |
| <b>Energy Performance Contract</b>       |                             |                          |                                    |                                |                      |                       |                            |              |                      |                                  |                     |
| Smithtown Elementary                     | \$ 359,329                  | \$ 359,329               | 296,024                            | \$ 63,305                      | \$ 359,329           | \$ -                  | \$ 359,329                 |              | \$ 359,329           | \$ -                             |                     |
| Buildings & Grounds Shop                 | 25,485                      | 25,485                   | 25,313                             | 172                            | 25,485               | -                     | 25,485                     |              | 25,485               | -                                |                     |
| Transportation Building                  | 108,622                     | 108,622                  | 102,994                            | 5,628                          | 108,622              | -                     | 108,622                    |              | 108,622              | -                                |                     |
| St. James Elementary                     | 415,031                     | 415,031                  | 374,657                            | 40,374                         | 415,031              | -                     | 415,031                    |              | 415,031              | -                                |                     |
| Warehouse                                | 49,637                      | 49,637                   | 48,053                             | 1,584                          | 49,637               | -                     | 49,637                     |              | 49,637               | -                                |                     |
| High School East                         | 4,993,684                   | 4,993,684                | 4,562,042                          | 431,642                        | 4,993,684            | -                     | 4,993,684                  |              | 4,993,684            | -                                |                     |
| Dogwood Elementary                       | 334,745                     | 334,745                  | 299,407                            | 35,338                         | 334,745              | -                     | 334,745                    |              | 334,745              | -                                |                     |
| Mt. Pleasant Elementary                  | 249,528                     | 249,528                  | 231,215                            | 18,313                         | 249,528              | -                     | 249,528                    |              | 249,528              | -                                |                     |
| Great Hollow MS                          | 1,238,971                   | 1,238,971                | 763,081                            | 475,890                        | 1,238,971            | -                     | 1,238,971                  |              | 1,238,971            | -                                |                     |
| Mills Pond Elementary                    | 281,885                     | 281,885                  | 264,896                            | 16,989                         | 281,885              | -                     | 281,885                    |              | 281,885              | -                                |                     |
| Accompsett Elementary                    | 320,011                     | 320,011                  | 296,103                            | 23,908                         | 320,011              | -                     | 320,011                    |              | 320,011              | -                                |                     |
| Tackan Elementary                        | 286,801                     | 286,801                  | 263,868                            | 22,933                         | 286,801              | -                     | 286,801                    |              | 286,801              | -                                |                     |
| Nesaquake Elementary                     | 1,334,268                   | 1,334,268                | 1,046,586                          | 287,682                        | 1,334,268            | -                     | 1,334,268                  |              | 1,334,268            | -                                |                     |
| Accompsett MS                            | 1,124,877                   | 1,124,877                | 690,864                            | 434,013                        | 1,124,877            | -                     | 1,124,877                  |              | 1,124,877            | -                                |                     |
| High School West                         | 12,310,485                  | 12,310,485               | 11,817,389                         | 493,096                        | 12,310,485           | -                     | 12,310,485                 |              | 12,310,485           | -                                |                     |
| <b>Total Energy Performance Contract</b> | <b>\$ 23,433,359</b>        | <b>\$ 23,433,359</b>     | <b>\$ 21,082,492</b>               | <b>\$ 2,350,867</b>            | <b>\$ 23,433,359</b> | <b>\$ -</b>           | <b>\$ 23,433,359</b>       | <b>\$ -</b>  | <b>\$ -</b>          | <b>\$ 23,433,359</b>             | <b>\$ -</b>         |
|  | <b>\$ 36,735,679</b>        | <b>\$ 36,735,679</b>     | <b>\$ 28,175,178</b>               | <b>\$ 7,440,590</b>            | <b>\$ 35,615,768</b> | <b>\$ 1,119,911</b>   | <b>\$ 23,433,359</b>       | <b>\$ -</b>  | <b>\$ 13,302,320</b> | <b>\$ 36,735,679</b>             | <b>\$ 1,119,911</b> |

**SMITHTOWN CENTRAL SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

|  |            |                             |
|--|------------|-----------------------------|
| <b>Capital assets, net</b>                     |            | \$148,918,232               |
| <b>Add:</b>                                    |            |                             |
| Deferred charges from refundings               |            | 596,831                     |
| <b>Deduct:</b>                                 |            |                             |
| Short-term bonds payable, inclusive of premium | 10,070,685 |                             |
| Long-term bonds payable, inclusive of premium  | 15,879,645 |                             |
|  |            |                             |
| Short-term energy performance debt payable     | 1,704,402  |                             |
| Long-term energy performance debt payable      | 18,942,553 |                             |
|  |            | <u>\$46,597,285</u>         |
| <b>Net investment in capital assets</b>        |            | <u><u>\$102,917,778</u></u> |



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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  
Smithtown Central School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Smithtown Central School District (the "District") as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 8, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

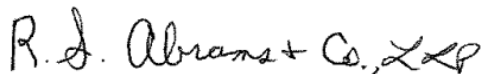
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

R.S. Abrams & Co., LLP  
Islandia, NY  
October 8, 2021