

**RIVERHEAD CENTRAL SCHOOL DISTRICT**  
**Financial Statements and Required Reports**  
**As of and for the Year Ended**  
**June 30, 2023**  
**Together with Independent Auditor's Report**

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

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## **INDEPENDENT AUDITOR'S REPORT**

January 4, 2024

To the Board of Education of  
Riverhead Central School District

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Riverhead Central School District (School District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School 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 Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

(Continued)

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***Auditor's Responsibilities for the Audit of the Financial Statements (Continued)***

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 School 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 School District's ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability (asset), schedule of contributions – pension plans, and schedule of changes in total OPEB Liability and related ratios 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.

(Continued)

## INDEPENDENT AUDITOR'S REPORT

(Continued)

### ***Required Supplementary Information (Continued)***

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***

Management is responsible for the other information included in the annual report. The other information comprises the schedules of change from adopted budget to final budget and section 1318 of real property tax law limit calculation - general fund, schedule of project expenditures – capital projects fund, and schedule of net investment in capital assets but 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 January 4, 2024, on our consideration of the 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 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 School District's internal control over financial reporting and compliance.

**RIVERHEAD CENTRAL SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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*The following is a discussion and analysis of the Riverhead Central School District's (School District) financial performance for the fiscal year ended June 30, 2023. The section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.*

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2023 are as follows:

- The District's total net position was a deficit of \$67,640,793 in the district-wide financial statements at June 30, 2023, compared to a deficit of \$52,370,884 at June 30, 2022. The deficit increased by \$15,269,909 from the prior year due to an excess of expenses over revenues 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 \$199,860,663. Of this amount, \$17,365,440 was offset by program charges for services, and operating grants and contributions. General revenues of \$167,225,314 amount to 90.6% of total revenues.
- The District's general fund balance, as reflected in the fund financial statements, was \$35,391,255 at June 30, 2023. This balance represents a \$1,856,371 increase (5.5%) 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 \$2,573,512 to \$10,501,498.
- 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, 2023, 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, 2023, the District has spent \$2,970,293 for bus purchases and issued \$3,993,000 and \$2,381,390 in bond anticipation notes are outstanding.

## FINANCIAL HIGHLIGHTS (CONTINUED)

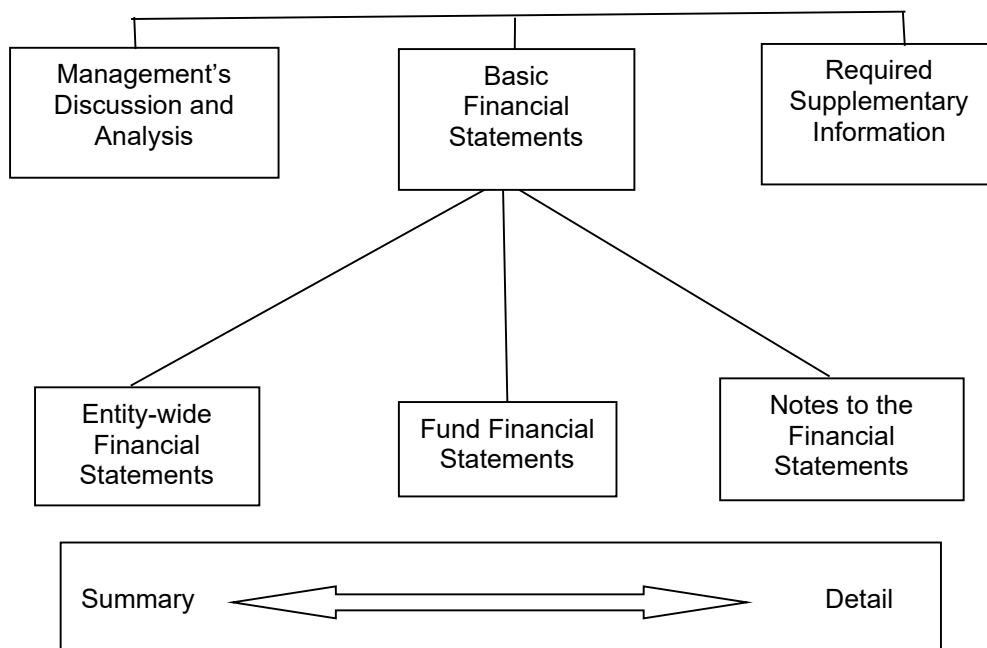
- On May 17, 2022, the voters of the District approved the use of the school food service fund capital reserve in the amount of \$56,000 to fund cafeteria improvements. The District transferred the funds during 2021-2022 to the capital projects fund.
- The District was awarded funding in the amount of \$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, 2023, the District has expended \$12,519,982 of these funds.

## 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:

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

**Figure A-1 Organization of the School District's Annual Financial Report**



## OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Figure A-2 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

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

		Fund Financial Statements	
	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire School District (except fiduciary funds)	The daily operating activities of the School District, such as instruction and special education.	School District administers resources on behalf of others.
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenue, expenditures, and change in fund balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net position</li> <li>• Statement of change in fiduciary net position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial focus.	Accrual accounting and economic resources focus.
Type of asset/liability, deferred outflows/inflows of resources information	All assets, liabilities, deferred outflows & inflows of resources both financial and capital, short-term and long-term debt.	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **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.

