

**SMITHTOWN CENTRAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2022**

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, during the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total other post-employment benefits liability, schedule of District's proportionate share of the net pension liability, schedule of the District's contributions and related ratios on pages 1 through 15 and 68 through 72, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2022, 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 6, 2022

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022. 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 2022 are as follows:

- On the District-Wide Financial Statements, revenues increased by 4.38% mainly due to an increase in real property taxes and operating grants and contributions, partially offset by a decrease in miscellaneous revenues.
- On the District-Wide Financial Statements, expenses decreased by 11.37% primarily due to a decrease in instruction expenses due to a reduction in other post employment benefits and pension expenses based on the current year actuarial valuations.
- The District’s total net position, as reflected in the District-Wide Financial Statements, increased by \$13,482,935.
- On the Fund Financial Statements, the District’s fund balance in the general fund increased by \$492,186 due to revenues exceeding expenditures and other financing uses based on the modified accrual basis of accounting.
- On May 17, 2022, the proposed 2022-23 budget in the amount of \$267,786,882 was authorized by the District’s residents.
- The District adopted GASB Statement No. 87, *Leases*, in July of 2021. Beginning balance in net position (deficit) was restated by \$1,040,290 as a result of the adoption of this Statement. See Note 21 to the financial statements for additional information.

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:

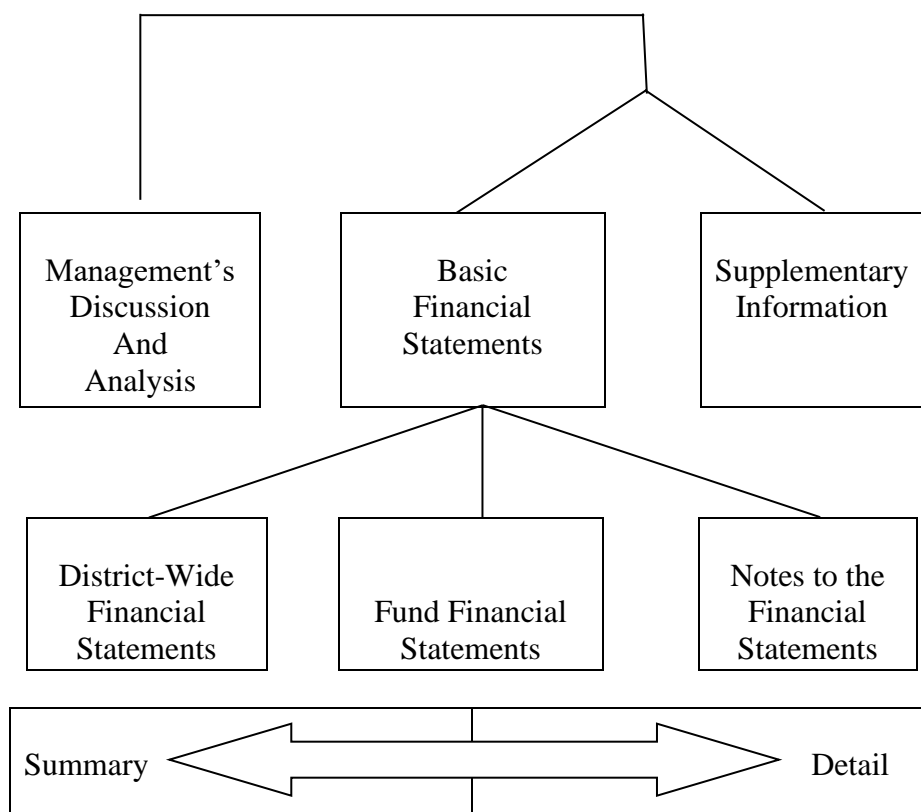
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

- *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



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.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
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, 2022**

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 and intangible lease assets are reported as expenditures when financial resources (money) are expended to purchase, finance, or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation and amortization are not calculated as it does not provide or reduce current financial resources. Finally, capital assets, intangible lease assets, and long-term debt are all 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 and intangible lease assets;
- Report long-term debt as a liability;
- Depreciate capital assets, amortize intangible lease assets, and allocate the depreciation and amortization to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets*;
 - *Restricted net position* 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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

- *Unrestricted net position* includes net amounts that do not meet any of the above restrictions.

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:

Non-current assets, long-term liabilities, deferred inflows of resources, net investment in capital assets, and total net position (deficit) for 2021 have been restated to reflect the implementation of GASB Statement No. 87, *Leases*. See Note 21 to the financial statements for further information.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	As Restated 2021	As Reported 2021	Increase (Decrease)
Non-current assets	\$152,033,447	\$148,918,232	\$3,115,215
Long-term liabilities	532,404,534	532,238,345	166,189
Deferred inflows	59,627,378	57,718,642	1,908,736
Net investment in capital assets	103,958,068	102,917,778	1,040,290
Total net position (deficit)	(208,034,243)	(209,074,533)	1,040,290

The District's opening total net position (deficit) was restated by \$1,040,290 for the fiscal year ended June 30, 2022.

Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2022	As Restated Fiscal Year 2021	Increase/ (Decrease)	Total Percentage Change
Current assets	\$79,730,310	\$80,617,412	(\$887,102)	(1.10%)
Non-current assets	149,816,188	152,033,447	(2,217,259)	(1.46%)
Net pension asset - proportionate share	111,867,668	-	111,867,668	N/A
Deferred outflows of resources	150,585,309	171,688,823	(21,103,514)	(12.29%)
Total Assets and deferred outflows of resources	<u>491,999,475</u>	<u>404,339,682</u>	<u>87,659,793</u>	21.68%
Other liabilities	20,178,691	20,342,012	(163,321)	(0.80%)
Long-term liabilities	426,383,648	532,404,534	(106,020,886)	(19.91%)
Deferred inflows of resources	239,988,444	59,627,378	180,361,066	302.48%
Total Liabilities and deferred inflows of resources	<u>686,550,783</u>	<u>612,373,924</u>	<u>74,176,859</u>	12.11%
Net Position				
Net investment in capital assets	113,600,920	103,958,068	9,642,852	9.28%
Restricted	40,992,467	41,782,568	(790,101)	(1.89%)
Unrestricted (deficit)	(349,144,695)	(353,774,879)	4,630,184	1.31%
Total Net Position (deficit)	<u><u>(\$194,551,308)</u></u>	<u><u>(\$208,034,243)</u></u>	<u><u>\$13,482,935</u></u>	6.48%

Current assets and other assets decreased by \$887,102 from prior year primarily due to a decrease in cash and cash equivalents and due from other governments, offset by an increase in state and federal aid receivable. Non-current assets decreased by \$2,217,259. This was attributable to current year capital asset and intangible lease asset additions and a reduction in the related long term debt outstanding offset by depreciation and amortization, as well as reductions to the lease receivable for current year principal payments received. The District's net pension asset – proportionate share for pension systems increased by \$111,867,668 as a result of the actuarial valuations provided by the State. The change in deferred outflows of resources represents amortization of the deferred charge on refunding, as discussed in Note 14, amortization of pension related items, as well as the change in the

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

District's contributions to the plans subsequent to the measurement date, as discussed in Note 15, as well as the amortization of deferred outflows related to the total other post-employment benefits obligation, as discussed in Note 17.

Other liabilities decreased by \$163,321. This was primarily attributable to decreases in accounts payable, accrued liabilities, and due to employees' retirement system, partially offset by increases in due to teachers' retirement system, and due to other governments. Long-term liabilities decreased by \$106,020,886, which was primarily attributable to decreases in the total other post-employment benefits obligation and net pension liability as actuarially determined, 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 15, and the amortization of deferred inflows related to the total other post-employment benefits obligation, as discussed in Note 17.

The net investment in capital assets relates to the investment in capital assets (at cost) and intangible lease assets (at the present value of future lease payments remaining on the lease term) such as land, construction in progress, buildings and improvements, and furniture and equipment, net of depreciation, amortization, and related debt. This number increased from the prior year by \$9,642,852 due to capital asset and intangible asset additions and a reduction in the related outstanding debt, offset by depreciation and amortization expense.

The restricted net position at June 30, 2022, relates to the District's reserves and restricted amounts for scholarships and donations. Restricted net position decreased by \$790,101 primarily due to decreases in the employee benefits accrued liability, employees' retirement system (ERS), workers compensation, and insurance reserves, offset by an increase in teachers' retirement (TRS), employees' retirement system (ERS) and capital reserve.

The unrestricted net deficit at June 30, 2022 of \$349,144,695 relates to the balance of the District's net position. The unrestricted net deficit decreased by \$4,630,184.

