



RIVERHEAD CENTRAL SCHOOL DISTRICT
Integrity • Creativity • Respect

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2022

RIVERHEAD CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
 Riverhead Central School District
 Riverhead, New York

Report on the Audit of the Financial Statements

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Riverhead Central School District (District), as of and for the 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.

Summary of Opinions

OPINION UNIT	TYPE OF OPINION
Governmental Activities	<i>Unmodified</i>
General Fund	<i>Unmodified</i>
Special Aid Fund	<i>Unmodified</i>
School Food Service Fund	<i>Unmodified</i>
Debt Service Fund	<i>Unmodified</i>
Capital Projects Fund	<i>Unmodified</i>
Extraclassroom Activities Fund	<i>Qualified</i>
Scholarships Fund	<i>Unmodified</i>
Fiduciary Fund	<i>Unmodified</i>

Qualified Opinion

In our opinion, except for the effect of any adjustments that might have been necessary had we been able to perform adequate auditing procedures in regard to the cash receipts referred to in the "Matter Giving Rise to the Qualified Opinion on the Extraclassroom Activities Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the extraclassroom activities fund of the Riverhead Central School District, as of June 30, 2022, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, other than the extraclassroom activities fund, and the fiduciary fund of the Riverhead Central School 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 State of America.

Basis for Qualified Opinion and Unmodified 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 Riverhead Central School 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 qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Extraclassroom Activities Fund

The cash receipts records of the extraclassroom activities fund of the Riverhead Central School District were not adequate to permit the application of sufficient auditing procedures to indicate whether all receipts were recorded.

Change in Accounting Principle

As described in Note 2 to the financial statements, "Change in Accounting Principle," the District has adopted the provisions of GASB Statement No. 87, *Leases*, as of June 30, 2022. Our opinion is not modified with respect to this matter.

Management's Responsibility 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.

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 management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions, and schedule of changes in the District's total OPEB liability and related ratios on pages 4 through 18 and 60 through 64, respectively, 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.

Other Information

The other information on pages 65 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information requested by the New York State Education Department. Management is responsible for the other information. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2023 on our consideration of the Riverhead Central School 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 Riverhead Central School 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 Riverhead Central School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

February 10, 2023

**RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Riverhead Central School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2022 in comparison with the year ended June 30, 2021, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2022 are as follows:

- The District's total net position was a deficit of \$52,370,884 in the district-wide financial statements at June 30, 2022, compared to a deficit of \$67,517,756 at June 30, 2021. The deficit decreased by \$15,146,872 from the prior year due to an excess of revenues over expenses using the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$162,118,313. Of this amount, \$16,546,460 was offset by program charges for services, and operating grants and contributions. General revenues of \$160,718,725 amount to 90.7% of total revenues.
- The District's general fund fund balance, as reflected in the fund financial statements was \$33,534,884 at June 30, 2022. This balance represents a \$5,865,704 increase (21.2%) over the prior year due to an excess of revenues over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting. Unassigned fund balance increased by \$1,551,681 to \$7,927,986.
- The District issued \$20,570,000 of bonds on March 22, 2022, which bear interest at a rate of 4.00%-5.00%. The proceeds of debt were used to refund \$22,755,000 of bonds with interest rates of 3.00%-4.00%. The issuance of the new debt resulted in a net economic benefit of \$1,258,101.
- On May 20, 2014, the voters approved a bond issue not to exceed \$3,988,000 to purchase approximately 35 large propane powered buses and approximately 5 handicapped accessible vans. As of June 30, 2022, the District spent \$3,983,549 on related purchases. The District has issued \$3,984,000 in bond anticipation notes; \$3,514,000 in bond anticipation notes were redeemed with general fund appropriations, and \$470,000 in bond anticipation notes are outstanding. The District has unissued debt relating to this authorization in the amount of \$4,000.
- On May 28, 2019, the voters approved a bond issue not to exceed \$3,993,000 to purchase approximately 44 buses. As of June 30, 2022, the District has spent \$2,010,349 for bus purchases and issued \$2,435,679 in bond anticipation notes; \$499,515 in bond anticipation notes were redeemed with general fund appropriations, and \$1,936,164 in bond anticipation notes are outstanding. The District has unissued debt relating to this authorization in the amount of \$1,557,321.
- On May 17, 2022, the voters of the District approved the use of the school food service fund capital reserve in the amount of \$56,000 to fund cafeteria improvements. The District transferred the funds during 2021-2022 to the capital projects fund.
- The District was awarded funding in the amount of \$6,003,741, allocated under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and \$12,820,407 under the American Rescue Plan (ARP) Act. As of June 30, 2022, the District has expended \$5,939,766 of these funds.

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management’s discussion and analysis (MD&A), the financial statements, required supplementary information, and other information. The financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District, as a whole, in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District’s finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District’s assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District’s property tax base and the condition of the District’s school buildings and other capital assets.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary fund.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits (OPEB), which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains seven individual governmental funds: general fund, special aid fund, school food service fund, debt service fund, capital projects fund, extraclassroom activities fund, and scholarships fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes and payments in lieu of taxes (PILOT) collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 11 "Capital Assets" provides additional information.

Net pension assets – proportionate share represents the District's share of the New York State Teachers' Retirement System's (TRS) and the New York State and Local Employees' Retirement System's (ERS) collective net pension assets, at the measurement date of the respective year. In the current year, the District's proportionate shares shifted from liabilities to assets. The accompanying Notes to Financial Statements, Note 15 "Pension Plans – New York State," provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The increase in current and other liabilities is primarily in connection with increases in accounts payable, accrued liabilities and amounts due to the Teachers' Retirement System.

The decrease in long-term liabilities is primarily the result of the repayment of the current maturity of the bond indebtedness in excess of new borrowing.

Net pension liabilities – proportionate share represents the District's share of the New York State Teachers' Retirement System's and the New York State and Local Employees' Retirement System's collective net pension liabilities, at the measurement date of the respective year. The decrease is due to the shift from net pension liabilities in the prior year, to net pension assets in the current year. The accompanying Notes to Financial Statements, Note 15 "Pension Plans – New York State" provides additional information.

Total OPEB liability decreased based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 17 "Postemployment Healthcare Benefits," provides additional information.

Deferred inflows of resources represents the net premium on bond refundings, net of deferred charges, and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves, which increased compared to the prior year mainly due to the funding of restricted reserves.

The unrestricted (deficit) amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability.

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement, for the years ended June 30, 2022 and 2021, is as follows:

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 1,623,852	\$ 1,263,514	\$ 360,338	28.52 %
Operating Grants & Contributions	14,922,608	8,587,831	6,334,777	73.76 %
Capital Grants	-	54,593	(54,593)	(100.00)%
General Revenues				
Property Taxes & STAR	104,541,778	104,541,552	226	0.00 %
State Sources	48,209,555	33,074,274	15,135,281	45.76 %
Other	7,967,392	4,526,370	3,441,022	76.02 %
Total Revenues	<u>177,265,185</u>	<u>152,048,134</u>	<u>25,217,051</u>	16.58 %
Expenses				
General Support	15,786,493	17,004,016	(1,217,523)	(7.16)%
Instruction	131,489,611	132,503,279	(1,013,668)	(0.77)%
Pupil Transportation	10,539,935	10,513,693	26,242	0.25 %
Debt Service - Interest	1,962,384	1,922,500	39,884	2.07 %
Food Service Program	2,339,890	1,763,545	576,345	32.68 %
Total Expenses	<u>162,118,313</u>	<u>163,707,033</u>	<u>(1,588,720)</u>	(0.97)%
Change in Net Position	<u>\$ 15,146,872</u>	<u>\$ (11,658,899)</u>	<u>\$ 26,805,771</u>	(229.92)%

The District's net position increased by \$15,146,872 and decreased by \$11,658,899 for the years ended June 30, 2022 and 2021, respectively.

The District's revenues increased when compared to the prior year, primarily due to the following major changes:

- The increase in state sources is chiefly due to the District receiving more in general and excess cost aid, offset by a decrease in BOCES aid.
- Operating grants increased as the District was awarded funding under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act.
- Other revenue increased related to an increase in payments in lieu of taxes.

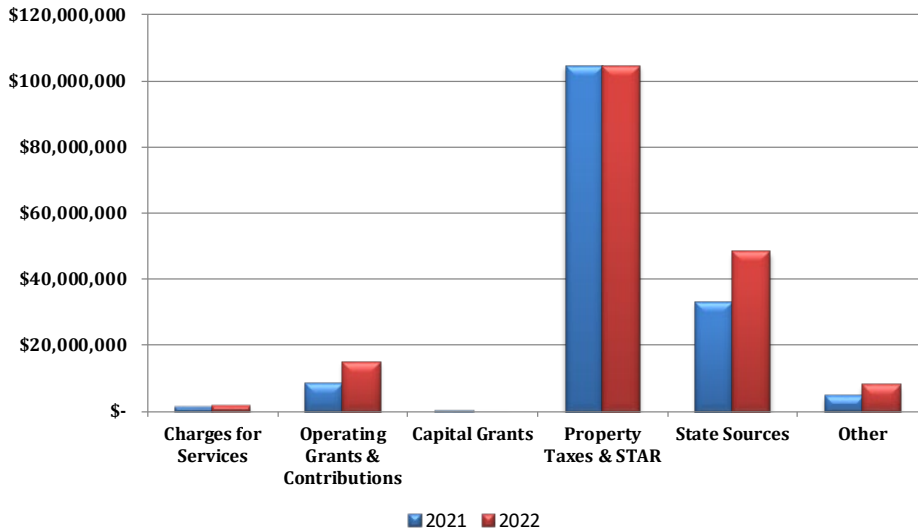
The District's expenses decreased when compared to the prior year, primarily due to the following major changes:

- General support and instruction decreased based on the impact of allocations of the net change in actuarially determined pension expenses for TRS and ERS, and other postemployment benefits costs.
- The food service program increased due to the growth in the number of students receiving breakfast and lunch, as the meals were free to all students during the year.

**RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

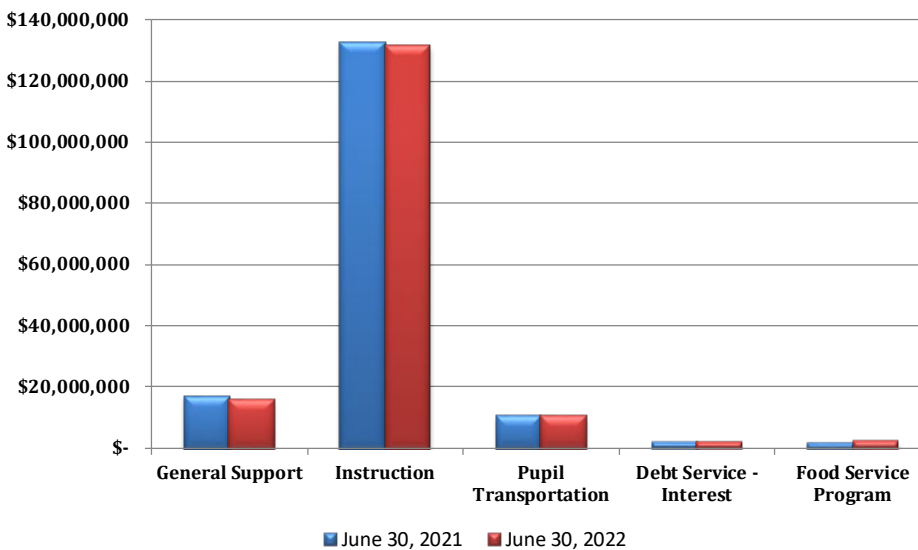
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 59.0% and 68.8% of the total for the years 2022 and 2021, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 81.2% and 80.9% of the total for the years 2022 and 2021, respectively).

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants & Contributions	Capital Grants	Property Taxes & STAR	State Sources	Other
2021	0.8%	5.6%	0.0%	68.8%	21.8%	3.0%
2022	0.9%	8.4%	0.0%	59.0%	27.2%	4.5%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2021	10.4%	80.9%	6.4%	1.2%	1.1%
2022	9.7%	81.2%	6.5%	1.2%	1.4%

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2022, the District's governmental funds reported a combined fund balance of \$35,770,902, which is an increase of \$7,206,694 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	June 30, 2022	June 30, 2021	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable: Prepays	\$ 1,898,299	\$ 1,529,066	\$ 369,233	24.15 %
Restricted				
Workers' compensation	1,860,564	2,230,415	(369,851)	(16.58)%
Unemployment insurance	991,020	1,003,538	(12,518)	(1.25)%
Retirement contribution				
Teachers' retirement system	3,144,094	2,141,225	1,002,869	46.84 %
Employees' retirement system	3,585,809	2,682,349	903,460	33.68 %
Employee benefit accrued liability	6,354,478	6,123,268	231,210	3.78 %
Repairs	2,084,629	2,905,423	(820,794)	(28.25)%
Assigned:				
Appropriated fund balance	4,149,159	2,649,159	1,500,000	56.62 %
Unappropriated fund balance	1,538,846	28,432	1,510,414	5312.37 %
Unassigned: Fund balance	7,927,986	6,376,305	1,551,681	24.34 %
	<u>33,534,884</u>	<u>27,669,180</u>	<u>5,865,704</u>	21.20 %
School Food Service Fund				
Nonspendable: Inventory	64,019	31,499	32,520	103.24 %
Restricted: Capital	536,719	192,485	344,234	178.84 %
Assigned: Unappropriated fund balance	913,548	112,042	801,506	715.36 %
	<u>1,514,286</u>	<u>336,026</u>	<u>1,178,260</u>	350.65 %
Debt Service Fund				
Restricted: Debt	505	491	14	2.85 %
Capital Projects Fund				
Restricted:				
Capital	145,727	413,947	(268,220)	(64.80)%
Unspent debt proceeds	425,781	7,571	418,210	5523.84 %
Unassigned: Fund balance (deficit)	(15,501)	-	(15,501)	N/A
	<u>556,007</u>	<u>421,518</u>	<u>134,489</u>	31.91 %
Extraclassroom Activities Fund				
Assigned: Unappropriated fund balance	151,354	118,245	33,109	28.00 %
Scholarships Fund				
Restricted: Scholarships	13,866	18,748	(4,882)	(26.04)%
Total Fund Balance	<u>\$ 35,770,902</u>	<u>\$ 28,564,208</u>	<u>\$ 7,206,694</u>	25.23 %

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. General Fund

The general fund – fund balance is a net increase of \$5,865,704, compared to an increase of \$6,332,623 in 2021. This resulted from revenues in excess of expenditures and other financing uses.

Revenues increased by \$14,285,979 or 9.87%, as compared to the prior year. The following is a summary of the major changes:

- The increase in state sources is chiefly due to the District receiving more in general and excess cost aid, offset by a decrease in BOCES aid.
- Other tax items increased due to the District receiving additional PILOT revenues.
- Real property taxes and STAR were increased to fund increases in appropriations in the voter approved 2021-2022 budget.
- Federal sources decreased as in the prior year the District received funding for COVID-19 relief under the Coronavirus Aid Relief and Economic Security (CARES) Act through the Elementary and Secondary School Emergency Relief (ESSER), and the Governor's Emergency Education Relief (GEER) Program.
- Miscellaneous decreased as the District received less in refunds of prior year expenditures.

Expenditures and other financing uses increased by \$14,752,898 or 10.66%, as compared to the prior year. The following is a summary of the major changes:

- Instruction increased in the areas of teaching–regular school, programs for students with disabilities, and pupil services, primarily due to routine salary and step increases, and the return of many interscholastic and extracurricular activities as school operations return to pre-pandemic levels.
- Employee benefits increased due to higher pension contribution rates, for the District's liabilities to the TRS and ERS, as well as STEP and salary increases, and payments made to retirees for incentives and unused accumulated sick time.
- General support increased in the area of central services primarily as a result of repairs.

The following is a summary of the District's general fund restricted fund balance activity:

	Balance @ June 30, 2021	Use of Reserves	Interest	Funding	Balance @ June 30, 2022
Workers' compensation	\$ 2,230,415	\$ (771,806)	\$ 1,955	\$ 400,000	\$ 1,860,564
Unemployment insurance	1,003,538	(13,809)	1,291		991,020
Retirement contribution					
TRS	2,141,225		2,869	1,000,000	3,144,094
ERS	2,682,349	(100,000)	3,460	1,000,000	3,585,809
EBALR	6,123,268	(775,956)	7,166	1,000,000	6,354,478
Repairs	2,905,423	(1,274,125)	2,178	451,153	2,084,629
	<u>\$ 17,086,218</u>	<u>\$ (2,935,696)</u>	<u>\$ 18,919</u>	<u>\$ 3,851,153</u>	<u>\$ 18,020,594</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. School Food Service Fund

The school food service fund - fund balance net increase can be attributed to greater state and federal reimbursements, which was the result of granting school districts waivers, which authorized the distribution of free meals to all students. The District also met certain eligibility requirements to receive \$109,851 of supply chain assistance funds during the fiscal year ended June 30, 2022. The District plans on utilizing these funds in the 2022-2023 school year for allowable costs under the program.

The following is a summary of the District's cafeteria capital reserve activity:

	Balance @ June 30, 2021	Transfer of Reserves	Interest	Funding	Balance @ June 30, 2022
Cafeteria Capital Reserve	\$ 192,485	\$ (56,000)	\$ 234	\$ 400,000	\$ 536,719

C. Debt Service Fund

The debt service fund – fund balance net increase is the result of interest earnings.

D. Capital Projects Fund

The capital projects fund - fund balance net increase is the result of the proceeds of debt and the transfer from the school food service fund cafeteria capital reserve, exceeding expenditures for capital improvements.

The following is a summary of the District's capital projects fund restricted fund balance activity:

	Balance @ June 30, 2021	Transfer of Reserves	Use of Reserves	Funding	Balance @ June 30, 2022
Capital Reserve	\$ 413,947	\$ -	\$ (268,220)	\$ 56,000	\$ 145,727

E. Extraclassroom Activities Fund

The extraclassroom activities fund – fund balance net increase is attributable to cash receipts from fundraising and collections for student clubs activities exceeding disbursements related to those activities.

F. Scholarships Fund

The scholarships fund – fund balance net decrease is the result of scholarships awarded exceeding scholarship donations and interest.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2021-2022 Budget

The District's general fund adopted budget for the year ended June 30, 2022 was \$159,407,613. This amount was increased by encumbrances carried forward from the prior year in the amount of \$28,432 and budget revisions in the amount of \$2,064,515 for a total final budget of \$161,500,560.

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$104,541,394 in estimated property taxes and STAR.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of current and prior years' excess revenues and other financing sources over expenditures and other financing uses, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances, and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$	6,376,305
Revenues Over Budget		3,198,847
Expenditures, Other Financing Uses, and Encumbrances Under Budget		6,773,647
Unused Appropriated Reserves		(32,349)
Net Change in Nonspendable Fund Balance		(369,233)
Allocation to Reserves		(3,870,072)
Appropriated for the 2022-2023 Budget		(4,149,159)
Closing, Unassigned Fund Balance	\$	7,927,986

Opening, Unassigned Fund Balance

The \$6,376,305 shown in the table is the portion of the District's June 30, 2021 fund balance that was retained as unassigned.

Revenues Over Budget

The 2021-2022 final budget for revenues was \$155,854,924. Actual revenues recognized for the year were \$159,053,771. The excess of actual revenues over estimated or budgeted revenues was \$3,198,847, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2021 to June 30, 2022. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures, Other Financing Uses, and Encumbrances Under Budget

The 2021-2022 final budget for expenditures and other financing uses, including prior year open encumbrances and budget revisions as of June 30, 2022, was \$161,500,560. Actual expenditures and other financing uses as of June 30, 2022 were \$153,188,067, and outstanding encumbrances were \$1,538,846. Combined, the expenditures and other financing uses, plus encumbrances for 2021-2022 were \$154,726,913. The final budget variance was \$6,773,647, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2021 to June 30, 2022. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Unused Appropriated Reserves

In the 2021-2022 budget the District appropriated \$911,806 from reserves to reduce the tax levy, and also fund unanticipated costs. Due to lower than anticipated expenditures, \$32,349 of this funding was not needed and, therefore, was returned to the reserves for future use.