### **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.

## **OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**

### **District-Wide Financial Statements (Continued)**

#### Governmental Funds (Continued)

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 lunch 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.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

### **Net Position**

The June 30, 2023 deferred outflows of resources were increased by \$9,431,587, net pension assets – proportionate share decreased \$56,994,339, net pension liabilities – proportionate share increased \$18,267,975, total OPEB liability increased \$23,013,836, deferred inflow of resources decreased \$78,920,159 and unrestricted net position decreased \$19,789,159. These changes were primarily the effect of changes in discount rates and other assumptions in developing the actuarially determined estimates of the School District's net pension liability and other postemployment benefits liability.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

### Net Position (Continued)

The District's total net position decreased by \$15,269,909 between fiscal year 2022 and 2023. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

**Figure A-3 Condensed Statement of Net Position**

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Assets:</b>				
Current and Other Assets	\$ 70,495,899	\$ 61,173,888	\$ 9,322,011	15.24%
Capital Assets, Net	99,608,607	103,952,849	(4,344,242)	-4.18%
Net Pension Assets -				
Proportionate Share	-	56,994,339	(56,994,339)	-100.00%
Total Assets	<u>170,104,506</u>	<u>222,121,076</u>	<u>(52,016,570)</u>	-23.42%
Deferred Outflows of Resources	<u>79,227,374</u>	<u>69,795,787</u>	<u>9,431,587</u>	13.51%
<b>Liabilities:</b>				
Current Liabilities	40,526,308	22,494,622	18,031,686	80.16%
Long-term Liabilities	62,114,055	69,822,467	(7,708,412)	-11.04%
Net Pension Liabilities -				
Proportionate Share	18,267,975	-	18,267,975	100.00%
Total OPEB Liability	<u>152,547,918</u>	<u>129,534,082</u>	<u>23,013,836</u>	17.77%
Total Liabilities	<u>273,456,256</u>	<u>221,851,171</u>	<u>51,605,085</u>	23.26%
Deferred Inflows of Resources	<u>43,516,417</u>	<u>122,436,576</u>	<u>(78,920,159)</u>	-64.46%
<b>Net position (Deficit)</b>				
Net investment in Capital Assets	46,423,382	44,246,847	2,176,535	4.92%
Restricted	17,950,969	18,717,411	(766,442)	-4.09%
Unrestricted (Deficit)	<u>(132,015,144)</u>	<u>(115,335,142)</u>	<u>(16,680,002)</u>	14.46%
Total Net Position (Deficit)	<u>\$ (67,640,793)</u>	<u>\$ (52,370,884)</u>	<u>\$ (15,269,909)</u>	29.16%

The increase in current and other assets is evidenced by increases in the District's cash balances and amounts due from other governments, offset by a decrease in taxes receivable

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions.

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 assets to liabilities. The accompanying Notes to Financial Statements, 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.

## **FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (CONTINUED)**

### **Net Position (Continued)**

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 increase is due to the shift from net pension assets in the prior year, to net pension liabilities in the current year. The accompanying Notes to Financial Statements, provides additional information.

Total OPEB liability increased based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, "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 decreased compared to the prior year mainly due to the use of the employee benefit liability reserve and retirement reserve relating to retirement incentive payments during the current year.

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.

### **Changes in Net Position**

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.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

Figure A-4 Changes in Net Position from Operating Results

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
<b>Revenue</b>				
Program Revenues				
Charges for Services	\$ 1,362,914	\$ 1,623,852	\$ (260,938)	-16.07%
Operating Grants & Contributions	16,002,526	14,922,608	1,079,918	7.24%
Capital Grants				
General Revenues				
Property Taxes & STAR	108,718,682	104,541,778	4,176,904	4.00%
State Sources	56,008,365	48,209,555	7,798,810	16.18%
Other	2,498,267	7,967,392	(5,469,125)	-68.64%
Total revenues	<u>184,590,754</u>	<u>177,265,185</u>	<u>7,325,569</u>	4.13%
<b>Expenses</b>				
General Support	20,432,593	15,786,493	4,646,100	29.43%
Instruction	161,015,081	131,489,611	29,525,470	22.45%
Pupil Transportation	12,670,878	10,539,935	2,130,943	20.22%
Debt Service - Interest	2,897,904	1,962,384	935,520	47.67%
School Lunch Program	2,844,207	2,339,890	504,317	21.55%
Total Expenses	<u>199,860,663</u>	<u>162,118,313</u>	<u>37,742,350</u>	23.28%
<b>Change in Net Position</b>	<u>\$(15,269,909)</u>	<u>\$ 15,146,872</u>	<u>\$(30,416,781)</u>	-200.81%

The District's net position decreased by \$15,269,909.

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.

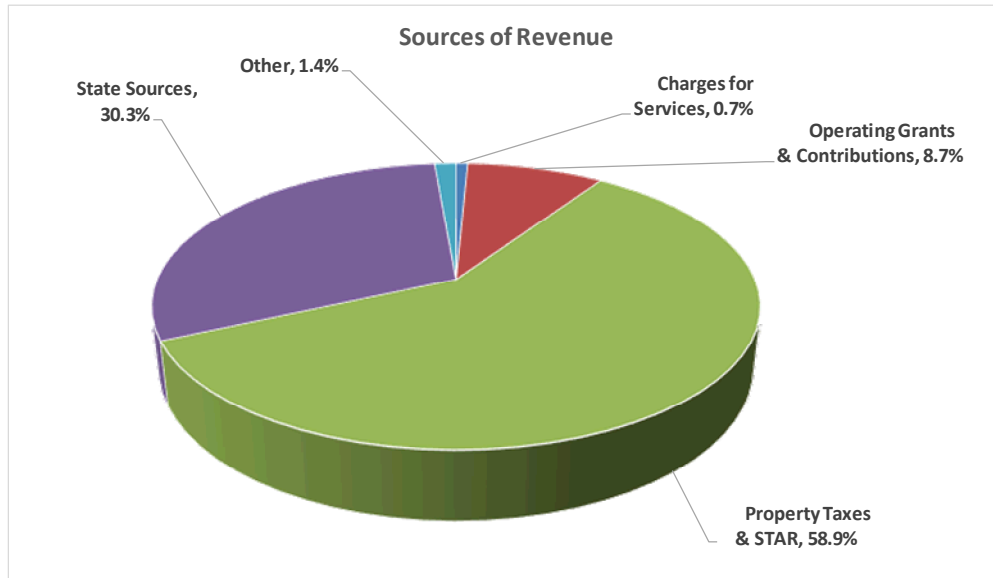
The District's expenses increased when compared to the prior year, primarily due to the following major changes:

- General support and instruction increased based on the impact of allocations of the net change in actuarially determined pension expenses for TRS and ERS, and other postemployment benefit costs.
- The food service program increased due to the growth in the number of meals served.