B) Changes in Net Position:

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, 2022 and 2021 is as follows:

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Change in Net Position from Operating Results

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for services	\$4,337,281	\$2,755,911	\$1,581,370	57.38%
Operating grants and contributions	11,979,693	6,222,402	5,757,291	92.53%
General Revenues				
Real property taxes and other tax items	205,817,926	202,273,850	3,544,076	1.75%
State sources	48,084,881	46,793,839	1,291,042	2.76%
Use of money and property	559,108	314,356	244,752	77.86%
Other	2,416,511	3,360,683	(944,172)	(28.09%)
Total Revenues	<u>273,195,400</u>	<u>261,721,041</u>	<u>11,474,359</u>	4.38%
Expenses				
General support	30,373,219	35,390,049	(5,016,830)	(14.18%)
Instruction	206,897,670	235,440,297	(28,542,627)	(12.12%)
Pupil transportation	18,617,892	17,584,678	1,033,214	5.88%
Debt service - interest	1,031,943	2,241,281	(1,209,338)	(53.96%)
Food service program	2,791,741	2,387,080	404,661	16.95%
Total Expenses	<u>259,712,465</u>	<u>293,043,385</u>	<u>(33,330,920)</u>	(11.37%)
Total Change in Net Position	<u>\$13,482,935</u>	<u>(\$31,322,344)</u>	<u>\$44,805,279</u>	(143.05%)

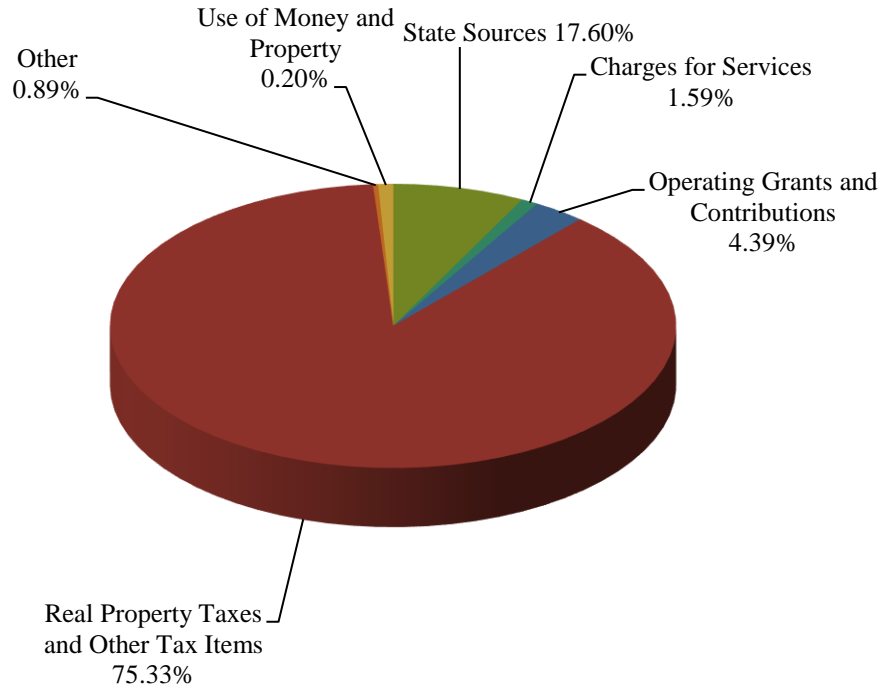
Information for 2021 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to beginning net position. See Note 21 for more information.

The District's fiscal year 2022 revenues totaled \$273,195,400. Real property taxes (including other tax items) and state sources accounted for most of the District's revenue by contributing 75.33% and 17.60%, 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 \$11,474,359 or 4.38%. This was primarily attributable to increases in real property taxes, state sources, charges for services, use of money and property, and operating grants and contributions, partially offset by a decrease in other revenue items.

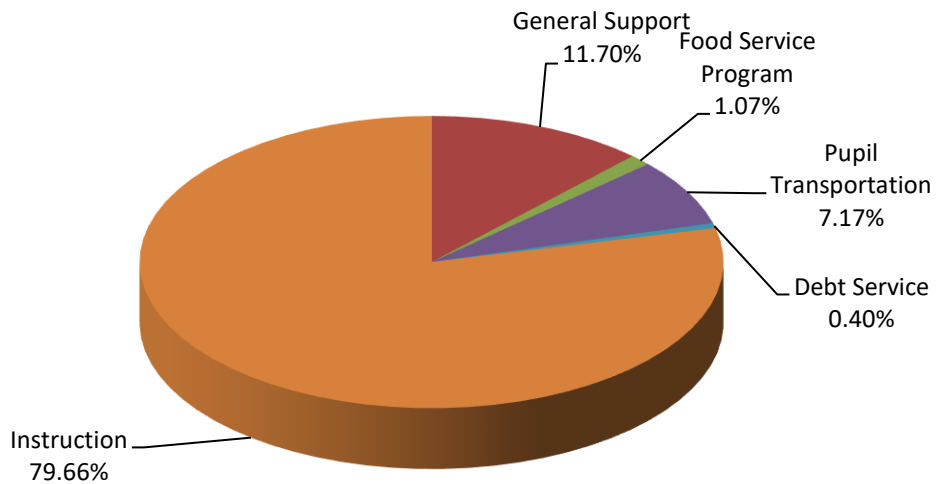
The cost of all programs and services totaled \$259,712,465 for fiscal year 2022. These expenditures are predominantly related to general instruction and transporting students, which account for 86.83% of District expenses. The District's general support activities accounted for 11.70% of total costs. Total expenses decreased by \$33,330,920 or 11.37%. This was primarily attributable to a reduction in pension and OPEB expense, with the majority being allocated to instruction.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Revenues for Fiscal Year 2022



Expenses for Fiscal Year 2022



**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022, the District's combined governmental funds reported a total fund balance of \$55,787,440 which is a decrease of \$879,502 from the prior year.

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, 2022**

	Fiscal Year 2022	Fiscal Year 2021	Increase/ (Decrease)	Total Percentage Change
General Fund				
Nonspendable	\$100,000	\$100,000	\$ -	0.00%
Restricted for employee benefit				
accrued liability	13,114,708	14,215,315	(1,100,607)	(7.74%)
Restricted for retirement contribution - ERS	13,871,368	14,732,239	(860,871)	(5.84%)
Restricted for retirement contribution - TRS	7,266,004	5,877,388	1,388,616	23.63%
Restricted for workers' compensation	3,048,965	3,226,546	(177,581)	(5.50%)
Restricted for liability	597,807	596,425	1,382	0.23%
Restricted for insurance	1,546,252	1,861,838	(315,586)	(16.95%)
Restricted for capital	1,300,000	-	1,300,000	N/A
Restricted for unemployment insurance	40,466	40,372	94	0.23%
Assigned for general support	1,331,056	2,207,084	(876,028)	(39.69%)
Assigned for instructional	1,139,319	226,329	912,990	403.39%
Assigned - appropriated for subsequent years expenditures	1,500,000	1,500,000	-	0.00%
Unassigned	10,703,886	10,484,109	219,777	2.10%
Total Fund Balance - General Fund	<u>55,559,831</u>	<u>55,067,645</u>	<u>492,186</u>	0.89%
School Lunch Fund				
Nonspendable: inventory	72,243	57,638	14,605	25.34%
Assigned - unappropriated	1,124,106	-	1,124,106	N/A
Total Fund Balance - School Lunch Fund	<u>1,196,349</u>	<u>57,638</u>	<u>1,138,711</u>	1975.63%
Miscellaneous Special Revenue Fund				
Assigned - extraclassroom activities	361,425	309,214	52,211	16.89%
Restricted for scholarships and donations	101,433	112,534	(11,101)	(9.86%)
Total Fund Balance - Miscellaneous Special Revenue Fund	<u>462,858</u>	<u>421,748</u>	<u>41,110</u>	9.75%
Capital Projects Fund				
Restricted for capital projects	105,464	1,119,911	(1,014,447)	(90.58%)
Unassigned	(1,537,062)	-	(1,537,062)	N/A
Total Fund Balance - Capital Projects Fund	<u>(1,431,598)</u>	<u>1,119,911</u>	<u>(2,551,509)</u>	(227.83%)
Total Fund Balance - All Funds	<u>\$55,787,440</u>	<u>\$56,666,942</u>	<u>(879,502)</u>	(1.55%)

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 \$492,186. Revenues increased \$3,207,832 or 1.25% compared to the prior year, primarily due to increases in real property taxes, offset by decreases in premiums on short term debt.

Expenditures and other financing uses increased by \$6,826,524 or 2.71% compared to the prior year, primarily due to increases in instruction, pupil transportation and employee benefits expenditures.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

B) School Lunch Fund:

The fund balance in the school lunch fund increased \$1,138,711. This is attributable to greater state and federal reimbursements exceeding the cost of distributing free meals to all students of the District.

C) Miscellaneous Special Revenue Fund:

The fund balance in the miscellaneous special revenue fund increased \$41,110. This increase is due to an increase in the balance for extraclassroom, partially offset by an excess of scholarships awarded over scholarship donations received.

D) Capital Projects Fund:

The fund balance in the capital projects fund decreased \$2,551,509. This decrease is due to the current year’s capital outlay for various projects during 2021-2022.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2021-2022 Budget:

The District’s general fund adopted budget for the year ended June 30, 2022 was \$262,319,665. This amount was increased by encumbrances carried forward from the prior year in the amount of \$2,433,413 and budget revisions in the amount of \$593,495, which resulted in a final budget of \$265,346,573. The majority of the funding was real property taxes and other tax items of \$205,824,137.

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	\$10,484,109
Revenues over budget	1,609,696
Expenditures, other financing uses, and encumbrances under budget	4,254,023
Funding of reserves	(4,050,000)
Interest allocated to reserves	(93,942)
Assigned, appropriated for June 30, 2023 budget	<u>(1,500,000)</u>
Closing unassigned fund balance	<u><u>\$10,703,886</u></u>

The opening unassigned fund balance of \$10,484,109 is the June 30, 2021 unassigned fund balance.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The revenues over budget in the amount of \$1,609,696 were primarily attributable to revenues over budget for miscellaneous revenue and State sources (see Supplemental Schedule #1 for detail).