Net Change in Nonspendable Fund Balance

The District prepaid various insurance premiums at June 30, 2022. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The increase in nonspendable fund balance decreases unassigned fund balance.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$4,149,159 of the available June 30, 2022 unassigned fund balance to partially fund the 2022-2023 approved operating budget. As such, the June 30, 2022 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2022 was \$7,927,986. The amount equals 4.7% of the 2022-2023 budget and is in excess of the 4% statutory limit.

6. CAPITAL ASSETS, DEBT ADMINISTRATION, AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At June 30, 2022, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$4,749,862 in excess of capital additions of \$2,763,408 recorded for the year ended June 30, 2022. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2022 and 2021 is as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Increase (Decrease)</u>
Land	\$ 3,917,401	\$ 3,917,401	\$ -
Construction in progress	248,940	-	248,940
Buildings and improvements	91,595,087	94,800,227	(3,205,140)
Site improvements	1,389,439	1,070,839	318,600
Vehicles, furniture and equipment	6,030,459	6,150,836	(120,377)
Leased buildings	771,523	-	771,523
	<u>\$ 103,952,849</u>	<u>\$ 105,939,303</u>	<u>\$ (1,986,454)</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

B. Debt Administration

Bond Anticipation Note Payable

The bond anticipation note payable carries interest at 1.25% and is payable on September 9, 2022.

Purpose	Authorization		Unissued	Outstanding at	
	Date	Amount		June 30, 2022	June 30, 2021
Bus purchases	5/2014	\$ 3,988,000	\$ 4,000	\$ 470,000	\$ 960,000
Turf field	6/2015	1,200,000	-	-	240,000
Bus purchases	5/2019	2,435,679	1,557,321	1,936,164	1,474,827
				<u>\$ 2,406,164</u>	<u>\$ 2,674,827</u>

Bonds Payable, Energy Performance Contract, and Lease Liabilities

At June 30, 2022, the District had combined total debt of \$54,408,925. The decreases in outstanding debt represent principal payments made throughout the year, while the increases indicate new issuances. A summary of the outstanding long-term debt at June 30, 2022 and 2021 is as follows:

Issue/ Commencement Date	Interest Rate	June 30, 2022	June 30, 2021	Increase (Decrease)
Bonds Payable				
11/1/2015	2.00-3.00%	\$ 21,830,000	\$ 24,000,000	\$ (2,170,000)
3/1/2014	3.00-4.00%	-	24,280,000	(24,280,000)
8/1/2020	1.125-5.00%	8,235,000	8,745,000	(510,000)
4/7/2022	4.00-5.00%	20,570,000	-	20,570,000
		<u>\$ 50,635,000</u>	<u>\$ 57,025,000</u>	<u>\$ (6,390,000)</u>
Energy Performance Contract Payable				
7/25/2012	2.23%	<u>\$ 3,002,402</u>	<u>\$ 3,510,029</u>	<u>\$ (507,627)</u>
Lease Liabilities				
7/1/2022	2.16%	<u>\$ 771,523</u>	<u>\$ -</u>	<u>\$ 771,523</u>

On March 22, 2022, the District issued \$20,570,000 in general obligation bonds with an average interest rate of 4.302%. The net proceeds of \$23,080,562 (the par amount plus premium less underwriter fees, insurance, and other costs) were used to refund outstanding 2014 general obligation serial bonds of \$22,755,000, with an average interest rate of 3.460%. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$1,258,101. The outstanding defeased bonds were fully redeemed on May 9, 2022.

See accompanying notes to financial statements, Note 14 "Long-Term Liabilities" for additional information.

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2022 are 5.33% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation, net pension liabilities – proportionate share and total OPEB liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2022 and 2021 is as follows:

	June 30, 2022	June 30, 2021	Increase (Decrease)
Compensated absences	\$ 10,810,693	\$ 11,091,603	\$ (280,910)
Workers' compensation	2,196,685	2,230,755	(34,070)
Net pension liabilities - proportionate share	-	8,571,236	(8,571,236)
Total OPEB liability	129,534,082	162,144,255	(32,610,173)
	\$ 142,541,460	\$ 184,037,849	\$ (41,496,389)

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 17, 2022, for the year ending June 30, 2023, is \$169,750,296. This is an increase of \$10,342,683 or 6.49% over the previous year's budget. The increase is principally in the instruction and general support areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$7,798,805 increase over the prior year's estimate, which is principally due to a significant estimated increase in state aid. The assigned, appropriated fund balance and applied reserves of \$5,059,159 was an increase of \$1,498,464 over the prior year's originally presented amounts. A property tax increase of \$1,045,414 (1.00%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

B. Future Budgets

Dwindling state and federal support of initiatives established during the pandemic, the continued need for additional resources to close learning gaps, fluctuating rates in this inflationary environment, and increases in charges of fuel, goods, and borrowing costs may impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2022-2023 is 2.27%. The District's 2022-2023 property tax increase of 1.0% was less than the tax cap, and did not require an override vote.

RIVERHEAD CENTRAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

8. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Dr. Rodney Asse
Assistant Superintendent for Business
Riverhead Central School District
814 Harrison Avenue
Riverhead, New York 11901

RIVERHEAD CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2022

ASSETS

Cash	
Unrestricted	\$ 30,036,895
Restricted	19,143,192
Receivables	
Accounts receivable	546,751
Taxes receivable	323,747
Due from state and federal	4,334,344
Due from other governments	4,826,641
Inventory	64,019
Prepays	1,898,299
Capital assets:	
Not being depreciated	4,166,341
Being depreciated, net of accumulated depreciation	99,786,508
Net pension assets - proportionate share	<u>56,994,339</u>
Total Assets	<u>222,121,076</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	39,263,831
Other postemployment benefits	<u>30,531,956</u>
Total Deferred Outflows of Resources	<u>69,795,787</u>

LIABILITIES

Payables	
Accounts payable	4,859,331
Accrued liabilities	9,214,741
Due to fiduciary funds	45,273
Due to other governments	29,604
Due to teachers' retirement system	6,823,749
Due to employees' retirement system	462,604
Other liabilities	94,767
Unearned credits: Collections in advance	964,553
Long-term liabilities	
Due and payable within one year	
Bond anticipation notes payable	2,406,164
Bonds payable	4,085,000
Energy performance contract payable	519,010
Lease liabilities	159,937
Compensated absences payable	400,000
Due and payable after one year	
Bonds payable	46,550,000
Energy performance contract payable	2,483,392
Lease liabilities	611,586
Compensated absences payable	10,410,693
Workers' compensation liabilities	2,196,685
Total other postemployment benefits liability	<u>129,534,082</u>
Total Liabilities	<u>221,851,171</u>

DEFERRED INFLOWS OF RESOURCES

Premiums on refunding of bonds, net	3,316,694
Pensions	73,122,728
Other postemployment benefits	<u>45,997,154</u>
Total Deferred Inflows of Resources	<u>122,436,576</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>44,246,847</u>
Restricted:	
Workers' compensation	1,860,564
Unemployment insurance	991,020
Retirement contribution	
Teachers' retirement system	3,144,094
Employees' retirement system	3,585,809
Employee benefit accrued liability	6,354,478
Capital	682,446
Repairs	2,084,629
Debt	505
Scholarships	<u>13,866</u>
	<u>18,717,411</u>
Unrestricted (Deficit)	<u>(115,335,142)</u>
Total Net Position (Deficit)	<u>\$ (52,370,884)</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2022

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	
FUNCTIONS/PROGRAMS				
General support	\$ 15,786,493	\$	\$	\$ (15,786,493)
Instruction	131,489,611	993,332	11,718,978	(118,777,301)
Pupil transportation	10,539,935	270,904		(10,269,031)
Debt service - interest	1,962,384			(1,962,384)
Food service program	2,339,890	359,616	3,203,630	1,223,356
	<u>\$ 162,118,313</u>	<u>\$ 1,623,852</u>	<u>\$ 14,922,608</u>	<u>(145,571,853)</u>
GENERAL REVENUES				
Real property taxes				98,492,085
Other tax items				11,593,984
Use of money and property				83,224
Sale of property and compensation for loss				536,932
Miscellaneous				1,652,207
State sources				48,209,555
Medicaid reimbursement				150,738
				<u>160,718,725</u>
Change in Net Position				15,146,872
Total Net Position (Deficit) - Beginning of Year				<u>(67,517,756)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (52,370,884)</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2022