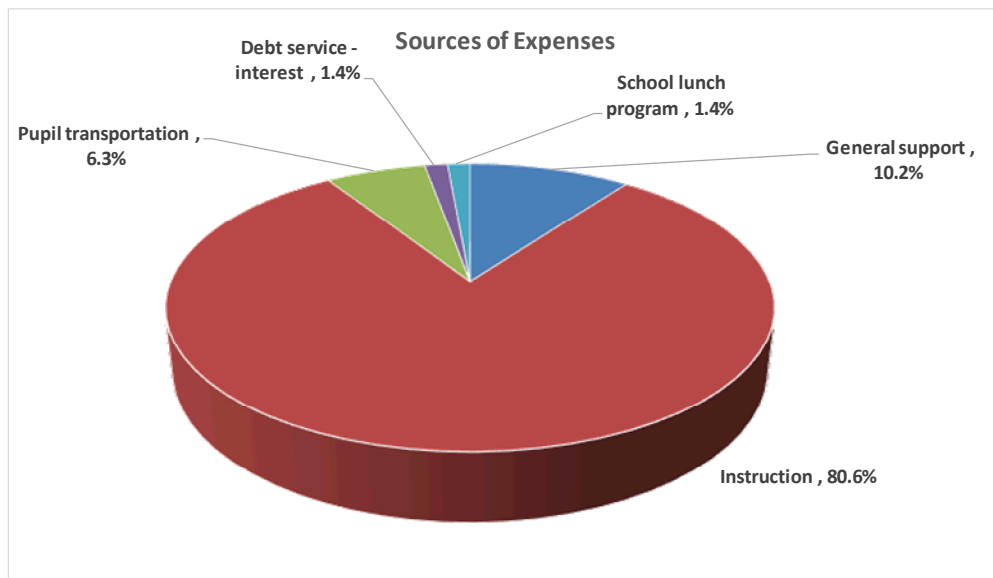
## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (Continued)

As indicated on the graphs that follow, real property taxes and STAR are the largest component of revenues recognized representing 58.9% for the year 2023 followed by state sources at 30.3%. Instruction and general support expenses are the largest components of expenses incurred at 80.6% and 10.2%, respectively.

A graphic display of the distribution of revenues for 2023 follows:



A graphic display of the distribution of expenses for 2023 follows:



## FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

At June 30, 2023, the District's governmental funds reported a combined fund balance of \$37,217,827, which is an increase of \$1,446,925 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:

	Fiscal Year <u>2023</u>	Fiscal Year <u>2022</u>	Increase/ <u>(Decrease)</u>	Percent <u>Change</u>
<b>General Fund</b>				
Non-spendable	\$ -	\$ 1,898,299	\$ (1,898,299)	-100.00%
Restricted				
Workers' compensation	1,522,004	1,860,564	(338,560)	-18.20%
Unemployment insurance	970,007	991,020	(21,013)	-2.12%
Retirement contribution	6,407,455	6,729,903	(322,448)	-4.79%
Employee benefit accrued liability	5,817,072	6,354,478	(537,406)	-8.46%
Repairs	2,108,651	2,084,629	24,022	1.15%
Assigned				
Appropriated fund balance	8,270,079	4,149,159	4,120,920	99.32%
Unappropriated fund balance	644,287	1,538,846	(894,559)	-58.13%
Unassigned: Fund balance	<u>9,651,700</u>	<u>7,927,986</u>	<u>1,723,714</u>	21.74%
	<u>35,391,255</u>	<u>33,534,884</u>	<u>1,856,371</u>	5.54%
<b>School Lunch Fund</b>				
Non-spendable: Inventory	63,637	64,019	(382)	-0.60%
Restricted: Capital	682,446	536,719	145,727	27.15%
Assigned: Unappropriated fund balance	<u>1,693,988</u>	<u>913,548</u>	<u>780,440</u>	85.43%
	<u>2,440,071</u>	<u>1,514,286</u>	<u>925,785</u>	61.14%
<b>Debt Service Fund</b>				
Restricted: Debt	<u>505</u>	<u>505</u>	<u>-</u>	0.00%
<b>Capital Projects Fund</b>				
Restricted:				
Capital	7,029	145,728	(138,699)	-95.18%
Unspent Debt Proceeds	425,780	425,780	-	0.00%
Unassigned: Fund balance (deficit)	<u>(1,187,708)</u>	<u>(15,501)</u>	<u>(1,172,207)</u>	7562.14%
	<u>(754,899)</u>	<u>556,007</u>	<u>(1,310,906)</u>	-235.77%
<b>Extraclassroom Activities Fund</b>				
Assigned: Unappropriated fund balance	<u>130,875</u>	<u>151,354</u>	<u>(20,479)</u>	-13.53%
<b>Scholarships Fund</b>				
Restricted: Scholarships	<u>10,020</u>	<u>13,866</u>	<u>(3,846)</u>	-27.74%
Total Fund Balance	<u>\$ 37,217,827</u>	<u>\$ 35,770,902</u>	<u>\$ 1,446,925</u>	4.04%

## **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)**

### **General Fund**

The general fund – fund balance is a net increase of \$1,856,371, compared to an increase of \$5,865,704 in 2022. This resulted from revenues in excess of expenditures and other financing uses.