The expenditures, other financing uses and encumbrances under budget in the amount of \$4,254,023 were primarily attributable to the following expenditures: central services, instruction, teaching – regular school, and employee benefits (see Supplemental Schedule #1 for detail).

The District funded the reserves in the amount of \$4,050,000 as follows: the ERS reserve was funded \$1,375,000, the TRS reserve was funded \$1,375,000, and the 2022 capital reserve was funded \$1,300,000.

The District had the following budget revisions approved to increase the 2021-2022 budget for the cost of expenditures from the related reserves: workers' compensation reserve for \$185,056, insurance reserve for \$44,900, and employee benefit accrued liability reserve for \$363,539. These budget revisions resulted in no net effect on ending unassigned fund balance.

Interest of \$93,942 was allocated to reserves as follows: \$7,475 to the workers' compensation reserve, \$95 to the unemployment insurance reserve, \$4,314 to the insurance reserve, \$32,931 to the employee benefit accrued liability reserve, \$1,382 to the liability reserve, \$34,129 to the ERS reserve, and \$13,616 to the TRS reserve.

The assigned, appropriated fund balance of \$1,500,000 for the June 30, 2023 budget is the amount the District has chosen to use to partially fund its operating budget for 2022-23.

The District closed the 2021-2022 fiscal year with \$10,703,886 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 ASSETS, INTANGIBLE LEASE ASSETS, AND DEBT ADMINISTRATION

A) Capital Assets and Intangible Lease Assets:

The District paid for furniture and equipment, vehicles, and various additions and renovations during fiscal year 2022. 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, 2022**

Category	Fiscal Year 2022	As Restated Fiscal Year 2021	Increase (Decrease)	Percentage Change
Land	\$1,079,177	\$1,079,177	\$ -	0.00%
Construction in progress	3,677,658	10,268,721	(6,591,063)	(64.19%)
Buildings & building improvements	252,015,571	242,872,999	9,142,572	3.76%
Land improvement	7,947,562	7,940,830	6,732	0.08%
Furniture & equipment	12,485,009	12,085,387	399,622	3.31%
Vehicles	1,940,462	1,992,858	(52,396)	(2.63%)
Subtotal	279,145,439	276,239,972	2,905,467	1.05%
Less: Accumulated Depreciation	132,544,592	127,321,740	5,222,852	4.10%
Total Net Capital Assets, Net	\$146,600,847	\$148,918,232	(\$2,317,385)	(1.56%)
Intangible Lease Assets, Net	\$1,612,716	\$1,206,479	\$406,237	33.67%

Depreciation expense was \$5,468,912 and amortization expense was \$254,762 for fiscal year ended June 30, 2022. See Note 10 to the financial statements for additional detail.

B) Long-Term Debt:

At June 30, 2022, the District had bonds payable inclusive of premiums of \$15,879,645, lease liability of \$114,187, and energy performance contract payable of \$18,942,553. The decreases in both energy performance contract payable and serial bonds is due to principal payments made during the year. The decrease in lease liability is due to principal payments made on the leases. More detailed information about the District's long-term debt is presented in the Note 13 to the financial statements.

A summary of outstanding debt at June 30, 2022 and 2021 is as follows:

	2022	As Restated 2021	Increase (Decrease)
Serial bonds (inclusive of unamortized premiums)	\$15,879,645	\$25,950,330	(\$10,070,685)
Lease liability	114,187	166,189	(52,001)
Energy performance contract payable	18,942,553	20,646,955	(1,704,402)
Total	\$34,936,385	\$46,763,474	(\$11,827,089)

**SMITHTOWN CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) The general fund budget for the 2022-2023 school year was approved by the voters in the amount of \$267,786,882. This is an increase of \$5,467,217 or 2.08% over the previous year's budget. The increase was primarily due to an increase in personnel costs.
- 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 Act (ARPA). 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.
- C) The District plans to close on a \$37 million public improvement serial bond on October 4, 2022, as the first borrowing related to a \$120 million bond referendum that was approved on September 28, 2021 in connection with various districtwide capital improvements. The last principal payment associated with this new issue is scheduled for June 1, 2037. 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, 2022

ASSETS

Current Assets

Cash and cash equivalents	
Unrestricted	\$23,636,488
Restricted	41,000,461
Receivables	
State and federal aid	9,896,736
Due from other governments	4,955,401
Accounts receivable	68,981
Prepaid expenditures	100,000
Inventories	72,243

Non Current Assets

Receivable within one year	
Lease receivable	380,177
Receivable after one year	
Lease receivable	1,222,448
Capital assets	
Not being depreciated	4,756,835
Being depreciated, net of accumulated depreciation	141,844,012
Intangible lease assets, net of accumulated amortization	1,612,716
Net pension asset - proportionate share - employees' retirement system	6,389,824
Net pension asset - proportionate share - teachers' retirement system	105,477,844

TOTAL ASSETS

341,414,166

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges from refundings	323,742
Other post-employment benefits	76,579,175
Pensions	73,682,392

TOTAL DEFERRED OUTFLOWS OF RESOURCES

150,585,309

LIABILITIES

Payables

Accounts payable	3,083,653
Accrued liabilities	985,523
Due to other governments	2,782,704
Due to teachers' retirement system	11,190,092
Due to employees' retirement system	970,507
Due to fiduciary fund	20,547
Compensated absences payable	613,962
Student deposits	12,978
Accrued interest payable	204,318

Unearned Credits

Collections in advance	314,407
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Long-term liabilities

Due and payable within one year	
Bonds payable (inclusive of premiums)	6,729,820
Lease liability	41,743
Energy performance contract payable	1,755,476
Compensated absences payable	559,936
Retirement incentive	720,400
Due and payable after one year	
Bonds payable (inclusive of premiums)	9,149,825
Lease liability	72,444
Energy performance contract payable	17,187,077
Compensated absences payable	22,142,331
Retirement incentive	2,368,820
Claims payable	2,984,941
Total other post-employment benefits obligation - SSEHP	360,766,714
Total other post-employment benefits obligation - NYSHIP	1,904,121

TOTAL LIABILITIES

446,562,339

DEFERRED INFLOWS OF RESOURCES

Leases	1,602,625
Other post-employment benefits	98,430,732
Pensions	139,955,087

TOTAL DEFERRED INFLOWS OF RESOURCES

239,988,444

NET POSITION

Net investment in capital assets	113,600,920
Restricted	
Employee benefit accrued liability	13,114,708
Retirement contribution - ERS	13,871,368
Retirement contribution - TRS	7,266,004
Workers' compensation	3,048,965
Liability	597,807
Insurance	1,546,252
Capital projects	1,405,464
Unemployment insurance	40,466
Scholarships and donations	101,433
	40,992,467
Unrestricted (deficit)	(349,144,695)
TOTAL NET POSITION (DEFICIT)	(\$194,551,308)

**SMITHTOWN CENTRAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

		Program Revenues		Net (Expense) Revenue and Changes in Net Position
FUNCTIONS / PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	
General support	(\$30,373,219)			(\$30,373,219)
Instruction	(206,897,670)	\$3,347,700	\$9,034,586	(194,515,384)
Pupil transportation	(18,617,892)			(18,617,892)
Debt service-interest	(1,031,943)			(1,031,943)
Food service program	(2,791,741)	989,581	2,945,107	1,142,947
TOTAL FUNCTIONS AND PROGRAMS	(\$259,712,465)	\$4,337,281	\$11,979,693	(243,395,491)
GENERAL REVENUES				
Real property taxes				192,619,168
Other tax items - including STAR reimbursement				13,198,758
State sources				48,084,881
Use of money and property				559,108
Sale of property and compensation for loss				345,567
Miscellaneous				1,813,525
Medicaid reimbursement				257,419
TOTAL GENERAL REVENUES				256,878,426
CHANGE IN NET POSITION				13,482,935
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 21)				(208,034,243)
TOTAL NET POSITION (DEFICIT) - END OF YEAR				(\$194,551,308)