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
ASSETS								
Cash								
Unrestricted	\$ 29,457,312	\$ 8,632	\$ 410,208	\$ 9,389	\$	\$ 151,354	\$	\$ 30,036,895
Restricted	18,445,620		682,446	505	755		13,866	19,143,192
Receivables								
Accounts receivable	545,637		1,114					546,751
Taxes receivable	323,747							323,747
Due from other funds	2,123,563	762,829	430,697	202	570,954			3,888,245
Due from state and federal	1,416,719	2,330,743	586,882					4,334,344
Due from other governments	4,826,641							4,826,641
Inventory			64,019					64,019
Prepays	1,898,299							1,898,299
Total Assets	<u>\$ 59,037,538</u>	<u>\$ 3,102,204</u>	<u>\$ 2,175,366</u>	<u>\$ 10,096</u>	<u>\$ 571,709</u>	<u>\$ 151,354</u>	<u>\$ 13,866</u>	<u>\$ 65,062,133</u>
LIABILITIES								
Payables								
Accounts payable	\$ 4,768,478	\$ 88,752	\$ 2,101	\$	\$	\$	\$	\$ 4,859,331
Accrued liabilities	8,171,986	580,562	40,115					8,792,663
Due to other funds	1,664,026	1,746,341	497,858	9,591	15,702			3,933,518
Due to other governments	29,441		163					29,604
Due to teachers' retirement system	6,823,749							6,823,749
Due to employees' retirement system	462,604							462,604
Other liabilities	94,767							94,767
Unearned credits								
Collections in advance	157,161	686,549	120,843					964,553
Total Liabilities	<u>22,172,212</u>	<u>3,102,204</u>	<u>661,080</u>	<u>9,591</u>	<u>15,702</u>	<u>-</u>	<u>-</u>	<u>25,960,789</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	<u>3,330,442</u>							<u>3,330,442</u>
FUND BALANCES								
Nonspendable:								
Inventory			64,019					64,019
Prepays	1,898,299							1,898,299
Restricted:								
Workers' compensation	1,860,564							1,860,564
Unemployment insurance	991,020							991,020
Retirement contribution								
Teachers' retirement system	3,144,094							3,144,094
Employees' retirement system	3,585,809							3,585,809
Employee benefit accrued liability	6,354,478							6,354,478
Capital			536,719		145,727			682,446
Repairs	2,084,629							2,084,629
Debt				505				505
Unspent debt proceeds					425,781			425,781
Scholarships							13,866	13,866
Assigned:								
Appropriated fund balance	4,149,159							4,149,159
Unappropriated fund balance	1,538,846		913,548			151,354		2,603,748
Unassigned fund balance (deficit)	7,927,986				(15,501)			7,912,485
Total Fund Balances	<u>33,534,884</u>	<u>-</u>	<u>1,514,286</u>	<u>505</u>	<u>556,007</u>	<u>151,354</u>	<u>13,866</u>	<u>35,770,902</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 59,037,538</u>	<u>\$ 3,102,204</u>	<u>\$ 2,175,366</u>	<u>\$ 10,096</u>	<u>\$ 571,709</u>	<u>\$ 151,354</u>	<u>\$ 13,866</u>	<u>\$ 65,062,133</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position

June 30, 2022

Total Governmental Fund Balances \$ 35,770,902

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

The costs of building, acquiring, and leasing capital assets financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes 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	\$ 183,150,574	
Less: Accumulated depreciation	<u>(79,197,725)</u>	103,952,849

Proportionate share of long-term assets, as well as deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or assets and are not reported in the funds.

Net pension asset - employees' retirement system	52,816,808	
Net pension asset - teachers' retirement system	4,177,531	
Deferred outflows of resources	39,263,831	
Deferred inflows of resources	<u>(73,122,728)</u>	23,135,442

Total other postemployment benefits liability, as well as deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds.

Deferred outflows of resources	30,531,956	
Total other postemployment benefits liability	(129,534,082)	
Deferred inflows of resources	<u>(45,997,154)</u>	(144,999,280)

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

Accrued interest on debt	(422,078)	
Bond anticipation notes payable	(2,406,164)	
Bonds payable	(50,635,000)	
Energy performance contract payable	(3,002,402)	
Lease liabilities	(771,523)	
Compensated absences payable	(10,810,693)	
Workers' compensation liabilities	<u>(2,196,685)</u>	(70,244,545)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

3,330,442

Premium, net of deferred charges on refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.

(3,316,694)

Total Net Position (Deficit) \$ (52,370,884)

RIVERHEAD CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
REVENUES								
Real property taxes	\$ 98,492,085	\$	\$	\$	\$	\$	\$	\$ 98,492,085
Other tax items	8,759,684							8,759,684
Charges for services	1,089,502							1,089,502
Use of money and property	82,929		281	14			18	83,242
Sale of property and compensation for loss	536,932							536,932
Miscellaneous	1,621,194		1,114			174,734	13,800	1,810,842
State sources	48,209,555	1,762,361	54,787					50,026,703
Medicaid reimbursement	150,738							150,738
Federal sources	111,152	9,831,647	3,147,729					13,090,528
Sales			359,616					359,616
Total Revenues	159,053,771	11,594,008	3,563,527	14	-	174,734	13,818	174,399,872
EXPENDITURES								
General support	13,603,857			216,892				13,820,749
Instruction	92,391,069	11,543,007				141,625	18,700	104,094,401
Pupil transportation	7,426,197	372,250						7,798,447
Employee benefits	31,542,911							31,542,911
Debt service								
Principal	5,772,454							5,772,454
Interest	2,126,604							2,126,604
Food service program			2,332,993					2,332,993
Capital outlay					1,484,198			1,484,198
Total Expenditures	152,863,092	11,915,257	2,332,993	216,892	1,484,198	141,625	18,700	168,972,757
Excess (Deficiency) of Revenues Over Expenditures	6,190,679	(321,249)	1,230,534	(216,878)	(1,484,198)	33,109	(4,882)	5,427,115
OTHER FINANCING SOURCES AND (USES)								
Proceeds of debt					1,562,687			1,562,687
Premiums on refunded bonds				2,510,562				2,510,562
Payment to escrow agent				(22,863,670)				(22,863,670)
Proceeds of refunding				20,570,000				20,570,000
Operating transfers in		321,249	3,726		56,000			380,975
Operating transfers (out)	(324,975)		(56,000)					(380,975)
Total Other Financing Sources and (Uses)	(324,975)	321,249	(52,274)	216,892	1,618,687	-	-	1,779,579
Net Change in Fund Balances	5,865,704	-	1,178,260	14	134,489	33,109	(4,882)	7,206,694
Fund Balances - Beginning of Year	27,669,180	-	336,026	491	421,518	118,245	18,748	28,564,208
End of Year	\$ 33,534,884	\$ -	\$ 1,514,286	\$ 505	\$ 556,007	\$ 151,354	\$ 13,866	\$ 35,770,902

RIVERHEAD CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2022

Net Change in Fund Balances \$ 7,206,694

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 revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received). \$ 2,865,313

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in workers' compensation liabilities	34,070	
Decrease in compensated absences payable	280,910	
		3,180,293

Capital Related Differences

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

Capital outlays and other additions	2,763,408	
Depreciation expense	(4,749,862)	
		(1,986,454)

Long-Term Debt Transactions Differences

Proceeds and premium from the issuance of debt are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities. (24,643,249)

Payment to escrow agent is an other financing use in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 22,863,670

The amortization of the deferred premium, net of the amortization of the deferred charges on the refunding of bonds, decreases interest expense in the Statement of Activities. 135,719

Repayment of long-term debt 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.

Repayment of bond anticipation notes	1,059,827	
Repayment of bond principal	4,205,000	
Repayment of energy performance contract payable	507,627	

Interest on long-term debt in the Statement of Activities differs from the amount 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 Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2021 to June 30, 2022. 28,501

4,157,095

Pension and Other Postemployment Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system	8,738,602	
Employees' retirement system	1,929,856	
Other postemployment benefits	(8,079,214)	
		2,589,244

Change in Net Position of Governmental Activities \$ 15,146,872

RIVERHEAD CENTRAL SCHOOL DISTRICT
Statement of Fiduciary Net Position - Fiduciary Fund
June 30, 2022

	Custodial
ASSETS	
Due from governmental funds	\$ 45,273
Due from other governments	103,888
Total Assets	149,161
Liabilities	
Due to other governments	149,161
NET POSITION	
Restricted for individuals, organizations, and other governments	\$ -

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2022

	Custodial
ADDITIONS	
Real property taxes and payments in lieu of taxes collected for the libraries	\$ 4,089,932
DEDUCTIONS	
Disbursements of real property taxes and payments in lieu of taxes to the libraries	4,089,932
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Riverhead Central School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

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 (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. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB. 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 Board of Cooperative Educational Services of Eastern Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the 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 Education Law. All BOCES property is held by the BOCES Board as a corporation under §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 General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants and contributions include operating-specific and discretionary (either operating or capital) grants and contributions, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year-end. 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. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, 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 type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Aid Fund - is used to account 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 by either governments that provide the funds or outside parties.

School Food Service Fund - is used to account for the activities of the food service program.

Debt Service Fund - accounts for the accumulation of resources for, the payment of, principal and interest on long-term general obligation debt of governmental activities.

Capital Projects Fund - is used to account for the financial resources used for the acquisition, construction, renovation or major repair of capital facilities and other capital assets.

Extraclassroom Activities Fund - is used to account for the funds operated by and for the students of the District. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Scholarships Fund – is used to account for funds collected that benefit annual third-party awards and scholarships for students.

Fiduciary Funds – are used to account for activities 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 to finance District operations. The following is the District’s fiduciary fund:

Custodial Fund – is used to account for real property taxes and payments in lieu of taxes (PILOT) collected on behalf of other governments and disbursed to those governments.

D. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

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 real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgements, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes and Other Tax Items

Calendar

Real property taxes are levied annually by the Board no later than October 1st and become a lien on December 1st. Taxes are collected by the Towns of Riverhead, Southampton and Brookhaven, and remitted to the District from December to June. The Town of Riverhead typically remits to the District the final payment of their tax levy when the County makes their final property tax payment to the Town of Riverhead. The Town of Riverhead has represented that the County has communicated that the delay in concluding this transaction is in part due to the pandemic. The Town of Riverhead has also represented that once they receive their payment from the County, the balance of the tax levy will be paid to the District in its entirety.

The District also levies the real property taxes for the Riverhead Public Library and the Baiting Hollow Public Library. These amounts are collected by the Towns and included in the amounts remitted to the District. The District remits the amounts to the Libraries in installments based on the respective agreements. These pass-through amounts are not included in the District's real property taxes; however they are recorded in the custodial fund.

Enforcement

Uncollected real property taxes are subsequently enforced by Suffolk County in June.

School Tax Relief (STAR) Aid

New York State implemented the STAR program with the enactment of Chapter 389 of the Laws of 1997 to reduce the school property tax burden on residential homeowners. A school district's annual property tax levy as adopted is reduced by the total amount of the STAR exemptions granted to homeowners. School districts are reimbursed for this loss in property tax revenues by the state with STAR aid, which is reported as other tax items revenues.