Revenues increased by \$12,262,875 or 7.16%, 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.
- 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 2022-2023 budget.

Expenditures and other financing uses increased by \$16,272,208 or 9.60%, 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.

### **School Food Service Fund**

The school food service fund - fund balance net increase can be attributed to greater state and federal reimbursements. The District also met certain eligibility requirements to receive \$81,125 of supply chain assistance funds during the fiscal year ended June 30, 2023. The District plans on utilizing these funds in the 2023-2024 school year for allowable costs under the program.

### **Capital Projects Fund**

The capital projects fund - fund balance net decrease is the result of expenditures for capital improvements in excess of the proceeds of debt and the interfund transfers.

## **FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS (Continued)**

### **Miscellaneous Special Revenue Fund**

The miscellaneous special revenue fund includes the extraclassroom activities and certain private purpose fund activities.

#### **Extraclassroom Activities Fund**

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

#### **Scholarships Fund**

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

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

### **2022-2023 Budget**

The District's general fund adopted budget for the year ended June 30, 2023 was \$169,750,296. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,538,846 and budget revisions in the amount of \$615,900 for a total final budget of \$171,905,042.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$102,762,101 in estimated property taxes and STAR.

### **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.

## GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

	Original Budget	Final Budget	Actual	Outstanding Encumbrances	Variance
<b>Revenue:</b>					
Real property taxes	\$ 105,586,808	\$ 97,436,392	\$ 97,436,392		\$ -
Other tax items	1,850,000	10,000,416	13,620,448		3,620,032
Charges for services	795,000	795,000	978,925		183,925
Use of money and property	85,000	85,000	574,118		489,118
Sale of property and compensation for loss	120,000	120,000	292,607		172,607
Miscellaneous	575,000	582,412	2,172,587		1,590,175
Federal sources	90,000	90,000	56,580		(33,420)
Medicaid Reimbursement	59,300	59,300	172,173		112,873
State sources	<u>55,530,029</u>	<u>55,530,029</u>	<u>56,008,365</u>		<u>478,336</u>
<b>Total revenue</b>	<u>164,691,137</u>	<u>164,698,549</u>	<u>171,312,195</u>		<u>6,613,646</u>
<b>Expenditures:</b>					
General support	14,972,773	16,906,935	15,810,795	\$ 572,693	523,447
Instruction	99,862,325	101,758,611	100,906,043	71,594	780,974
Pupil transportation	7,762,767	8,271,416	8,237,600	-	33,816
Employee benefits	37,360,745	35,300,545	34,630,101	-	670,444
Debt service - principal	5,555,174	5,404,075	5,602,423	-	(198,348)
Debt service - interest	2,386,512	2,464,460	2,472,923	-	(8,463)
Transfers out	<u>1,850,000</u>	<u>1,799,000</u>	<u>1,795,939</u>	-	<u>3,061</u>
<b>Total expenses</b>	<u>169,750,296</u>	<u>171,905,042</u>	<u>169,455,824</u>	<u>\$ 644,287</u>	<u>\$ 1,804,931</u>
<b>Net change in fund balance</b>	(5,059,159)	(7,206,493)	1,856,371		
<b>Fund balance - beginning of year</b>	<u>33,534,884</u>	<u>33,534,884</u>	<u>33,534,884</u>		
<b>Fund balance - end of year</b>	<u>\$ 28,475,725</u>	<u>\$ 26,328,391</u>	<u>\$ 35,391,255</u>		

### Revenues Over Budget

The 2022-2023 final budget for revenues was \$164,698,549. Actual revenues recognized for the year were \$171,312,195. The excess of actual revenues over estimated or budgeted revenues was \$6,613,646, which contributes directly to the change to the general fund - fund balance from June 30, 2022 to June 30, 2023. 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 2022-2023 final budget for expenditures and other financing uses, including prior year open encumbrances and budget revisions as of June 30, 2023, was \$171,905,042. Actual expenditures and other financing uses as of June 30, 2023 were \$169,455,824, and outstanding encumbrances were \$644,287. Combined, the expenditures and other financing uses, plus encumbrances for 2022-2023 were \$170,100,111. The final budget variance was \$1,804,931, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2022 to June 30, 2023. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

## **GENERAL FUND BUDGETARY HIGHLIGHTS (CONTINUED)**

### Unused Appropriated Reserves

In the 2022-2023 budget the District appropriated \$4,149,159 from reserves to reduce the tax levy, and also fund unanticipated costs. Due to lower than anticipated expenditures, this funding was not needed and, therefore, was returned to the reserves for future use.

### 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 included on page 13 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 \$8,270,079 of the available June 30, 2023 unassigned fund balance to partially fund the 2022-2023 approved operating budget. As such, the June 30, 2023 unassigned fund balance was 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, 2023 was \$10,501,498. The amount equals 5.1% of the 2023-2024 budget and is in excess of the 4% statutory limit.

## CAPITAL ASSETS, DEBT ADMINISTRATION, AND OTHER LONG-TERM LIABILITIES

### Capital Assets

At June 30, 2023, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is primarily due to depreciation expense of \$4,634,002 in excess of capital additions recorded for the year ended June 30, 2023. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2023 and 2022 is as follows:

<b>Capital Assets (Net of Depreciation)</b>	<b>Fiscal Year</b>	(restated)
	<b><u>2023</u></b>	<b><u>2022</u></b>
Land	\$ 3,917,401	\$ 3,917,401
Construction in process	248,940	248,940
Buildings and improvements	88,276,954	91,595,087
Site improvements	1,283,047	1,389,439
Vehicles, furniture and equipment	4,966,367	6,030,459
Leased buildings and equipment	915,898	771,523
Capital assets, net	<u>\$ 99,608,607</u>	<u>\$103,952,849</u>

### Debt Administration

#### *Bond Anticipation Note Payable*

The bond anticipation note payable carries interest at 3.00% and is payable on September 8, 2023.