**SMITHTOWN CENTRAL SCHOOL DISTRICT
BALANCE SHEET -- GOVERNMENTAL FUNDS
JUNE 30, 2022**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Miscellaneous Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and cash equivalents						
Unrestricted	21,668,989	124,229	\$1,336,966	\$361,425	144,879	\$23,636,488
Restricted	40,785,570			109,427	105,464	41,000,461
Receivables						
State and federal aid	6,265,378	3,090,479	540,879			9,896,736
Due from other governments	4,955,401					4,955,401
Due from other funds	5,091,343					5,091,343
Accounts receivable	62,549		6,432			68,981
Leases Receivable	1,602,625					1,602,625
Prepaid expenditures	100,000					100,000
Inventories			72,243			72,243
TOTAL ASSETS	<u>\$80,531,855</u>	<u>\$3,214,708</u>	<u>\$1,956,520</u>	<u>\$470,852</u>	<u>\$250,343</u>	<u>\$86,424,278</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Payables						
Accounts payable	\$2,780,478	\$154,052	\$2,050	\$2,495	\$144,578	\$3,083,653
Accrued liabilities	978,627	4,658	2,238			985,523
Due to other governments	2,781,834	491	379			2,782,704
Due to other funds	20,547	3,020,261	528,220	5,499	1,537,363	5,111,890
Due to teachers' retirement system	11,190,092					11,190,092
Due to employees' retirement system	970,507					970,507
Compensated absences	613,962					613,962
Student deposits	12,978					12,978
Unearned credits						
Collections in advance	51,877	35,246	227,284			314,407
TOTAL LIABILITIES	<u>19,400,902</u>	<u>3,214,708</u>	<u>760,171</u>	<u>7,994</u>	<u>1,681,941</u>	<u>\$25,065,716</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - general building aid restoration	3,968,497					3,968,497
Leases	1,602,625					1,602,625
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,571,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,571,122</u>
FUND BALANCES						
Nonspendable	100,000		72,243			172,243
Restricted						
Employee benefit accrued liability	13,114,708					13,114,708
Retirement contribution - ERS	13,871,368					13,871,368
Retirement contribution - TRS	7,266,004					7,266,004
Workers' compensation	3,048,965					3,048,965
Liability	597,807					597,807
Insurance	1,546,252					1,546,252
Capital projects	1,300,000				105,464	1,405,464
Unemployment insurance	40,466					40,466
Scholarships and donations				101,433		101,433
Assigned						
Appropriated fund balance	1,500,000					1,500,000
Unappropriated fund balance	2,470,375		1,124,106	361,425		3,955,906
Unassigned	10,703,886				(\$1,537,062)	9,166,824
TOTAL FUND BALANCES	<u>55,559,831</u>	<u>-</u>	<u>1,196,349</u>	<u>462,858</u>	<u>(1,431,598)</u>	<u>55,787,440</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$80,531,855</u>	<u>\$3,214,708</u>	<u>\$1,956,520</u>	<u>\$470,852</u>	<u>\$250,343</u>	<u>\$86,424,278</u>

**SMITHTOWN CENTRAL SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances		\$55,787,440
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	\$279,145,440	
Accumulated depreciation	<u>(132,544,593)</u>	146,600,847
The cost of leasing assets financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position includes those leased assets among the assets of the District as a whole, and their costs are amortized annually over their useful lives.		
Cost of intangible lease assets	\$1,867,478	
Accumulated amortization	<u>(254,762)</u>	1,612,716
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	(\$98,430,732)	
Deferred inflows related to pensions	<u>(139,955,087)</u>	(238,385,819)
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	\$76,579,175	
Deferred outflows related to pensions	<u>73,682,392</u>	150,261,567
Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset-proportionate share at year-end for the teachers' retirement and employees' retirement systems were as follows:		
Net pension asset - proportionate share - ERS	\$6,389,824	
Net pension asset - proportionate share - TRS	<u>105,477,844</u>	111,867,668
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, 2022 was		
		323,742
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 contracts.		
		(204,318)
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of		
Lease liability	(\$114,187)	
Bonds payable, inclusive of premium	(15,879,645)	
Energy performance contract payable	(18,942,553)	
Compensated absences payable	(22,702,267)	
Retirement incentive	(3,089,220)	
Claims payable	(2,984,941)	
Other post-employment benefits obligation	<u>(362,670,835)</u>	<u>(426,383,648)</u>
Total Net Position		<u><u>(\$194,551,308)</u></u>

**SMITHTOWN CENTRAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Miscellaneous Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES						
Real property taxes	\$192,619,168					\$192,619,168
Other tax items - including STAR reimbursement	13,198,758					13,198,758
Charges for services	2,236,672			\$1,111,028		3,347,700
Use of money and property	558,644		\$464			559,108
Sale of property and compensation for loss	345,567					345,567
Miscellaneous	1,813,252	\$2,304	273	52,171		1,868,000
State sources	48,084,881	2,240,751	38,766			50,364,398
Federal sources	257,419	6,739,360	2,743,255			9,740,034
Surplus food			163,086			163,086
Sales - school lunch			989,581			989,581
TOTAL REVENUES	<u>259,114,361</u>	<u>8,982,415</u>	<u>3,935,425</u>	<u>1,163,199</u>	<u>-</u>	<u>273,195,400</u>
EXPENDITURES						
General support	25,385,004					25,385,004
Instruction	144,843,331	9,474,391		1,122,089		155,439,811
Pupil transportation	18,297,566					18,297,566
Employee benefits	56,862,633					56,862,633
Debt service - principal	10,736,403					10,736,403
Debt service - interest	2,005,262					2,005,262
Cost of sales			2,796,714			2,796,714
Capital outlay					\$2,551,509	2,551,509
TOTAL EXPENDITURES	<u>258,130,199</u>	<u>9,474,391</u>	<u>2,796,714</u>	<u>1,122,089</u>	<u>2,551,509</u>	<u>274,074,902</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>984,162</u>	<u>(491,976)</u>	<u>1,138,711</u>	<u>41,110</u>	<u>(2,551,509)</u>	<u>(879,502)</u>
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in		491,976				491,976
Operating transfers (out)	(491,976)					(491,976)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(491,976)</u>	<u>491,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	492,186		1,138,711	41,110	(2,551,509)	(879,502)
FUND BALANCES - BEGINNING OF YEAR,	<u>55,067,645</u>		<u>57,638</u>	<u>421,748</u>	<u>1,119,911</u>	<u>56,666,942</u>
FUND BALANCES - END OF YEAR	<u>\$55,559,831</u>	<u>\$ -</u>	<u>\$1,196,349</u>	<u>\$462,858</u>	<u>(\$1,431,598)</u>	<u>\$55,787,440</u>

**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, 2022**

Net Change in Fund Balances (\$879,502)

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating expenses-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, 2021 to June 30, 2022 changed by (310,010)

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, 2021 to June 30, 2022 changed by 383,580

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 493,380

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.

Teachers' retirement system	\$16,783,060	
Employees' retirement system	3,111,581	
Other post-employment benefits obligation	<u>(15,897,728)</u>	3,996,913

Capital Asset Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.

Capital outlays	\$3,151,527	
Depreciation expense and loss on disposals	<u>(5,468,912)</u>	(2,317,385)

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

Intangible lease capital outlays	\$660,999	
Amortization expense	<u>(254,762)</u>	406,237

Long-Term Debt Differences

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. 8,980,000

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. 1,704,402

Repayment of lease liability 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. 52,001

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, 2022 was

Amortization on bond premiums	\$1,090,686	
Amortization on deferred charges on refundings	<u>(273,089)</u>	817,597

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, 2021 to June 30, 2022 changed by 155,722

Change in Net Position \$13,482,935

**SMITHTOWN CENTRAL SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2022**

	Custodial
ASSETS	
Cash and cash equivalents - restricted	\$130,846
Due from governmental funds	20,547
TOTAL ASSETS	\$151,393
LIABILITIES	
Other liabilities	
Due to governmental funds	
TOTAL LIABILITIES	-
NET POSITION	
Restricted	\$151,393
TOTAL NET POSITION	151,393
TOTAL LIABILITIES AND NET POSITION	\$151,393

**SMITHTOWN CENTRAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Custodial
ADDITIONS	
41J conversions for retiree benefits	\$66,778
Use of money and property	62
Miscellaneous	800
TOTAL ADDITIONS	67,640
DEDUCTIONS	
41J disbursements for retiree benefits	57,993
Miscellaneous	800
TOTAL DEDUCTIONS	58,793
CHANGE IN NET POSITION	8,847
NET POSITION - BEGINNING OF YEAR	142,546
NET POSITION - END OF YEAR	\$151,393

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022**

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, 2022**

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 flexible 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, 2022**

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, leases, claims and judgments, compensated absences, pension costs, and other post-employment benefits 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 of leases with terms greater than one year 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, 2022**

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 11 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, lease liability, and useful lives of capital assets and intangible lease 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, 2022**

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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) Intangible lease assets:

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

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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

N) 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 basis 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 14, 15, and 17.

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 15 and 17. The District also reported deferred inflows of resources related to lease receivable, which are reported in the District-Wide Statement of Net Position as well as in the general fund, and is detailed further in Note 8.

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.

O) 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 both 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.

Collections in advance consist of amounts received in advance for health insurance in the general fund, grant advances in the special aid fund, and grant advances as well as meals that have not yet been purchased in the school lunch fund. See Note 9 for more detail.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

P) 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.

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 11th year after retirement. The income stream payments for the covered employees who retired from June 2006 through June 2010 were paid during the 2021-2022 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 8 years, resulting in a total liability of \$2,960,000, which is reported in the District-Wide Statement of Net Position, and is detailed further in Note 13.

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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

incentive is calculated in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. The District recorded a liability of \$129,220 for this retirement incentive as of June 30, 2022, which is reported in the District-Wide Statement of Net Position, and is detailed further in Note 13.

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 30th.

Q) 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 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*.

R) 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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 redeemed \$50,000,000 in TANs in the fiscal year ended June 30, 2022. See Note 12 for further detail.

S) 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, compensated absences, and lease liability 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.

T) 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 and intangible assets, net (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, deferred charges on refunding).

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

Unrestricted net position – reports 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.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022, the District has \$100,000 in the general fund for prepaid workers' compensation expense and \$72,243 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.