F. Payments in Lieu of Taxes (PILOT)

The District reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Towns and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

PILOT payments collected on behalf of the Libraries are remitted to the Libraries. These pass-through amounts are no included in the District's other tax items revenues.

The District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted to the Town of Southampton. The LIPA Reform Act (Public Authorities Law §1020-q) gave LIPA tax-exempt status, as a public authority, in respect to any property if acquired from LILCO (Long Island Lighting Company). Due to the potential fiscal impact of loss of local property tax revenues in response to the exemption, the LIPA Reform Act provides for LIPA's payment of PILOT to the municipalities affected by any acquisition of LILCO property. The District received \$889,987 in PILOT revenue during the 2022 fiscal year. In addition to the LIPA PILOT's, the District also received PILOT payments from several solar farm projects contained within the District's boundaries, as well as an annual PILOT payment from Suffolk Community College. These PILOT payments amounted to \$517,947.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

G. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources 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 to Financial Statements.

H. 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 flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in, and transfers out activity is provided subsequently in these Notes to Financial Statements.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities, and useful lives of capital assets.

J. Cash and Cash Equivalents/Investments

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Investments are reported at fair value based on quoted market prices.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

K. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

L. Inventory and Prepaid Items

Inventory of food in the school food service fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

M. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land, and construction in progress are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	25-50 years
Site improvements	15,000	20 years
Vehicles, furniture and equipment	5,000	5-20 years
Leased building	0	5 years

N. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net assets that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension assets

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

or liabilities not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The second item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

O. 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 a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date, seven years if originally issued during calendar year 2015 through, and including, 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve-month period thereafter.

BANs that are replaced with long-term financing, or renewed subsequent to the year-end, are treated as long-term liabilities, as these notes will not require the use of working capital during that period.

P. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as driver's education program fees in the general fund, grant funds received in advance of eligible expenditures, in the special aid fund, and prepaid lunch amounts and supply chain assistance monies in the school food service fund. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

Q. Employee Benefits – Compensated Absences

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave and/or a credit towards their health insurance obligation.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The liability for compensated absences 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, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

R. Other Benefits

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

The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare 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 postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

S. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net assets that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has four items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables related to certain split dollar life insurance agreements and PILOTs. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to premiums on refunded bonds, which will be amortized over the life of the related bonds. The third item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension assets or liabilities not included in collective pension expense. The fourth item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total OPEB liability not included in OPEB expense.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

T. Long-Term Debt

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest will be in the general fund.

In the fund financial statements, governmental funds recognize bond premiums during the current period, with the face amount of debt issued reported as other financing sources. Premiums received on long-term debt issuances are reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

In the district-wide financial statements, premiums received on refunded bonds, net of deferred charges are reported as deferred inflows of resources and amortized over the life of the bonds.

U. Equity Classifications

District-Wide Statements

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

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction, and improvements of those assets, net of any unexpended proceeds.

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources 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 – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of prepaids, which are recorded in the general fund, and inventory, which is recorded in the school food service fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the 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. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The Board also adopted a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Capital Reserve

Capital Reserve (Education Law §3651) is 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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

source of the funds. Expenditure 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. These reserves are accounted for in the school food service fund and capital projects fund.

Repairs Reserve

Repairs Reserve (GML §6-d) is used to pay the cost of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. The reserve is accounted for in the general fund.

Restricted for Debt

Unexpended balances of proceeds of borrowings for capital projects, interest, and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted – Unspent Debt Proceeds

Unspent long-term debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Restricted for Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the scholarships fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual, positive amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the District’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year’s budget.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by the budget or any Board approved budget revision, then from the assigned fund balance to the extent appropriated by the Board, and then from the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLE

For the fiscal year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*, which provides guidance for identifying certain leased assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provisions of the contract.

3. FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB statements issued, but the statement that the District feels may have a future impact on these financial statements. The District will evaluate the impact of this pronouncement and implement it, as applicable, if material.

Effective for the Year Ending	Statement
June 30, 2023	GASB No. 96 - <i>Subscription Based Information Technology Arrangements</i>

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users.

4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the district-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

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. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Balance Sheet, as applied to the reporting of capital assets and deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

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 current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District’s proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. 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. The following supplemental appropriations occurred during the year:

Program costs funded by donations	\$ 8,276
Repairs funded by the repair reserve	1,280,283
Compensated absences expenditures funded by the employee benefit accrued liability reserve	<u>775,956</u>
	<u>\$ 2,064,515</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. 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 part of assigned fund balance, unless classified as restricted, 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.

C. Unassigned Fund Balance

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and the capital needs of the District.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$15,501. This will be funded when the District recognizes the associated state aid.

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities and letters of credit pledged on the District's behalf at year-end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

Investment pool:

The District participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at June 30, 2022 are \$4,223,478,681, which consisted of \$1,151,932,927 in repurchase agreements, \$2,228,081,678 in U.S. Treasury Securities and \$843,464,076 in collateralized bank deposits, with various interest rates and due dates.

The District has a CLASS account in the general fund with a carrying amount of \$10,568,691.

The above amount represents the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. PARTICIPATION IN BOCES

During the year ended June 30, 2022, the District was billed \$19,862,932 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,541,433. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

8. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2022 consisted of:

General Fund	
New York State - general aid	\$ 81,361
New York State - excess cost aid	1,251,974
New York State - Medicaid reimbursement	83,384
	<u>1,416,719</u>
Special Aid Fund	
Federal and state grants	2,330,743
School Food Service Fund	
Federal and state food service program reimbursements	<u>586,882</u>
	<u>\$ 4,334,344</u>

District management expects these amounts to be fully collectible.

9. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2022 consisted of:

General Fund	
BOCES aid	\$ 1,541,433
Town of Riverhead - Payments in lieu of taxes	2,834,300
Other districts - charges for services	450,908
	<u>4,826,641</u>

District management expects these amounts to be fully collectible.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2022 are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
Governmental Funds				
General Fund	\$ 2,123,563	\$ 1,664,026	\$	\$ 324,975
Special Aid Fund	762,829	1,746,341	321,249	
School Food Service Fund	430,697	497,858	3,726	56,000
Debt Service Fund	202	9,591		
Capital Projects Fund	570,954	15,702	56,000	
Total Governmental Funds	3,888,245	3,933,518	<u>\$ 380,975</u>	<u>\$ 380,975</u>
Fiduciary Fund	45,273			
Total	<u>\$ 3,933,518</u>	<u>\$ 3,933,518</u>		

The District typically transfers from the general fund to the special aid fund and school food service fund per the approved budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the school food service fund from the general fund was done to restore lost revenues from uncollectible meals sold. The transfer from the school food service fund to the capital projects fund was for updates to cafeterias approved by voters on May 17, 2022 and funded by the cafeteria capital reserve funds.

11. CAPITAL ASSETS

A. Changes

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

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,917,401	\$	\$	\$ 3,917,401
Construction in progress	-	248,940		248,940
Total capital assets not being depreciated	<u>3,917,401</u>	<u>248,940</u>	<u>-</u>	<u>4,166,341</u>
Capital assets being depreciated				
Buildings and improvements	156,997,519	133,913		157,131,432
Site improvements	3,982,262	441,705		4,423,967
Vehicles, furniture and equipment	16,079,129	1,167,327	(589,145)	16,657,311
Leased buildings	-	771,523		771,523
Total capital assets being depreciated	<u>177,058,910</u>	<u>2,514,468</u>	<u>(589,145)</u>	<u>178,984,233</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Less accumulated depreciation for:				
Buildings and improvements	\$ 62,197,292	\$ 3,339,053	\$	\$ 65,536,345
Site improvements	2,911,423	123,105		3,034,528
Vehicles, furniture and equipment	9,928,293	1,287,704	(589,145)	10,626,852
Leased buildings	-			-
Total accumulated depreciation	<u>75,037,008</u>	<u>4,749,862</u>	<u>(589,145)</u>	<u>79,197,725</u>
 Total capital assets, being depreciated, net	 <u>102,021,902</u>	 <u>(2,235,394)</u>	 -	 <u>99,786,508</u>
 Capital assets, net	 <u>\$ 105,939,303</u>	 <u>\$ (1,986,454)</u>	 -	 <u>\$ 103,952,849</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 124,291
Instruction	3,950,016
Pupil transportation	668,658
Food service program	<u>6,897</u>
 Total depreciation expense	 <u>\$ 4,749,862</u>

B. Lease Liabilities

The District has entered into a lease arrangement that is subject to GASB Statement No. 87. The terms of the lease is for five years with a discount rate of 2.16%. This lease is included in leased buildings as shown in the previous table. The District has not provided any residual value guarantees related to these leased capital assets.

C. Impairment Losses

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2022, the District has not recorded any such impairment losses.

12. OTHER ASSETS

The District has provided life insurance policies with split dollar provisions for certain of its current and former employees. The split dollar provisions provide for the payment of insurance proceeds to the District upon the demise of the insured or cash surrender value if the policy is cashed in prior to death.

At June 30, 2022, total cash surrender value for these policies amounted to \$496,142, which has been recorded in accounts receivable in the general fund. The corresponding revenue to this receivable is included in deferred inflows of resources and will be recognized in the year that the proceeds are received, in the governmental funds.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

13. SHORT-TERM DEBT

Short-term debt activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2021	Issued	Redeemed	Balance June 30, 2022
TAN	2/25/2022	1.50%	\$ -	\$ 10,000,000	\$ (10,000,000)	\$ -
TAN	6/24/2022	2.00%	-	18,000,000	(18,000,000)	-
			<u>\$ -</u>	<u>\$ 28,000,000</u>	<u>\$ (28,000,000)</u>	<u>\$ -</u>

The TANs were issued to provide cash flow for the District until the District receives the real property taxes from the Town.

Interest paid on short-term debt for the year was \$354,167, net of premiums of \$329,160, to yield effective interest rates of 0.1272% to 0.1343%.