#### *Bonds Payable, Energy Performance Contract, and Lease Liabilities*

At June 30, 2023, the District had combined total debt of \$49,868,531. The decreases in outstanding debt represent principal payments made throughout the year, while the increases indicate new issuances.

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 9 "Long-Term Obligations" for additional information.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2.

**CAPITAL ASSETS, DEBT ADMINISTRATION, AND OTHER LONG-TERM LIABILITIES  
(Continued)**

**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, 2023 and 2022 is as follows:

	<u>Fiscal Year 2023</u>	<u>Fiscal Year 2022</u>	<u>Increase (Decrease)</u>
Workers compensation	\$ 2,368,606	\$ 2,196,685	\$ 171,921
Compensated absences	12,453,928	10,810,693	1,643,235
Net pension liabilities - proportionate share	18,267,975	-	18,267,975
Total OPEB liability	<u>152,547,918</u>	<u>129,534,082</u>	<u>23,013,836</u>
	<u>\$185,638,427</u>	<u>\$142,541,460</u>	<u>\$ 43,096,967</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 15, 2023, for the year ending June 30, 2024, is \$191,999,210. This is an increase of \$22,248,914 or 13.10% over the previous year's budget. The increase is principally in the instruction and general support areas of the budget.

**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.

**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 2023-2024 is 2.26%. The District's 2023-2024 property tax increase of 1.7% was less than the tax cap, and did not require an override vote.

## **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. Marianne F. Cartisano  
Acting 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, 2023**

**ASSETS**

CURRENT ASSETS:

Cash and cash equivalents - unrestricted	\$ 44,048,533
Cash and cash equivalents - restricted	8,482,351
Accounts receivable	548,169
Taxes receivable	1,929,821
State and federal aid receivable	10,667,980
Due from other fiduciary funds	1,006,886
Due from other governments	3,748,521
Inventories	<u>63,638</u>
 Total current assets	 <u>70,495,899</u>

NONCURRENT ASSETS:

Capital assets	183,149,908
Capital assets, accumulated depreciation and amortization	<u>(83,541,301)</u>
 Total non-current assets	 <u>99,608,607</u>
 Total assets	 <u>170,104,506</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - TRS Pension	33,122,702
Deferred outflows of resources - ERS Pension	8,197,269
Deferred outflows of resources - OPEB	<u>37,907,403</u>
 Total deferred outflows of resources	 <u>79,227,374</u>

**LIABILITIES**

CURRENT LIABILITIES:

Accounts payable	14,730,364
Accrued Liabilities	7,919,599
BAN payable	2,381,390
Lease payable	228,827
Accrued interest	433,513
Due to other governments	15,029
Unearned revenue	1,409,606
Other liabilities	65,439
Due to Teachers' Retirement System	7,070,925
Due to Employees' Retirement System	606,739
Compensated absences due within one year	964,229
Bonds payable due within one year	4,170,000
Installment debt payable due within one year	<u>530,648</u>
 Total current liabilities	 <u>40,526,308</u>

LONG-TERM LIABILITIES:

Bonds payable, net of current portion	42,380,000
Bonds premium, net	3,316,694
Installment debt payable, net of current portion	1,952,744
Net pension liability	18,267,975
Lease payable, net of current portion	606,312
Compensated absences	11,489,699
Workers' compensation payable	2,368,606
Total other postemployment benefits	<u>152,547,918</u>
 Total long-term liabilities	 <u>232,929,948</u>
 Total liabilities	 <u>273,456,256</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - TRS Pension	3,699,239
Deferred inflows of resources - ERS Pension	531,336
Deferred inflows of resources - OPEB	<u>39,285,842</u>
 Total deferred inflows of resources	 <u>43,516,417</u>

**NET POSITION**

Net investment in capital assets	46,423,382
Restricted	17,950,969
Unrestricted	<u>(132,015,144)</u>
 TOTAL NET POSITION	 <u>\$ (67,640,793)</u>

The accompanying notes are an integral part of these statements.

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

GOVERNMENTAL ACTIVITIES	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS/PROGRAMS:				
General support	\$ 20,432,593	\$ -	\$ -	\$ (20,432,593)
Instruction	161,015,081	978,925	12,719,476	(147,316,680)
Pupil transportation	12,670,878	-	-	(12,670,878)
Debt service - interest	2,897,904	-	-	(2,897,904)
School lunch program	<u>2,844,207</u>	<u>383,989</u>	<u>3,283,050</u>	<u>822,832</u>
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ 199,860,663</u>	<u>\$ 1,362,914</u>	<u>\$ 16,002,526</u>	<u>(182,495,223)</u>
GENERAL REVENUE:				
Real property taxes				97,436,392
Other tax items				11,282,290
Use of money and property				575,316
State sources				56,008,365
Miscellaneous				1,750,778
Medicaid Reimbursement				<u>172,173</u>
TOTAL GENERAL REVENUE				<u>167,225,314</u>
CHANGE IN NET POSITION				<u>(15,269,909)</u>
TOTAL NET POSITION - beginning of year, as previously stated				(52,370,884)
TOTAL NET POSITION - end of year				<u>\$ (67,640,793)</u>

The accompanying notes are an integral part of these statements.