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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022.

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. Assigned fund balance includes encumbrances not classified as restricted or committed at the end of the year.

Unassigned fund balance –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative fund balance.

Unassigned fund balance includes \$10,703,886 in the general fund, and a deficit unassigned fund balance of \$1,537,062 in the capital projects fund. The deficit unassigned fund balance in the capital projects fund is the result of the District not receiving proceeds on obligations at June 30, 2022.

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, 2022 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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

U) New 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 lessee is required to recognize a lease liability and an intangible lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has adopted and implemented GASB Statement No. 87, *Leases*, in 2022. See Note 21 for further consideration.

V) Future accounting pronouncements:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, defines a subscription-based technology arrangement as a contract that conveys control of the right to use a vendor's software, alone or in combination with tangible capital assets requiring governments to recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this Statement are effective for periods beginning after June 15, 2022.

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.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 statements and the gain or loss on the sale of assets reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-term debt differences:

Long-term debt differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial Statements, whereas interest payments are

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

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.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022 included \$41,000,461 within the governmental funds for general reserves, capital projects, and scholarships and donations purposes, and \$130,846 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.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year, the District was billed \$14,976,263 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$3,364,338. 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, 2022 consisted of the following:

General Fund	
General aid - restored building aid	\$3,968,497
General aid	1,207,720
Excess cost aid	954,436
Medicaid	128,715
Miscellaneous	6,010
Total - General Fund	<u>6,265,378</u>
Special Aid Fund	
Federal aid	1,995,643
State aid	1,094,836
Total - Special Aid Fund	<u>3,090,479</u>
School Lunch Fund	
Federal breakfast	25,420
Federal lunch	503,924
State breakfast	1,623
State lunch	9,912
Total - School Lunch Fund	<u>540,879</u>
Total - All Funds	<u><u>\$9,896,736</u></u>

District management has deemed the amounts to be fully collectible. See Note 20 for further information on building aid restoration.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2022 consisted of the following:

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

BOCES aid	\$3,396,338
PILOT	416,818
Tuition and health services - other school districts	<u>1,142,245</u>
Total	<u><u>\$4,955,401</u></u>

District management has deemed the amounts to be fully collectible.

NOTE 8 – LEASE RECEIVABLE:

In addition, as a result of adopting and implementing GASB Statement No. 87, *Leases*, the District recognized a lease receivable and deferred inflow of resources – leases, for an agreement whereby the District leases building space to another entity, with an interest rate of 0.46%, and an annual payment escalation of 3.00%. The lease receivable and associated deferred inflow of resources will be reduced as the lease revenue is earned in future periods.

Principal and interest income received for the District’s lease receivable amounted to \$306,111 and \$6,789, respectively, for the fiscal year ended June 30, 2022.

The following is a summary of the principal and interest requirements to maturity for the District’s lease receivable:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 380,177	\$ 6,571	\$ 386,748
2024	393,558	4,794	398,352
2025	407,337	2,955	410,292
2026	421,553	1,051	422,604
	<u>\$ 1,602,625</u>	<u>\$ 15,371</u>	<u>\$ 1,617,996</u>

District management has deemed the amounts to be fully collectible.

NOTE 9 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2022 consisted of the following:

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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General Fund	
Drivers education	\$27,877
Smithtown Teachers Association	24,000
Total - General Fund	51,877
Special Aid Fund	
Federal grants	35,246
School Lunch Fund	
Federal grants - supply chain assistance	133,669
Student prepaid meals	93,615
Total - School Lunch Fund	227,284
Total - All Funds	\$314,407

NOTE 10 – CAPITAL ASSETS AND INTANGIBLE LEASE ASSETS:

A) Capital Assets

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$1,079,177			\$1,079,177
Construction in progress	10,268,721	\$2,551,509	(\$9,142,572)	3,677,658
Total capital assets not being depreciated	11,347,898	2,551,509	(9,142,572)	4,756,835
Capital assets that are depreciated:				
Building & building improvements	242,872,999		9,142,572	252,015,571
Land improvements	7,940,830	6,732		7,947,562
Furniture & equipment	12,085,387	477,207	(77,585)	12,485,009
Vehicles	1,992,858	116,079	(168,475)	1,940,462
Total capital assets being depreciated	264,892,074	600,018	8,896,512	274,388,604
Less accumulated depreciation:				
Building & building improvements	110,056,125	4,658,132		114,714,257
Land improvements	6,717,733	200,566		6,918,299
Furniture & equipment	9,115,553	468,305	(75,087)	9,508,771
Vehicles	1,432,329	139,411	(168,475)	1,403,265
Total accumulated depreciation	127,321,740	5,466,414	(243,562)	132,544,592
Total capital assets being depreciated, net	137,570,334	(4,866,396)	9,140,074	141,844,012
Total capital assets, net	\$148,918,232	(\$2,314,887)	(\$2,498)	\$146,600,847

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

General support	\$313,902
Instruction	5,140,069
Pupil transportation	1,304
Food service program	13,637
	\$5,468,912

B) Intangible Lease Assets

In 2022, the District adopted and implemented the provisions of GASB Statement No. 87, *Leases*. As such, the District recognized a lease liability obligation and an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various copiers and other equipment items with implicit interest rates ranging from 0.00 to 0.55%.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The following schedule summarizes the district's intangible lease asset activity for the fiscal year ended June 30, 2022:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Intangible lease assets				
Furniture & equipment	\$ 1,206,479	\$ 660,999	\$ -	\$ 1,867,478
Total intangible lease assets being amortized	<u>1,206,479</u>	<u>660,999</u>	<u>-</u>	<u>1,867,478</u>
Less accumulated amortization:				
Furniture & equipment	-	254,762	-	254,762
Total accumulated amortization	<u>-</u>	<u>254,762</u>	<u>-</u>	<u>254,762</u>
Total intangible lease assets, net	<u>\$ 1,206,479</u>	<u>\$ 406,237</u>	<u>\$ -</u>	<u>\$ 1,612,716</u>

Amortization expense was charged to governmental functions as follows:

General support	\$ 254,762
	<u>\$ 254,762</u>

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$5,091,343	\$20,547		\$491,976
Special aid fund		3,020,261	\$491,976	
School lunch fund		528,220		
Miscellaneous special revenue fund		5,499		
Capital projects fund		1,537,363		
Total government activities	5,091,343	5,111,890	491,976	491,976
Custodial fund	20,547			
Totals	<u>\$5,111,890</u>	<u>\$5,111,890</u>	<u>\$491,976</u>	<u>\$491,976</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 and the state-supported Section 4201 schools.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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 12 – SHORT-TERM DEBT:

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

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/29/22	1.25%	\$ -	\$50,000,000	\$50,000,000	\$ -

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 \$458,333.

NOTE 13 – LONG-TERM LIABILITIES:

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

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Long-term debt:					
Bonds payable					
Refunding bonds	\$23,005,000		(\$8,980,000)	\$14,025,000	\$6,135,000
Add: Premium on obligations	2,945,330		(1,090,685)	1,854,645	594,820
Total Bonds payable	25,950,330	-	(10,070,685)	15,879,645	6,729,820
Other long-term liabilities:					
Lease liability*	166,189		(52,002)	114,187	41,743
Energy performance contract payable	20,646,955		(1,704,402)	18,942,553	1,755,476
Compensated absences payable	22,392,257	\$923,972	(613,962)	22,702,267	559,936
Retirement incentive	3,582,600	129,220	(622,600)	3,089,220	720,400
Claims payable	3,368,521	555,266	(938,846)	2,984,941	
Total other post-employment benefits obligation	439,852,822		(77,181,987)	362,670,835	
Net pension liability-proportionate share - ERS	77,520		(77,520)	-	
Net pension liability-proportionate share - TRS	16,367,340		(16,367,340)	-	
Total Long-term liabilities	\$532,404,534	\$1,608,458	(\$107,629,344)	\$426,383,648	\$9,807,375

*Beginning balance as restated. See Note 21 for further details.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The general fund has typically been used to liquidate long-term liabilities such as bonds payable, lease liability, energy performance contract payable, compensated absences payable, retirement incentive payable, claims payable, other post-employment benefits obligations, and net pension liabilities.

A) Bonds Payable

Bonds payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30,2022
Refunding serial bond	6/1/2011	8/1/2022	0.39 - 5.00%	\$2,475,000
Refunding serial bond	5/17/2013	10/15/2024	2.00-5.00%	11,550,000
				<u>\$14,025,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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>\$14,025,000</u>	<u>\$947,375</u>	<u>\$14,972,375</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) Lease Liability

In 2022, the District adopted and implemented the provisions of GASB Statement No. 87, *Leases*. As such, the District recognized a lease liability obligation and an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various copiers and other equipment items with implicit interest rates ranging from 0.00% to 0.55%.