14. LONG-TERM LIABILITIES

A. Changes

Long-term liabilities for bond premiums at June 30, 2021 was decreased by \$1,020,205, and reclassified to deferred inflows of resources – premiums on refunding of bonds, net as the premiums related to bond refundings done in prior years. Long-term liability balances and activity, excluding pension and other postemployment benefits liabilities, for the year are summarized below:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Long-term debt:					
Bond anticipation notes	\$ 2,674,827	\$ 791,164	\$ (1,059,827)	\$ 2,406,164	\$ 2,406,164
Bonds	57,025,000	20,570,000	(26,960,000)	50,635,000	4,085,000
Add: Bond premium	156,733		(156,733)		
	57,181,733	20,570,000	(27,116,733)	50,635,000	4,085,000
Energy performance contract	3,510,029		(507,627)	3,002,402	519,010
Lease liabilities		771,523		771,523	159,937
	<u>60,691,762</u>	<u>21,341,523</u>	<u>(27,624,360)</u>	<u>54,408,925</u>	<u>4,763,947</u>
Other long-term liabilities:					
Compensated absences	11,091,603		(280,910)	10,810,693	400,000
Workers' compensation	2,230,755	314,498	(348,568)	2,196,685	
	<u>13,322,358</u>	<u>314,498</u>	<u>(629,478)</u>	<u>13,007,378</u>	<u>400,000</u>
	<u>\$ 76,688,947</u>	<u>\$ 22,447,185</u>	<u>\$ (29,313,665)</u>	<u>\$ 69,822,467</u>	<u>\$ 7,570,111</u>

The general fund has typically been used to liquidate other long-term liabilities.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Bond Anticipation Notes

The bond anticipation note payable carries a stated interest of 1.25% and is payable on September 9, 2022. The District received a premium of \$23,797, which is included in miscellaneous revenue in the general fund. This yielded an effective interest rate of 0.261%. The payable is related to the following purposes:

Purpose	Authorization Date	Authorization Amount	Borrowed To Date	Redeemed To Date	Outstanding at June 30, 2022
Bus purchases	5/2014	\$ 3,988,000	\$ 3,984,000	\$ 3,514,000	\$ 470,000
Bus purchases	5/2019	3,993,000	2,435,679	499,515	1,936,164
					<u>\$ 2,406,164</u>

C. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Serial bond	11/2015	10/2031	2.00-3.00%	\$ 21,830,000
Serial bond - Refunding	8/2020	11/2033	1.125-5.00%	8,235,000
Serial bond - Refunding	4/2022	3/2034	4.00-5.00%	<u>20,570,000</u>
				<u>\$ 50,635,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 4,085,000	\$ 1,550,450	\$ 5,635,450
2024	4,170,000	1,405,950	5,575,950
2025	4,315,000	1,256,650	5,571,650
2026	4,465,000	1,096,563	5,561,563
2027	4,630,000	925,212	5,555,212
2028 - 2032	23,130,000	1,830,562	24,960,562
2033 - 2034	<u>5,840,000</u>	<u>42,338</u>	<u>5,882,338</u>
Total	<u>\$ 50,635,000</u>	<u>\$ 8,107,725</u>	<u>\$ 58,742,725</u>

D. Current Bond Refunding

On March 22, 2022, the District issued \$20,570,000 in general obligation bonds with an average interest rate of 4.302%. The net proceeds of \$23,080,562 (the par amount plus premium less under-writers fees, insurance, and other costs) were used to refund outstanding 2014 general obligation serial bonds of \$22,755,000 with an average interest rate of 3.460%. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$1,258,101. The outstanding defeased bonds were fully redeemed on May 9, 2022.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the district-wide statements, the District is amortizing premiums, net of deferred charges, on this bond refunding and a prior refunding, as a component of interest expense on the weighted average basis as follows:

Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense Increase / (Decrease)
2023	\$ 32,433	\$ (523,860)	\$ (491,427)
2024	30,221	(488,364)	(458,143)
2025	27,915	(451,582)	(423,667)
2026	25,492	(412,925)	(387,433)
2027	22,941	(372,253)	(349,312)
2028 - 2032	71,876	(1,174,263)	(1,102,387)
2033 - 2034	6,718	(111,043)	(104,325)
Total	<u>\$ 217,596</u>	<u>\$ (3,534,290)</u>	<u>\$ (3,316,694)</u>

The unamortized balance is recorded as a deferred inflow of resources on the Statement of Net Position.

E. 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 payable	7/25/2012	6/28/2028	2.23%	<u>\$ 3,002,402</u>

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 519,010	\$ 64,076	\$ 583,086
2024	530,648	52,438	583,086
2025	542,548	40,538	583,086
2026	554,714	28,372	583,086
2027	567,153	15,933	583,086
2028	288,329	3,215	291,544
Total	<u>\$ 3,002,402</u>	<u>\$ 204,572</u>	<u>\$ 3,206,974</u>

The terms of the energy performance contract payable provides that in the event of default the lessor shall have the right without terminating the agreement to declare all rental payments immediately due and payable or repossess any or all of the equipment by giving lessee written notice to deliver such equipment or enter the premises to take possession of such equipment and charge lessee for costs incurred, or terminate the agreement and take possession of and dispose of equipment with any proceeds applied to costs including attorney fees and the balance of any rental payments owed during the fiscal year. Any disposition proceeds in excess of these amounts shall be paid to the lessee.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Lease Liabilities

Lease liabilities are comprised of the following:

Description	Commencement Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Administrative office building	7/1/2022	6/1/2027	2.16%	<u>\$ 771,523</u>

The following is a summary of debt service requirements for lease liabilities:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 159,937	\$ 1,388	\$ 161,325
2024	147,983	13,342	161,325
2025	151,212	10,113	161,325
2026	154,510	6,815	161,325
2027	<u>157,881</u>	<u>3,444</u>	<u>161,325</u>
Total	<u>\$ 771,523</u>	<u>\$ 35,102</u>	<u>\$ 806,625</u>

There were no variable payments or other payments made for leases included above. There were no additional lease commitments entered into by the District after June 30, 2022.

G. Interest Expense

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

Interest paid	\$ 1,772,437
Less interest accrued in the prior year	(450,579)
Plus interest accrued in the current year	422,078
Less amortization of amounts on refunding, net of deferred charges	<u>(135,719)</u>
Total interest expense on long-term debt	<u>\$ 1,608,217</u>

H. Unissued Debt

On May 20, 2014, the voters approved a bond issue not to exceed \$3,988,000 to purchase approximately 35 large propane powered buses and approximately 5 handicapped accessible vans. As of June 30, 2022, the District has issued \$3,514,000 in bond anticipation notes which were redeemed with general fund appropriations, and \$470,000 in bond anticipation notes which are outstanding. The District has unissued debt relating to this authorization in the amount of \$4,000.

On May 28, 2019, the voters approved a bond issue not to exceed \$3,993,000 to purchase various school buses. As of June 30, 2022, the District has issued \$499,515 in bond anticipation notes which were redeemed with general fund appropriations, and \$1,936,164 in bond anticipation notes which are outstanding. The District has unissued debt relating to this authorization in the amount of \$1,557,321.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, defined benefit, public employee retirement systems. The systems provide retirement, disability, withdrawal, and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). 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 the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, 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 (GLIP), which provides death benefits in the form of life insurance. The ERS 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 Employees' Retirement System, 110 State Street, Albany, New York 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October, and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.53% of covered payroll for the TRS' fiscal year ended June 30, 2021. The District's average contribution rate was 15.09% of covered payroll for the ERS' fiscal year ended March 31, 2022.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2022 was \$6,212,720 for TRS at the contribution rate of 9.80% and \$2,270,651 for ERS at an average contribution rate of 13.35%.

D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred 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 June 30, 2021, for TRS and March 31, 2022 for ERS. 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 TRS and the ERS in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2021	March 31, 2022
District's proportionate share of the net pension asset	\$ 52,816,808	\$ 4,177,531
District's portion of the Plan's total net pension liability	0.304788%	0.0511039%
Change in proportion since the prior measurement date	(0.003550)	(0.0001459)

For the year ended June 30, 2022, the District recognized pension expense (credit) of \$(2,525,882) for TRS and \$340,795 for ERS. At June 30, 2022, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 7,280,237	\$ 316,370	\$ 274,406	\$ 410,350
Changes of assumptions	17,372,552	6,971,831	3,076,423	117,642
Net difference between projected and actual earnings on pension plan investments			55,278,254	13,679,664
Changes in proportion and differences between the District's contributions and proportionate share of contributions	283,406	364,111	190,644	95,345
District contributions subsequent to the measurement date	<u>6,212,720</u>	<u>462,604</u>		
Total	<u>\$ 31,148,915</u>	<u>\$ 8,114,916</u>	<u>\$ 58,819,727</u>	<u>\$ 14,303,001</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2023	\$ (6,851,804)	\$ (958,931)
2024	(7,998,775)	(1,463,900)
2025	(10,069,935)	(3,514,568)
2026	(13,267,967)	(713,290)
2027	2,530,137	
Thereafter	1,774,812	
	<u>\$ (33,883,532)</u>	<u>\$ (6,650,689)</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2021	March 31, 2022
Actuarial valuation date	June 30, 2020	April 1, 2021
Inflation	2.40%	2.70%
Salary increases	1.95-5.18%	4.40%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of living adjustments	1.30%	1.40%

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, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of total pension liability.