RIVERHEAD CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2023

	<i>General</i>	<i>Special Aid</i>	<i>School Lunch</i>	<i>Debt Service</i>	<i>Capital Projects</i>	<i>Miscellaneous Special Revenue</i>	<i>Total Governmental Funds</i>
<b>ASSETS</b>							
Cash and cash equivalents - unrestricted	\$ 42,838,132	\$ -	\$ -	\$ 9,902	\$ 1,200,499	\$ -	\$ 44,048,533
Cash and cash equivalents - restricted	5,824,799	87,429	2,429,228	-	-	140,895	8,482,351
Accounts receivable	546,804	-	1,366	-	-	-	548,170
Due from other funds	8,724,158	-	51,821	388	-	-	8,776,367
State and federal aid receivable	1,828,740	8,827,233	12,007	-	1,328,016	-	11,995,996
Due from other governments	4,350,326	-	-	-	-	-	4,350,326
Inventories	-	-	63,637	-	-	-	63,637
<b>TOTAL ASSETS</b>	<b>\$ 64,112,959</b>	<b>\$ 8,914,662</b>	<b>\$ 2,558,059</b>	<b>\$ 10,290</b>	<b>\$ 2,528,515</b>	<b>\$ 140,895</b>	<b>\$ 78,265,380</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 19,494,916	\$ 1,453,932	\$ 37,722	\$ -	\$ 1,622,121	\$ -	\$ 22,608,691
Due to other funds	-	7,426,419	-	9,785	333,277	-	7,769,481
Due to other governments	14,889	-	140	-	-	-	15,029
Due to Teachers' Retirement System	7,070,925	-	-	-	-	-	7,070,925
Due to Employees' Retirement System	606,739	-	-	-	-	-	606,739
Unearned revenue	8,425	34,311	38,854	-	1,328,016	-	1,409,606
Other Liabilities	1,029,668	-	41,272	-	-	-	1,070,940
<b>TOTAL LIABILITIES</b>	<b>28,225,562</b>	<b>8,914,662</b>	<b>117,988</b>	<b>9,785</b>	<b>3,283,414</b>	<b>-</b>	<b>40,551,411</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Deferred inflows of resources - unavailable revenue	496,142	-	-	-	-	-	496,142
<b>TOTAL DEFERRED INFLOWS AND LIABILITIES</b>	<b>28,721,704</b>	<b>8,914,662</b>	<b>117,988</b>	<b>9,785</b>	<b>3,283,414</b>	<b>-</b>	<b>41,047,553</b>
<b>FUND BALANCE</b>							
Non-spendable							
Inventory	-	-	63,637	-	-	-	63,637
Restricted for:							
Unemployment insurance	970,007	-	-	-	-	-	970,007
Retirement benefits	6,407,455	-	-	-	-	-	6,407,455
Workers' compensation	1,522,004	-	-	-	-	-	1,522,004
Employee benefit liability	5,817,072	-	-	-	-	-	5,817,072
Repair	2,108,651	-	-	-	-	-	2,108,651
Capital reserve	-	-	682,446	-	7,029	-	689,475
Debt service	-	-	-	505	-	-	505
Unspent debt proceeds	-	-	-	-	425,780	-	425,780
Scholarships	-	-	-	-	-	10,020	10,020
<b>Total restricted fund balance</b>	<b>16,825,189</b>	<b>-</b>	<b>682,446</b>	<b>505</b>	<b>432,809</b>	<b>10,020</b>	<b>17,950,969</b>
Assigned							
Appropriated fund balance	8,270,079	-	-	-	-	-	8,270,079
Unappropriated fund balance	644,287	-	1,693,988	-	-	130,875	2,469,150
<b>Total assigned fund balance</b>	<b>8,914,366</b>	<b>-</b>	<b>1,693,988</b>	<b>-</b>	<b>-</b>	<b>130,875</b>	<b>10,739,229</b>
Unassigned	9,651,700	-	-	-	(1,187,708)	-	8,463,992
<b>TOTAL FUND BALANCE</b>	<b>35,391,255</b>	<b>-</b>	<b>2,440,071</b>	<b>505</b>	<b>(754,899)</b>	<b>140,895</b>	<b>37,217,827</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 64,112,959</b>	<b>\$ 8,914,662</b>	<b>\$ 2,558,059</b>	<b>\$ 10,290</b>	<b>\$ 2,528,515</b>	<b>\$ 140,895</b>	<b>\$ 78,265,380</b>

The accompanying notes are an integral part of these statements.

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO GOVERNMENT-WIDE NET POSITION  
JUNE 30, 2023**

A reconciliation of total governmental fund balance to government-wide net position follows:

Total governmental fund balances	\$ 37,217,827
Capital assets, net used in governmental activities are not financial resources and, therefore, are not reported in the funds	99,608,607
Pension related government-wide activity	
Deferred outflows of resources - TRS	33,122,702
Deferred outflows of resources - ERS	8,197,269
Net pension liability	(18,267,975)
Deferred inflows of resources - TRS	(3,699,239)
Deferred inflows of resources - ERS	(531,336)
OPEB related government wide-activity	
Deferred outflows of resources	37,907,403
Deferred inflows of resources	(39,285,842)
Total OPEB liability	(152,547,918)
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the funds	(55,566,615)
Long-term liabilities, including compensated absences and termination benefits payable and other liabilities that are not due and payable in the current period and, therefore, are not reported in the funds	(13,858,305)
Some of the District's revenues will be collected after 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.	496,142
Interest payable at year end is recorded in the government-wide statements under full accrual accounting	<u>(433,513)</u>
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (67,640,793)</u></b>