Principal and interest expense paid on the District's lease liability amounted to \$52,002 and \$783, respectively, for the fiscal year ended June 30, 2022.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 41,743	\$ 517	\$ 42,260
2024	33,329	314	33,643
2025	33,513	131	33,644
2026	5,602	4	5,606
	<u>\$ 114,187</u>	<u>\$ 966</u>	<u>\$ 115,153</u>

C) Energy Performance Contract Payable

Energy performance contract payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Energy performance contract	9/9/2013	3/9/2025	2.850%	\$1,133,259
Energy performance contract	2/19/2019	6/15/2033	3.030%	17,809,294
				<u>\$18,942,553</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	1,564,434	363,549	1,927,983
2028-2032	8,562,591	1,077,322	9,639,913
2033	1,871,283	56,700	1,927,983
Total	<u>\$ 18,942,553</u>	<u>\$ 3,455,704</u>	<u>\$ 22,398,257</u>

D) Long-Term Interest

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

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NOTES TO FINANCIAL STATEMENTS
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Interest paid	\$1,546,928
Plus interest accrued in the current year	204,318
Less interest accrued in the prior year	(360,040)
Plus amortization of deferred charges	273,089
Less amortization of premium	(1,090,685)
Total expense	\$573,610

NOTE 14 – DEFERRED OUTFLOWS OF RESOURCES:

The deferred charges on refunding recorded in the District-Wide Financial Statements as deferred outflow of resources at June 30, 2022 consisted of the following:

	Total Years Amortized	Initial Amount at Refunding	Amortization To Date	Balance at June 30, 2022
2011 Bond Refunding	11	\$ 2,001,924	\$ 1,986,984	\$ 14,940
2013 Bond Refunding	12.5	1,164,847	856,045	308,802
Total Deferred charges on refunding		\$ 3,166,771	\$ 2,843,029	\$ 323,742

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 15 – 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. 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

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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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.

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 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
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System

**SMITHTOWN CENTRAL SCHOOL DISTRICT
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- 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 31st. The District's average contribution rate for ERS' fiscal year ended March 31, 2022 for covered payroll was 25.2% for Tier 1, 23.1% for Tier 2, 18.3% for Tiers 3 & 4, 15.3% for Tier 5, and 10.7% 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, 2022 was 9.8% 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
2022	\$3,965,047	\$10,599,174
2021	\$4,188,409	\$9,844,136
2020	\$3,986,074	\$8,907,412

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

At June 30, 2022, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2022 for ERS and June 30, 2021 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(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 participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

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	<u>ERS</u>		<u>TRS</u>
Measurement date	March 31, 2022		June 30, 2021
Net pension asset (liability)	\$ 6,389,824	\$	105,477,844
District's portion of the Plan's total net pension asset (liability)	0.0781670%		0.608677%
Change in proportion since prior measurement date	-0.0003152%		0.0163590%

For the fiscal year ended June 30, 2022, the District recognized pension expense (credit) of (\$6,176,972) for TRS and pension expense of \$890,052 for ERS. At June 30, 2022, 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	\$ 483,910	\$ 14,539,002	\$ 627,659	\$ 548,002
Changes of assumptions	10,663,900	34,693,868	179,942	6,143,773
Net difference between projected and actual earnings on pension plan investments			20,923,997	110,393,477
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,641,938	90,093	354,622	783,615
District's contributions subsequent to the measurement date	970,507	10,599,174		
	<u>\$ 13,760,255</u>	<u>\$ 59,922,137</u>	<u>\$ 22,086,220</u>	<u>\$ 117,868,867</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended June 30, 2023. 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:		
2022		\$ (13,745,876)
2023	\$ (1,142,058)	(16,184,120)
2024	(2,015,474)	(20,285,298)
2025	(5,188,201)	(26,683,848)
2026	(950,739)	4,908,933
Thereafter	-	3,444,305
Total	<u>\$ (9,296,472)</u>	<u>\$ (68,545,904)</u>

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Actuarial valuation date	April 1, 2021	June 30, 2020
Interest rate	5.90%	6.95%
Salary scale	4.40%	5.18% - 1.95%
Cost of living adjustments	1.4% annually	1.3%, annually
Decrement tables	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation rate	2.70%	2.40%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on 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-2020, 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, 2021 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, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

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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>	
	March 31, 2022		June 30, 2021	
	<u>Target</u>	<u>Long-term</u> <u>expected real</u>	<u>Target</u>	<u>Long-term</u> <u>expected real</u>
<u>Asset type</u>	<u>Allocation</u>	<u>rate of return</u>	<u>Allocation</u>	<u>rate of return</u>
Domestic equity	32%	3.30%	33%	6.80%
International equity	15%	5.85%	16%	7.60%
Global equity			4%	7.10%
Private equity	10%	6.50%	8%	10.00%
Real estate	9%	5.00%	11%	6.50%
Opportunistic/Absolute return strategy	3%	4.10%		
Credit	4%	3.78%		
Real assets	3%	5.58%		
Fixed income	23%	0.00%		
Cash	1%	-1.00%		
Domestic fixed income securities			16%	1.30%
Global bonds			2%	0.80%
High-yield bonds			1%	3.80%
Private debt			1%	5.90%
Real estate debt			7%	3.30%
Cash equivalents			1%	-0.20%
	100%		100%	

The expected real rate of return is net of the long-term inflation assumptions of 2.50% for ERS, and 2.40% for TRS.

Discount Rate

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

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members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

Sensitivity of the Proportionate Share of the Net Pension Asset/(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 6.95% 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 5.95% for TRS) or 1-percentage-point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
District's proportionate share of the net pension asset (liability)	(\$16,447,338)	\$6,389,824	\$25,492,009
TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
District's proportionate share of the net pension asset (liability)	\$11,068,362	\$105,477,844	\$184,822,163

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, 2022	June 30, 2021
Employers' total pension liability	\$ (223,874,888)	\$ (130,819,415)
Plan Net Position	<u>232,049,473</u>	<u>148,148,457</u>
Employers' net pension asset/(liability)	<u>\$ 8,174,585</u>	<u>\$ 17,329,042</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	103.65%	113.25%

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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, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$970,507.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 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, 2022 amounted to \$11,190,092.

NOTE 16 – 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, 2022, totaled \$1,018,189 and \$6,017,111, 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, 2022 totaled \$813,226.

NOTE 17 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

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

A) General Information about the OPEB Plan:

Plan Description

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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, 2022, the District contributed an estimated \$65,918 to the Plan, including \$65,918 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, 2021, the date of the last full valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8	
Inactive employees entitled to but not yet receiving benefit payments	0	
Active employees	4	
		Total <u>12</u>

B) Total OPEB Liability:

The District’s total OPEB liability of \$1,904,121 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.50%
Salary increases	4.40%, including inflation
Discount rate	2.16%
Healthcare cost trend rates	
Pre-65 medical/hospital/retiree contributions	6.0% 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, 2021 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.

C) Changes in the Total OPEB Liability:

Balance at June 30, 2021	<u>\$ 2,385,921</u>
Changes for the fiscal year:	
Service cost	71,647
Interest	53,588
Changes of benefit terms	-
Differences between expected and actual experience	(384,096)
Changes in assumptions or other inputs	(157,021)
Benefit payments	<u>(65,918)</u>
Net changes	<u>(481,800)</u>
Balance at June 30, 2022	<u><u>\$ 1,904,121</u></u>

There were no significant plan changes since the last valuation.

Changes of assumptions include the change in the discount rate from 2.21% as of June 30, 2020, to 2.16% as of June 30, 2021.

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-

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percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	<u>\$2,203,841</u>	<u>\$1,904,121</u>	<u>\$1,658,927</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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$1,641,751</u>	<u>\$1,904,121</u>	<u>\$2,229,932</u>

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense (credit) of (\$404,608). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Payments subsequent to the measurement date	\$ 60,282	\$ -
Differences between expected and actual experience	-	501,870
Changes of assumptions or other inputs	<u>219,521</u>	<u>204,513</u>
	<u>\$ 279,803</u>	<u>\$ 706,383</u>

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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, 2023. 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:	
2023	\$ (349,529)
2024	(133,566)
2025	(3,767)
2026	0
Thereafter	-
	<u>\$ (486,862)</u>

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.

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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, 2021, the District contributed an estimated \$8,929,272 to the Plan, including \$8,929,272 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, 2021, the date of the last full valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1,235
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>1,044</u>
Total	<u><u>2,279</u></u>

B) Total OPEB Liability:

The District’s total OPEB liability of \$360,766,714 was measured as of December 31, 2021, and was determined by an actuarial valuation as of December 31, 2021.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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Inflation	2.50%
Salary increases	3.90%, including inflation
Discount rate	2.06%
Healthcare cost trend rates	
Pre-65 medical/retiree contributions	6.0% decreasing by 0.5% per year to an ultimate trend of 4.5% is reached
Post-65 medical	4.5%
Prescription drug	7.0% 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, 2021.

Mortality assumptions used in the December 31, 2021 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 2021 Recommended Actuarial Assumptions" dated October 19, 2021 and used for the TRS valuation as of June 30, 2021.

C) Changes in the Total OPEB Liability:

Balance at December 31, 2020	\$ 437,466,901
Changes for the fiscal year:	
Service cost	16,831,110
Interest	9,536,964
Changes of benefit terms	-
Differences between expected and actual experience	4,803,837
Changes in assumptions or other inputs	(98,942,826)
Benefit payments	(8,929,272)
Net changes	<u>(76,700,187)</u>
Balance at December 31, 2021	<u>\$ 360,766,714</u>

There were no significant plan changes since the last valuation.

The discount rate used for the valuation was changed from 2.12% as of December 31, 2020 to 2.06% as of December 31, 2021.