For TRS, the June 30, 2021 demographic actuarial assumptions and the salary scale were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. The June 30, 2020 demographic actuarial assumptions and the salary scale were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement date		June 30, 2021		March 31, 2022
Asset type				
Domestic equity	33.0%	6.80%	32.0%	3.30%
International equity	16.0%	7.60%	15.0%	5.85%
Global equity	4.0%	7.10%		
Real estate equity	11.0%	6.50%	9.0%	5.00%
Private equity	8.0%	10.00%	10.0%	6.50%
Alternatives investments			10.0%	3.78-5.58%
Domestic fixed income	16.0%	1.30%		
Global bonds	2.0%	0.80%		
High-yield bonds	1.0%	3.80%		
Fixed income			23.0%	0.00%
Private debt	1.0%	5.90%		
Real estate debt	7.0%	3.30%		
Cash equivalents	1.0%	(0.20)%		
Cash			1.0%	(1.00)%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.4% for TRS and 2.5% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 6.95% for TRS and 5.90% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2020, was 7.10%). 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 determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 6.95% for TRS and 5.90% for ERS, 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 (5.95% for TRS and 4.90% for ERS) or 1 percentage point higher (7.95% for TRS and 6.90% for ERS) than the current rate:

TRS	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
District's proportionate share of the net pension asset (liability)	<u>\$ 5,542,354</u>	<u>\$ 52,816,808</u>	<u>\$ 92,547,555</u>
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset (liability)	<u>\$ (10,752,919)</u>	<u>\$ 4,177,531</u>	<u>\$ 16,666,132</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2021	March 31, 2022
Employers' total pension liability	<u>\$ (130,819,415)</u>	<u>\$ (223,874,888)</u>
Plan fiduciary net position	<u>148,148,457</u>	<u>232,049,473</u>
Employers' net pension asset	<u>\$ 17,329,042</u>	<u>\$ 8,174,585</u>
Ratio of plan fiduciary net position to the employers' total pension liability	113.25%	103.65%

Payables to the Pension Plan

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. Accrued retirement contributions as of June 30, 2022, represent employer and employee contributions for the fiscal year ended June 30, 2022, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2022 amounted to \$5,619,147 of employer contributions on current covered salaries, \$593,573 on accrued covered salaries, and \$611,029 of employee contributions.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For ERS, employer contributions are paid annually based on the system’s fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2022, represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS covered wages multiplied by the employer’s contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$462,604 of employer contributions. Employee contributions are remitted monthly.

16. PENSION PLANS - OTHER

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 compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2022, totaled \$691,778 and \$2,026,898, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2022 totaled \$633,429.

17. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description –The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided – The District provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At July 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	477
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	912
	1,389

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Total OPEB Liability

The District's total OPEB liability of \$129,534,082 was measured as of June 30, 2022, and was determined by an actuarial valuation as of July 1, 2021. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Salary increases	2.60% varied by years of service and retirement system
Discount rate	3.54%
Healthcare cost trend rates	5.10% for 2022, decreasing to an ultimate rate of 4.1% over 54 years
Retirees' share of benefit-related costs	15.00% to 50% of premiums for individual coverage, 15% to 65% of premiums for family coverage, and 100% for surviving spouse coverage

The discount rate was based on Bond Buyer General Obligation 20-Bond Municipal Index.

Mortality rates were based on PubT-2010 headcount-weighted mortality table for teaching positions and PubG-2010 headcount-weighted mortality for non-teaching positions, both generationally projected using the MP-2021 Ultimate Scale, with employee rates before commencement and healthy annuitant rates after benefit commencement. This assumption includes a margin for future improvements in longevity.

The Plan has not had a formal actuarial experience study.

C. Changes in the Total OPEB Liability

Balance at June 30, 2021	<u>\$ 162,144,255</u>
Changes for the year	
Service cost	8,538,717
Interest on total OPEB liability	3,652,998
Changes of benefit terms	-
Differences between expected and actual experience	(17,406,234)
Changes in assumptions or other inputs	(24,253,543)
Benefit payments	<u>(3,142,111)</u>
	<u>(32,610,173)</u>
Balance at June 30, 2022	<u>\$ 129,534,082</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 3.54% in 2022.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%) or 1 percentage point higher (4.54%) than the current discount rate:

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
OPEB			
Total OPEB liability	<u>\$ (151,730,329)</u>	<u>\$ (129,534,082)</u>	<u>\$ (111,667,795)</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 (4.10% to 3.10%) or 1 percentage point higher (6.10% to 5.10%) than the current healthcare cost trend rate:

	1% Decrease 4.10%	Healthcare Cost Trend Rates 5.10%	1% Increase 6.10%
OPEB	decreasing to 3.10%	decreasing to 4.10%	decreasing to 5.10%
Total OPEB liability	<u>\$ (113,318,888)</u>	<u>\$ (129,534,082)</u>	<u>\$ (150,521,406)</u>

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the District recognized OPEB expense of \$11,221,326. At June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 22,320,681
Changes of assumptions or other inputs	<u>30,531,956</u>	<u>23,676,473</u>
Total	<u>\$ 30,531,956</u>	<u>\$ 45,997,154</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Amount
2023	\$ (970,389)
2024	(970,389)
2025	(970,389)
2026	(876,466)
2027	(386,126)
Thereafter	(11,291,439)
	\$ (15,465,198)

18. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources at June 30, 2022, consists of the following:

Town of Riverhead	
Payments in lieu of taxes	\$ 2,834,300
Split dollar life insurance agreements	496,142
	\$ 3,330,442

19. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Risk Retention

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 and unreported claims which were incurred on or before year-end but not reported (IBNR). Claims activity is summarized below:

	June 30, 2021	June 30, 2022
Unpaid claims at beginning of year	\$ 1,974,222	\$ 2,230,755
Incurred claims and claim adjustment expenses	893,454	314,498
Claim payments	(636,921)	(348,568)
Unpaid claims at year-end	\$ 2,230,755	\$ 2,196,685

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

At June 30, 2022, the District had \$1,460,564 of funds in the workers' compensation reserve.

C. Public Entity Risk Pool

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its 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 in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

20. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2022 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2023:

Workers' compensation	\$ 360,000
Unemployment insurance	150,000
Retirement contribution	
Teachers' retirement system	<u>400,000</u>
	<u>\$ 910,000</u>

21. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$4,149,159 has been appropriated to reduce taxes for the year ending June 30, 2023.

22. RESTRICTED FOR CAPITAL RESERVE

The following is a summary of the District's restricted capital reserve activity since inception:

Date Created	May 2018
Number of Years to Fund	20
Maximum Funding	<u>\$ 4,000,000</u>
School Food Service Fund	
Funding Provided	\$ 1,200,000
Interest Earnings	11,551
Return of Unspent Project Funding	125,638
Use of Reserve	<u>(800,470)</u>
Total Food Service Fund	<u>536,719</u>
Capital Projects Fund	
Funding Provided	800,470
Return of Unspent Project Funding	(125,638)
Use of Reserve	<u>(529,105)</u>
Total Capital Projects Fund	<u>145,727</u>
Balance as of June 30, 2022	<u>\$ 682,446</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

23. TAX ABATEMENTS

The Riverhead Industrial Development Agency and the Suffolk County Industrial Development Agency periodically enter into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by \$4,047,261. The District also receives PILOT payments from several solar farm projects contained within the District's boundaries. Additionally, the District receives an annual PILOT payment from Suffolk Community College relating to SCCC property in downtown Riverhead. In total, the District received payment in lieu of taxes (PILOT) payments totaling \$1,300,904.

24. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2022, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund

General support	\$ 1,151,739
Instruction	386,788
Employee benefits	<u>319</u>
	1,538,846

Capital Projects Fund

Capital projects	<u>1,306,658</u>
	<u>\$ 2,845,504</u>

B. 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, would be immaterial.

C. Litigation

The District may be 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.

25. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

A. Issuance of TANs

On September 8, 2022, the District issued tax anticipation notes in the amount of \$10,000,000, which are due February 23, 2023, and bear interest at a stated rate of 3.00%. The District received premiums of \$31,500 with the borrowing to yield an effective interest rate of 2.3127%.

On September 8, 2022, the District issued tax anticipation notes in the amount of \$18,000,000, which are due June 28, 2023, and bear interest at a stated rate of 4.00%. The District received premiums of \$191,520 with the borrowing to yield an effective interest rate of 2.6792%.

B. Issuance of BANs

On September 8, 2022, the District issued bond anticipation notes in the amount of \$2,381,390, which are due September 8, 2023, and bear interest at a stated rate of 3.00%. The District received premiums of \$5,644 with the borrowing to yield an effective interest rate of 2.763%. The proceeds of the BAN along with \$806,164 in general fund appropriations were used to pay the BANs maturing September 9, 2022. In addition, the BANs will provide \$781,390 in new funding for the purchase of buses.

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 104,541,394	\$ 98,491,701	\$ 98,492,085	\$ 384
Other tax items	1,739,975	7,789,668	8,759,684	970,016
Charges for services	855,000	855,000	1,089,502	234,502
Use of money and property	85,000	85,000	82,929	(2,071)
Sale of property and compensation for loss	120,000	120,000	536,932	416,932
Miscellaneous	524,730	533,006	1,621,194	1,088,188
Total Local Sources	107,866,099	107,874,375	110,582,326	2,707,951
State Sources	47,845,549	47,845,549	48,209,555	364,006
Medicaid Reimbursement	45,000	45,000	150,738	105,738
Federal Sources	90,000	90,000	111,152	21,152
Total Revenues	155,846,648	155,854,924	159,053,771	\$ 3,198,847
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,649,159	2,649,159		
Prior Year's Encumbrances	28,432	28,432		
Appropriated Reserves	911,806	2,968,045		
Total Appropriated Fund Balance	3,589,397	5,645,636		
Total Revenues and Appropriated Fund Balance	\$ 159,436,045	\$ 161,500,560		

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.