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Miscellaneous Special Revenue</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>							
Real property taxes	\$ 97,436,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,436,392
Other tax items	13,620,448	-	-	-	-	-	13,620,448
Charges for services	978,925	-	-	-	-	-	978,925
Use of money and property	574,118	-	1,198	-	-	-	575,316
Sale of property and compensation for loss	292,607	-	-	-	-	-	292,607
Miscellaneous	1,756,786	-	10,097	-	-	187,430	1,954,313
State sources	56,008,365	2,422,420	58,510	-	-	-	58,489,295
Medicaid reimbursement	172,173	-	-	-	-	-	172,173
Federal sources	56,580	10,240,476	3,224,540	-	-	-	13,521,596
Sales	-	-	383,989	-	-	-	383,989
	<u>170,896,394</u>	<u>12,662,896</u>	<u>3,678,334</u>	<u>-</u>	<u>-</u>	<u>187,430</u>	<u>187,425,054</u>
<b>EXPENDITURES:</b>							
General support	15,810,795	-	-	-	-	-	15,810,795
Instruction	100,906,043	12,802,684	-	-	-	211,755	113,920,482
Pupil transportation	8,237,600	158,671	-	-	-	-	8,396,271
Employee benefits	34,630,101	-	-	-	-	-	34,630,101
Debt service - principal	5,602,423	-	-	-	-	-	5,602,423
Debt service - interest	2,472,923	-	-	-	-	-	2,472,923
Cost of sales	-	-	2,844,207	-	-	-	2,844,207
Capital outlay	-	-	-	-	3,498,118	-	3,498,118
	<u>167,659,885</u>	<u>12,961,355</u>	<u>2,844,207</u>	<u>-</u>	<u>3,498,118</u>	<u>211,755</u>	<u>187,175,320</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>3,236,509</u>	<u>(298,459)</u>	<u>834,127</u>	<u>-</u>	<u>(3,498,118)</u>	<u>(24,325)</u>	<u>249,734</u>
<b>OTHER SOURCES AND (USES):</b>							
Proceeds from leases	415,801	-	-	-	-	-	415,801
Proceeds from debt	-	-	-	-	781,390	-	781,390
Operating transfers in	4,451	298,459	91,658	-	1,500,000	-	1,894,568
Operating transfers (out)	<u>(1,800,390)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(94,178)</u>	<u>-</u>	<u>(1,894,568)</u>
<b>Total other sources (uses)</b>	<u>(1,380,138)</u>	<u>298,459</u>	<u>91,658</u>	<u>-</u>	<u>2,187,212</u>	<u>-</u>	<u>1,197,191</u>
<b>EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES</b>	<u>1,856,371</u>	<u>-</u>	<u>925,785</u>	<u>-</u>	<u>(1,310,906)</u>	<u>(24,325)</u>	<u>1,446,925</u>
<b>FUND BALANCE (DEFICIT) - beginning of year</b>	<u>33,534,884</u>	<u>-</u>	<u>1,514,286</u>	<u>505</u>	<u>556,007</u>	<u>165,220</u>	<u>35,770,902</u>
<b>FUND BALANCE (DEFICIT) - end of year</b>	<u>\$ 35,391,255</u>	<u>\$ -</u>	<u>\$ 2,440,071</u>	<u>\$ 505</u>	<u>\$ (754,899)</u>	<u>\$ 140,895</u>	<u>\$ 37,217,827</u>

The accompanying notes are an integral part of these statements.

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023**

Net changes in fund balance - Total governmental funds	\$ 1,446,925
<b>Long Term Revenue and Expense Differences:</b>	
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).	(2,834,300)
In the Statement of Activities, certain operating expenses, compensated absences (vacation and sick days) and termination benefits, are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. The payables for these benefits for the year end changed by:	
Workers' compensation	(171,921)
Compensated absences	(1,643,235)
Other postemployment benefits expense related actuary reporting is not recorded as an expenditure in the governmental funds but is recorded in the Statement of Activities	(8,927,077)
Pension expense resulting from GASB 68 related pension actuary reporting is not recorded as an expenditure in the governmental funds but is recorded in the Statement of Activities	(4,314,021)
<b>Capital Related Items:</b>	
Capital outlays, net of disposals, are expenditures in governmental funds, but are capitalized in the statement of net position	145,384
Capital leases and subscription based information technology agreements are expenditures in governmental funds, net of disposals, but are capitalized in the statement of net position	416,486
Depreciation is not recorded as a expenditure in the governmental funds, but is recorded in the statement of activities	(4,634,002)
Amortization is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities	(272,111)
<b>Long-Term Debt Transactions:</b>	
Interest on long term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this 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. Accrued interest at year end changed by:	(11,435)
Repayment of bond, installment purchase debt and lease 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.	5,945,884
Issuance of long-term lease liabilities are recognized as proceeds in the governmental funds, but recorded as a liability in the statement of net position.	<u>(416,486)</u>
Change in net position - Governmental activities	<u>\$ (15,269,909)</u>

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**STATEMENT OF NET POSITION - FIDUCIARY FUNDS  
JUNE 30, 2023**

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	<i>Custodial</i>
<b>ASSETS:</b>	
Cash and cash equivalents - unrestricted	\$ 1,026,268
Due from other governments	70,777
Total Assets	1,097,045
<b>LIABILITIES:</b>	
Due to other funds	1,006,886
Due to other governments	90,159
Total liabilities	1,097,045
<b>NET POSITION:</b>	
Restricted for individuals, organizations, and other governments	\$ -

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

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	<i>Custodial</i>
<b>ADDITIONS:</b>	
Real property taxes and payments in lieu of taxes collected for the libraries	\$ 4,224,289
<b>DEDUCTIONS:</b>	
Disbursements of real property taxes and payments in lieu of taxes to the libraries	4,224,289
CHANGE IN NET POSITION	-
NET POSITION - beginning of year	-
NET POSITION - end of year	\$ -

# RIVERHEAD CENTRAL SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2023

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

Riverhead Central School District provides K-12 public education to students living within its geographic borders.