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

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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 (1.06%) or 1-percentage-point higher (3.06%) than the current discount rate:

	<u>1% Decrease (1.06%)</u>	<u>Discount Rate (2.06%)</u>	<u>1% Increase (3.06%)</u>
Total OPEB liability	<u>\$428,887,010</u>	<u>\$360,766,714</u>	<u>\$306,600,975</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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$297,568,985</u>	<u>\$360,766,714</u>	<u>\$444,351,223</u>

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense (credit) of \$25,497,755. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 4,804,783	\$ -
Differences between expected and actual experience	13,423,725	-
Changes of assumptions or other inputs	<u>58,070,864</u>	<u>97,724,349</u>
	<u>\$ 76,299,372</u>	<u>\$ 97,724,349</u>

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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, 2023. 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:	
2023	\$ (676,749)
2024	1,635,905
2025	711,303
2026	(10,798,050)
2027	(15,407,364)
2028	(1,694,805)
	<u>\$ (26,229,760)</u>

NOTE 18 – 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 \$1,384,650 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$843,208 for these programs during the fiscal year.

NOTE 19 – 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, 2022, the District has estimated potential workers’

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compensation claims of \$2,984,944 and has a workers' compensation reserve balance of \$3,048,965. The program is accounted for in the general fund of the District.

Claims activity is summarized below:

	2022	2021
Unpaid claims at beginning of year	\$3,368,521	\$3,667,436
Incurred claims and claim adjustment expenses	555,269	765,197
Claims payments	(938,846)	(1,064,112)
Unpaid claims at year end	\$2,984,944	\$3,368,521

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 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 20 – 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) 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, 2022**

C) Encumbrances:

The following encumbrances are classified as restricted or assigned in the governmental funds at June 30, 2022:

General Fund:

General support	\$1,331,056
Instructional	1,139,319
Total General Fund	\$2,470,375

School Lunch Fund:

Cost of sales	\$2,946
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D) 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	(304,044)
Total aid, net of penalty	7,645,645
Total aid recognized as of June 30, 2022	3,677,148
Total building aid restoration receivable at June 30, 2022	\$3,968,497

NOTE 21 – RESTATEMENT OF NET POSITION

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. The adoption and implementation of this Statement resulted in the restatement of opening balances of non-current assets and long-term liabilities. These changes have been restated as follows:

**SMITHTOWN CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Statement of Net Position (Deficit)
Net position (deficit), beginning of year, as reported	\$ (209,074,533)
Non-current assets	
Intangible lease assets	1,206,479
Lease receivable	1,908,736
Total non-current assets	3,115,215
Long-term liabilities	
Lease liability	166,189
Total long-term liabilities	166,189
Deferred inflows of resources	1,908,736
Net investment in capital assets	1,040,290
Net position (deficit), beginning of year, as restated	\$ (208,034,243)

NOTE 22 – SUBSEQUENT EVENTS:

Management of the District evaluated events through October 6, 2022 which is the date the financial statements were available to be issued, and noted the following:

- A) On September 22, 2022, the District issued a tax anticipation note in the amount of \$60,000,000, which is due June 28, 2023, which bears an interest rate of 4.00%, and a premium of \$381,000.
- B) 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. On September 22, 2022 the District issued \$34,310,000 in serial bonds with a par amount of \$34,310,000 as part of this bond referendum approved by voters, which bears an interest rate of 4.00% - 5.00%, and includes a net premium on issuance of \$2,694,805.

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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local sources				
Real property taxes	\$192,229,539	\$192,625,333	\$192,619,168	(\$6,165)
Other real property tax items	13,594,598	13,198,804	13,198,758	(46)
Charges for services	2,165,000	2,165,000	2,236,672	71,672
Use of money & property	459,000	459,000	558,644	99,644
Forfeiture of deposit	3,500	3,500	-	(3,500)
Sale of property & compensation for loss	287,500	287,500	345,567	58,067
Miscellaneous	1,095,000	1,095,000	1,813,252	718,252
State sources				
Basic formula	28,309,004	28,309,004	29,260,060	951,056
Excess cost aid	7,383,149	7,383,149	7,083,536	(299,613)
Lottery aid	6,839,666	6,839,666	7,056,703	217,037
Commercial Gaming aid	290,000	290,000	207,547	(82,453)
BOCES aid	3,860,589	3,860,589	3,364,338	(496,251)
Textbook aid	505,210	505,210	516,911	11,701
Computer software/hardware aid	225,594	225,594	232,111	6,517
Library A/V Loan Program Aid	57,316	57,316	58,312	996
Tuition for students with disabilities	-	-	209,240	209,240
Other state aid	-	-	96,123	96,123
Federal sources	200,000	200,000	257,419	57,419
TOTAL REVENUES	<u>257,504,665</u>	<u>257,504,665</u>	<u>\$259,114,361</u>	<u>\$1,609,696</u>
Appropriated fund balance	1,500,000	1,500,000		
Appropriated reserves	5,748,413	6,341,908		
TOTAL REVENUES AND APPROPRIATED FUND BALANCE AND RESERVES	<u>\$264,753,078</u>	<u>\$265,346,573</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, 2022

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	211,224	\$240,254	\$221,401		\$18,853
Central administration	667,526	681,259	669,739	\$100	11,420
Finance	2,211,433	1,967,667	1,910,593	\$200	56,874
Staff	1,455,853	1,679,485	1,559,220	36,695	83,570
Central services	20,149,687	21,076,600	18,852,172	1,294,061	930,367
Special items	2,057,000	2,188,405	2,171,879		16,526
Total General Support	26,752,723	27,833,670	25,385,004	1,331,056	1,117,610
Instruction					
Instruction, adm. & imp.	15,919,456	14,880,921	14,118,485	51,327	711,109
Teaching - regular school	76,432,803	76,926,331	75,959,353	395,258	571,720
Programs for children with handicapping conditions	34,306,427	34,331,144	33,990,268	716	340,160
Occupational education	2,624,637	2,511,961	2,495,596	10,409	5,956
Teaching special schools	97,580	25,710	20,358		5,352
Instructional media	6,326,887	7,119,610	6,414,342	538,952	166,316
Pupil services	12,433,032	12,392,758	11,844,929	142,657	405,172
Total Instruction	148,140,822	148,188,435	144,843,331	1,139,319	2,205,785
Pupil Transportation	18,040,455	18,423,966	18,297,566		126,400
Community Services	2,250	2,250			2,250
Employee Benefits	58,296,279	57,566,086	56,862,633		703,453
Debt Service					
Debt service principal	10,684,403	10,736,904	10,736,403		501
Debt service interest	2,246,146	2,005,262	2,005,262		-
Total Debt Service	12,930,549	12,742,166	12,741,665	-	501
TOTAL EXPENDITURES	264,163,078	264,756,573	258,130,199	2,470,375	4,155,999
Other financing uses					
Transfers to other funds	590,000	590,000	491,976		98,024
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$264,753,078	\$265,346,573	258,622,175	\$2,470,375	\$4,254,023
NET CHANGE IN FUND BALANCES			492,186		
FUND BALANCES - BEGINNING OF YEAR			55,067,645		
FUND BALANCES- END OF YEAR			\$55,559,831		

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,

	2022		2021		2020		2019		2018	
	SSHEP	NYSHIP	SSEHP	NYSHIP	SSEHP	NYSHIP	SSEHP	NYSHIP	SSEHP	NYSHIP
Total OPEB Liability										
Service cost	\$16,831,110	\$71,647	\$13,910,435	\$47,976	\$8,514,302	\$94,608	\$10,677,547	\$122,344	\$9,390,580	\$238,212
Interest	9,536,964	53,588	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	4,803,837	(384,096)	-	-	15,199,668	(796,400)	-	-	15,687,325	(285,459)
Changes of assumptions or other inputs	(98,942,826)	(157,021)	45,041,874	413,789	63,289,967	(143,627)	(33,661,079)	(221,576)	(27,107,926)	(685,177)
Benefit payments	(8,929,272)	(65,918)	(8,250,015)	(77,512)	(7,546,419)	(126,067)	(6,974,821)	(117,286)	(8,017,571)	(89,180)
Net change in total OPEB liability	(76,700,187)	(481,800)	61,278,734	452,264	90,995,707	(2,349,279)	(19,592,696)	(63,014)	1,617,002	(679,645)
Total OPEB liability - beginning	437,466,901	\$2,385,921	376,188,167	1,933,657	285,192,460	4,282,936	304,785,156	4,345,950	303,168,154	5,025,595
Total OPEB liability - ending	\$360,766,714	\$1,904,121	\$437,466,901	\$2,385,921	\$376,188,167	\$1,933,657	\$285,192,460	\$4,282,936	\$304,785,156	\$4,345,950
Covered employee payroll	\$131,491,576	\$437,929	\$124,801,109	\$642,072	\$122,197,100	\$943,371	\$118,378,764	\$1,137,053	\$115,206,314	\$1,011,023
Total OPEB liability as a percentage of covered-employee payroll	274.36%	434.80%	350.53%	371.60%	307.85%	204.97%	240.92%	376.67%	264.56%	429.86%

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 2021 based on past experience and future expectations.