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 136,505	\$ 154,364	\$ 106,005	\$	\$ 48,359
Central administration	332,003	353,554	347,684		5,870
Finance	1,111,016	1,233,821	1,125,879	46,000	61,942
Staff	956,333	1,254,499	1,097,486		157,013
Central services	10,318,825	11,578,215	9,389,487	1,105,739	1,082,989
Special items	1,579,082	1,579,082	1,537,316		41,766
Total General Support	14,433,764	16,153,535	13,603,857	1,151,739	1,397,939
Instruction					
Administration & improvement	4,920,705	5,292,266	5,012,982		279,284
Teaching - regular school	48,408,237	46,968,526	45,879,065	26,600	1,062,861
Programs for students with disabilities	25,836,737	27,859,620	27,364,377		495,243
Occupational education	2,120,988	2,131,703	2,131,702		1
Teaching - special schools	1,599,154	1,608,178	1,019,192		588,986
Instructional media	3,203,459	4,507,163	3,924,909	339,297	242,957
Pupil services	7,256,132	7,549,734	7,058,842	20,891	470,001
Total Instruction	93,345,412	95,917,190	92,391,069	386,788	3,139,333
Pupil Transportation	7,382,295	7,734,760	7,426,197		308,563
Employee Benefits	35,704,683	33,446,017	31,542,911	319	1,902,787
Debt Service					
Principal	5,772,454	5,772,454	5,772,454		-
Interest	2,447,437	2,126,604	2,126,604		-
Total Debt Service	8,219,891	7,899,058	7,899,058	-	-
Total Expenditures	159,086,045	161,150,560	152,863,092	1,538,846	6,748,622
OTHER FINANCING USES					
Operating Transfers Out	350,000	350,000	324,975		25,025
Total Expenditures and Other Uses	\$ 159,436,045	\$ 161,500,560	153,188,067	\$ 1,538,846	\$ 6,773,647
Net Change in Fund Balance			5,865,704		
Fund Balance - Beginning of Year			27,669,180		
Fund Balance - End of Year			<u>\$ 33,534,884</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.

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
 Last Nine Fiscal Years

Teachers' Retirement System

	<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)	0.304788%	0.308338%	0.308948%	0.311402%	0.310412%	0.312236%	0.305625%	0.296082%	0.304499%
District's proportionate share of the net pension asset/(liability)	\$ 52,816,808	\$ (8,520,205)	\$ 8,026,478	\$ 5,630,972	\$ 2,359,442	\$ 3,344,175	\$ 31,744,732	\$ 32,981,699	\$ 2,004,376
District's covered payroll	\$ 57,383,841	\$ 52,334,684	\$ 51,626,107	\$ 50,779,209	\$ 49,209,165	\$ 48,148,683	\$ 45,917,857	\$ 43,976,194	\$ 44,608,553
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	92.04 %	16.28 %	15.55 %	11.09 %	4.79 %	6.95 %	69.13 %	75.00 %	4.49 %
Plan fiduciary net position as a percentage of the total pension liability	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
Discount Rate	6.95%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%	8.00%

Employees' Retirement System

	<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)	0.0511039%	0.0512498%	0.0522516%	0.0525464%	0.0533852%	0.0499371%	0.0504270%	0.0469909%	0.0469909%
District's proportionate share of the net pension asset/(liability)	\$ 4,177,531	\$ (51,031)	\$ (13,836,525)	\$ (3,723,070)	\$ (1,722,977)	\$ (4,692,202)	\$ (8,093,672)	\$ (1,587,468)	\$ (2,123,454)
District's covered payroll	\$ 16,462,717	\$ 16,320,179	\$ 16,345,442	\$ 16,397,785	\$ 15,771,258	\$ 15,757,891	\$ 14,518,171	\$ 14,319,357	\$ 13,533,691
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	25.38 %	0.31 %	84.65 %	22.70 %	10.92 %	29.78 %	55.75 %	11.09 %	15.69 %
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%
Discount Rate	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of District Pension Contributions
 Last Ten Fiscal Years

Teachers' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 6,212,720	\$ 5,468,680	\$ 4,636,853	\$ 5,476,560	\$ 4,970,944	\$ 5,765,082	\$ 6,315,761	\$ 8,047,860	\$ 5,565,086	\$ 5,280,938
Contributions in relation to the contractually required contribution	<u>6,212,720</u>	<u>5,468,680</u>	<u>4,636,853</u>	<u>5,476,560</u>	<u>4,970,944</u>	<u>5,765,082</u>	<u>6,315,761</u>	<u>8,047,860</u>	<u>5,565,086</u>	<u>5,280,938</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	\$ 63,395,102	\$ 57,383,841	\$ 52,334,684	\$ 51,626,107	\$ 50,779,209	\$ 49,209,165	\$ 48,148,683	\$ 45,917,857	\$ 43,976,194	\$ 44,608,553
Contributions as a percentage of covered payroll	10%	10%	9%	11%	10%	12%	13%	18%	13%	12%

Employees' Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 2,270,651	\$ 2,261,369	\$ 2,210,603	\$ 2,216,458	\$ 2,260,960	\$ 2,173,104	\$ 2,519,295	\$ 2,193,211	\$ 2,572,797	\$ 2,417,250
Contributions in relation to the contractually required contribution	<u>2,270,651</u>	<u>2,261,369</u>	<u>2,210,603</u>	<u>2,216,458</u>	<u>2,260,960</u>	<u>2,173,104</u>	<u>2,519,295</u>	<u>2,193,211</u>	<u>2,572,797</u>	<u>2,417,250</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	\$ 17,003,903	\$ 15,830,060	\$ 17,393,147	\$ 16,590,825	\$ 15,977,276	\$ 15,412,094	\$ 15,069,261	\$ 14,242,109	\$ 13,666,225	\$ 13,574,270
Contributions as a percentage of covered payroll	13%	14%	13%	13%	14%	14%	17%	15%	19%	18%

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
 Last Five Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 8,538,717	\$ 8,183,420	\$ 5,710,006	\$ 2,917,073	\$ 3,040,214
Interest on total OPEB liability	3,652,998	3,512,585	4,643,556	4,032,662	3,654,836
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	(17,406,234)	-	(7,510,023)	(3,686,723)	-
Changes of assumptions or other inputs	(24,253,543)	1,323,977	24,029,856	25,012,462	(5,164,399)
Benefit payments	<u>(3,142,111)</u>	<u>(3,247,812)</u>	<u>(2,903,679)</u>	<u>(2,296,582)</u>	<u>(2,395,149)</u>
Net change in total OPEB liability	(32,610,173)	9,772,170	23,969,716	25,978,892	(864,498)
Total OPEB liability, beginning	<u>162,144,255</u>	<u>152,372,085</u>	<u>128,402,369</u>	<u>102,423,477</u>	<u>103,287,975</u>
Total OPEB liability, ending	<u>\$ 129,534,082</u>	<u>\$ 162,144,255</u>	<u>\$ 152,372,085</u>	<u>\$ 128,402,369</u>	<u>\$ 102,423,477</u>
Covered employee payroll	\$ 66,906,964	\$ 63,888,737	\$ 63,888,737	\$ 61,473,730	\$ 63,745,571
Total OPEB liability as a percentage of covered employee payroll	193.60%	253.79%	238.50%	208.87%	160.68%
Discount rate	3.54%	2.16%	2.21%	3.51%	3.87%
Health care trend rates	5.10% to 4.10% over 54 years	6.60% to 4.10% over 56 years	6.60% to 4.10% over 56 years	5.50% to 3.84% by 2075	5.50% to 3.84% by 2078

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

Note to Required Supplementary Information

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2022

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 159,407,613
Additions:	
Prior year's encumbrances	28,432
Original Budget	159,436,045
Budget revision	2,064,515
Final Budget	\$ 161,500,560

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2022-2023 Board adopted contingency expenditure budget	\$ 169,750,296
Maximum allowed (4% of 2022-2023 budget)	\$ 6,790,012
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 5,688,005
Unassigned fund balance	7,927,986
	\$ 13,615,991
Less:	
Appropriated fund balance	4,149,159
Encumbrances	1,538,846
Total adjustments	5,688,005
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	\$ 7,927,986
Actual Percentage	4.7%

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For the Year Ended June 30, 2022

PROJECT TITLE	Budget		Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2022
	June 30, 2021	June 30, 2022	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Bus purchase plan (2014)	\$ 3,988,000	\$ 3,988,000	\$ 3,983,549	\$	\$ 3,983,549	\$ 4,451	\$ 3,988,000	\$	\$	\$ 3,988,000	\$ 4,451
Cafeteria capital reserve 2020 Proposition	469,470	463,685	49,738	324,220	373,958	89,727			463,685	463,685	89,727
Cafeteria capital reserve 2022 Proposition		56,000			-	56,000			56,000	56,000	56,000
Smart Schools Bond Act	753,238	753,238	695,204	15,500	710,704	42,534		753,238		753,238	42,534
Smart Schools Bond Act Computer Servers	66,657	293,797	40,988		40,988	252,809		293,797		293,797	252,809
Smart Schools Bond Act IFPs		1,079,327			-	1,079,327		1,079,327		1,079,327	1,079,327
Bus purchase plan (2019)	3,993,000	3,993,000	1,637,394	372,955	2,010,349	1,982,651	3,993,000			3,993,000	1,982,651
Leased asset - Administrative Building		771,523		771,523	771,523	-	771,523			771,523	-
Totals	\$ 9,270,365	\$ 11,398,570	\$ 6,406,873	\$ 1,484,198	\$ 7,891,071	\$ 3,507,499	\$ 8,752,523	\$ 2,126,362	\$ 519,685	\$ 11,398,570	3,507,499
										Less: Unissued debt	(1,561,321)
										State aid not realized	(1,390,171)
											<u>\$ 556,007</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2022

Capital assets, net	\$ 103,952,849
Deduct:	
Bond anticipation notes	2,406,164
Less: Unspent BAN proceeds	(425,781)
Short-term portion of bonds payable	4,085,000
Long-term portion of bonds payable	46,550,000
Premium from refunding, net	3,316,694
Short-term portion of energy performance contract payable	519,010
Long-term portion of energy performance contract payable	2,483,392
Short-term portion of lease liabilities	159,937
Long-term portion of lease liabilities	611,586
	59,706,002
Net Investment in Capital Assets	\$ 44,246,847



**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
Riverhead Central School District
Riverhead, New York

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 Riverhead Central School District (District), as of and for the 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 February 10, 2023. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Riverhead Central School District's internal control over financial reporting (internal control) to determine the 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 Riverhead Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Riverhead Central School 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 District'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 have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Riverhead Central School 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee, and management of the Riverhead Central School District in a separate letter dated February 10, 2023.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

February 10, 2023