The mortality rates were changed in 2021 to those used in the New York State Teachers' Retirement System actuarial valuation as of June 30, 2021

The turnover rates were changed in 2021 to those used in the New York State Teachers' Retirement System actuarial valuation as of June 30, 2021

The assumption for the percent of future retirees with eligible spouses opting for health coverage and retirement rates were revised in 2021 based on past experience and future expectation:

The discount rate used for the valuation was 4.10% as of December 31, 2018, 2.74% as of December 31, 2019, and 2.12% as of December 31, 2020, and 2.06% as of December 31, 2021.

New York State Health Insurance Plan - NYSHIP (HMO)

The projected per capita claims costs were revised at June 30, 2021 to reflect changes in the HMO premium amounts

The demographic assumptions used in the June 30, 2021 valuation (including mortality, turnover and retirement) were changed to match the 2020 NYS ERS Actuarial Valuation and Review

The discount rate used for the valuation was 3.87% as of June 30, 2018, 3.5% as of June 30, 2019, 2.21% as of June 30, 2020, and 2.16% as of June 30, 2021.

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 ASSET/(LIABILITY)
FOR THE LAST EIGHT FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.0781670%	0.0778518%	0.0817870%	0.0853507%	0.0852733%	0.0859617%	0.0892555%	0.0884900%	0.0884900%
District's proportionate share of the net pension asset/(liability)	\$ 6,389,824	\$ (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	\$ 31,429,312	\$ 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 asset/(liability) as a percentage of its covered payroll	20.33%	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 asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
NYSTRS Pension Plan									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.608677%	0.592318%	0.591576%	0.591777%	0.589709%	0.581748%	0.588488%	0.585781%	0.590478%
District's proportionate share of the net pension asset/(liability)	\$ 105,477,844	\$ (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	\$ 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
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	101.31%	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 asset/(liability)	113.25%	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,**

NYSERS Pension Plan

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 3,965,047	\$ 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
Contributions in relation to the contractually required contribution	<u>3,965,047</u>	<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>
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	\$31,203,667	\$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
Contributions as a percentage of covered payroll	12.71%	13.92%	13.17%	13.74%	14.73%	14.67%	16.99%	18.29%	19.23%	18.35%

NYSTRS Pension Plan

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 10,599,174	\$ 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
Contributions in relation to the contractually required contribution	<u>10,599,174</u>	<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>
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	109,072,770	\$ 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
Contributions as a percentage of covered payroll	9.72%	9.46%	8.79%	10.49%	9.70%	11.59%	13.10%	17.94%	16.28%	11.70%

**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, 2022**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$262,319,665
Add: Prior year's encumbrances		2,433,413
Original Budget		264,753,078
Budget Revisions:		
Add:		
Increase in appropriated workers' compensation reserve		185,056
Increase in appropriated insurance reserve		44,900
Increase in appropriated employee benefit accrued liability reserve		363,539
Final Budget		\$265,346,573

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2022-2023 voter approved expenditure budget		\$267,786,882
Maximum allowed (4% of 2022-2023 budget)		\$10,711,475
General fund fund balance subject to Section 1318 of Real Property Tax Law		
Assigned fund balance	3,970,375	
Unassigned fund balance	10,703,886	
Total unrestricted fund balance		14,674,261
Less:		
Appropriated fund balance	1,500,000	
Encumbrances	2,470,375	
Total adjustments		3,970,375
General fund fund balance subject to Section 1318 of Real Property Tax Law		\$10,703,886
Actual percentage		4.00%

**SMITHTOWN CENTRAL SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
AS OF JUNE 30, 2022**

Project Title	Prior Year Appropriation	Current Appropriation	Expenditures and Transfers to Date			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2022	
			Prior Year's	Current Year Capital Outlay	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Capital Reserve 2018-19											
Smithtown Elementary Renovations	\$ 1,574,577	\$ 1,574,577	\$ 1,351,186	\$ 218,516	\$ 1,569,702	\$ 4,875			\$ 1,574,577	\$ 1,574,577	\$ 4,875
St. James Renovations	206,016	206,016	166,947	36,444	203,391	2,625			206,016	206,016	2,625
Commissary/Warehouse Renovations	74,589	74,589	6,548	62,789	69,337	5,252			74,590	74,590	5,253
High School East Renovations	1,782,124	1,782,124	1,742,545	34,326	1,776,871	5,253			1,782,124	1,782,124	5,253
Dogwood Renovations	234,949	234,949	8,710	221,455	230,165	4,784			234,949	234,949	4,784
Mt. Pleasant Renovations	45,667	45,667	3,709	39,331	43,040	2,627			45,667	45,667	2,627
Great Hollow MS Renovations	2,124,980	2,152,140	2,123,681	16,916	2,140,597	11,543			2,124,980	2,124,980	(15,617)
Mills Pond Renovations	56,167	56,167	4,537	49,004	53,541	2,627			56,167	56,167	2,627
Accompsett Elementary Renovations	678,840	678,840	638,986	37,071	676,057	2,783			678,840	678,840	2,783
Tackan Renovations	56,167	56,167	4,538	49,004	53,542	2,626			56,167	56,167	2,626
Nesaquake MS Renovations	515,290	515,290	312,119	193,603	505,722	9,568			515,290	515,290	9,568
Accompsett MS Renovations	1,913,687	1,913,687	1,913,687	-	1,913,687	0			1,913,687	1,913,687	0
Accompsett MS Renovations II	1,785,749	1,770,749	1,739,647	27,726	1,767,373	3,376			1,785,748	1,785,748	18,375
High School West Renovations	2,196,459	2,196,459	2,165,570	28,262	2,193,832	2,627			2,196,459	2,196,459	2,627
Unallocated	57,059	44,899	-	-	-	44,899			57,059	57,059	57,059
Total Capital Reserve 2018-19	\$ 13,302,320	\$ 13,302,320	12,182,409	\$ 1,014,447	\$ 13,196,856	\$ 105,464	\$ -	\$ -	\$ 13,302,320	\$ 13,302,320	\$ 105,464
Bond 2021 Phase 1											
Smithtown Elementary				\$ 78,257	\$ 78,257	\$ (78,257)				\$ -	\$ (78,257)
St. James Elementary I				127,149	127,149	(127,149)				-	(127,149)
St. James Elementary II				91,964	91,964	(91,964)				-	(91,964)
HSE Fieldhouse				18,153	18,153	(18,153)				-	(18,153)
High School East				163,110	163,110	(163,110)				-	(163,110)
Dogwood Elementary				25,296	25,296	(25,296)				-	(25,296)
Mt. Pleasant Elementary				26,410	26,410	(26,410)				-	(26,410)
Great Hollow MS				72,587	72,587	(72,587)				-	(72,587)
Mills Pond Elementary				30,127	30,127	(30,127)				-	(30,127)
Accompsett Elementary				24,004	24,004	(24,004)				-	(24,004)
Tackan Elementary				28,612	28,612	(28,612)				-	(28,612)
Nesaquake MS				56,393	56,393	(56,393)				-	(56,393)
Accompsett MS				53,115	53,115	(53,115)				-	(53,115)
High School West I				205,025	205,025	(205,025)				-	(205,025)
High School West II				278,902	278,902	(278,902)				-	(278,902)
HSW Fieldhouse				9,904	9,904	(9,904)				-	(9,904)
HSW Grounds Storage				8,528	8,528	(8,528)				-	(8,528)
Total Bond 2021 Phase 1	\$ -	\$ -	\$ -	\$ 1,297,536	\$ 1,297,536	\$ (1,297,536)	\$ -	\$ -	\$ -	\$ -	\$ (1,297,536)
Bond 2021 Phase 2											
Smithtown Elementary				\$ 51,750	\$ 51,750	\$ (51,750)				\$ -	\$ (51,750)
Commissary/Wrghse 2				3,250	3,250	(3,250)				-	(3,250)
High School East				60,197	60,197	(60,197)				-	(60,197)
Mt. Pleasant Elementary				8,750	8,750	(8,750)				-	(8,750)
Great Hollow MS				100,579	100,579	(100,579)				-	(100,579)
Nesaquake MS				15,000	15,000	(15,000)				-	(15,000)
Total Bond 2021 Phase 2	\$ -	\$ -	\$ -	\$ 239,526	\$ 239,526	\$ (239,526)	\$ -	\$ -	\$ -	\$ -	\$ (239,526)
Total	\$ 13,302,320	\$ 13,302,320	\$ 12,182,409	\$ 2,551,509	\$ 14,733,918	\$ (1,431,598)	\$ -	\$ -	\$ 13,302,320	\$ 13,302,320	\$ (1,431,598) *

* Deficit fund balance will be eliminated when proceeds of obligations are received.

**SMITHTOWN CENTRAL SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Capital assets, net		\$146,600,847
Intangible lease assets, net		1,612,716
Add:		
Deferred charges from refundings		323,742
Deduct:		
Short-term bonds payable, inclusive of premium	\$6,729,820	
Long-term bonds payable, inclusive of premium	9,149,825	
Short-term energy performance debt payable	1,755,476	
Long-term energy performance debt payable	17,187,077	
Short-term lease liability	41,743	
Long-term lease liability	72,444	
	<u> </u>	<u>\$34,936,385</u>
Net investment in capital assets		<u><u>\$113,600,920</u></u>



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Board of Education
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, 2022, 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 6, 2022.

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

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

Report on 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.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 6, 2022