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

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

#### **Reporting Entity**

Riverhead Central School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education. The President of the Board of Education 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 School District. The Board of Education has the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the School District is based upon criteria set forth by generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (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 School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is included in the School District's reporting entity:

#### Extra classroom Activity Funds

The extra classroom activity funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. Separate audited financial statements (cash basis) of the extra classroom activity funds can be found at the School District's business office. The School District accounts for assets for various student organizations in the Miscellaneous Special Revenue Fund.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Joint Venture**

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

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

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

Financial statements for the BOCES are available from the BOCES administrative office.

### **Basis of Presentation**

#### Government-Wide Statements

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

The statement of activities presents a comparison between program expenses and revenue for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenue include charges paid by the recipients of goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

#### Fund Financial Statements

The School District uses funds to maintain its accounting records. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The fund statements provide information about the School District's funds, including fiduciary funds.

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

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of Presentation (Continued)**

The accounts of the School District are organized into funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenue, and expenditures. The various funds are summarized by type in the financial statements. Significant transactions between funds within a fund type have been eliminated. The fund types used by the School District are as follows:

#### Governmental Fund Types

Governmental funds are those in which most governmental functions of the School District are reported. The acquisition, use, and balances of the School District's expendable financial resources and the related liabilities are accounted for through the governmental funds. The measurement focus is upon determination of changes in financial position rather than upon determination of net income. The following are the School District's governmental fund types:

#### Major Funds:

*General Fund:* This is the School District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

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

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

*School Lunch Fund:* This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for school lunch operations. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

*Miscellaneous Special Revenue Fund:* This fund accounts for proceeds from various funding sources, which may be restricted by a donor or designated by the School District for specific purposes.

*Debt Service Fund:* This fund is used to account for and report on the accumulation of resources to be used for redemption of general long-term indebtedness.

#### Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District as an agency for individuals, private organizations, other governmental units, and/or other funds. These activities are not included in the Government-wide financial statements, because their resources do not belong to the School District and are not available to be used.

The School District utilizes the following fiduciary fund:

*Custodial Funds* are strictly custodial in nature. These are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. At the School District, taxes collected on behalf of other governments are recorded in this fund.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenue and expenditures during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

**Measurement Focus and Basis of Accounting**

Measurement focus refers to what is being measured, whereas basis of accounting refers to when revenues and expenditures are recognized. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions in which the School District gives or receives value without directly receiving or giving equal value in exchange include property taxes, grants, and donations.

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The School District considers all revenue reported in the governmental funds to be available if the revenue is collected within ninety days after the end of the fiscal year.

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

**Cash, Cash Equivalents, and Investments**

Cash and cash equivalents consist of cash on hand and funds deposited in demand deposit accounts. The District's investments are in New York Cooperative Liquid Assets Securities System (NYCLASS). The School District's deposit and investment policies are governed by State statutes. The School District has adopted its own written investment policy, which provides for the deposit of funds in FDIC insured commercial banks or trust companies located within the State. The School District is authorized to use demand deposit accounts, time deposit accounts and certificates of deposit. Permissible investments include NYCLASS, obligations of the U.S. Treasury, U.S. Agencies and obligations of New York State or its political subdivisions and accordingly, the School District's policy provides for no credit risk on investments.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Cash, Cash Equivalents, and Investments (Continued)**

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

The School District participates in the New York Cooperative Liquid Assets Securities System (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law, whereby it holds a portion of the investments in cooperation with other participants. NYCLASS is rated 'AAAm' by S&P Global Ratings. The investments are highly liquid, and the amount held represents the amortized cost of the investment pool shares, which are considered to approximate fair value. Due to the highly liquid nature of these investments, they are classified as cash equivalents in the financial statements. Additional information concerning NYCLASS, including the annual report, can be found on its website at [www.newyorkclass.org](http://www.newyorkclass.org).

### **Accounts and Lease Receivable**

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

### **Inventory and Prepaid Items**

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount.

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

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

### **Interfund Transactions**

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

In the Government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types. Eliminations have been made for all interfund receivables and payables between the funds.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interfund Transactions (Continued)**

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

**Capital Assets**

Capital assets are reflected in the Government-wide financial statements. Capital assets are reported at historical cost or estimated historical costs, based on appraisals conducted by independent third party professionals. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, except land, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds and estimated useful lives of capital assets reported in the Government-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

Capital assets also include lease assets with a term greater than one year. The School District does not implement a capitalization threshold for lease assets. Lease assets are amortized on a straight-line basis over the term of the lease.

**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.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**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 \$5,135,948 in PILOT revenue during the 2023 fiscal year. In addition to the LIPA PILOT, 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 \$3,057,054.

**Vested Employee Benefits**

Compensated absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may receive a payment based on unused accumulated sick leave, based on contractual provisions.

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

Consistent with GASB Statement 16, *Accounting for Compensated Absences*, the liability for compensated absences has been calculated using the vesting/termination method and an accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end. In the fund statements only the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Other Benefits

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

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

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Other Postemployment Benefits**

In addition to providing the pension benefits described, the School District provides postemployment health insurance coverage to its retired employees and their survivors in accordance with the provisions of the employment contracts negotiated between the School District and its employee groups. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District pays a variable percentage of the cost of premiums to an insurance company that provides health care insurance. At the fund level the School District recognizes the cost of providing health care insurance by recording its share of insurance premiums as an expenditure.

**Unearned Revenue**

Unearned revenue is reported when potential revenue meets both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the School District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

Unearned revenue recorded in governmental funds is generally not recorded in the Government-wide statements.

**Accrued Liabilities and Long-Term Obligations**

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

Claims and judgments, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expenses) until then. The School District has the following items that qualify for reporting in this category:

- Deferred charges resulting from pension and OPEB contributions made subsequent to the measurement date of the plan. The amortization is expensed against pension expense and OPEB expense in future periods.
- Deferred charges resulting from differences between projected and actual earnings on pension plan investments, changes in proportion and differences between the School District's contributions and proportionate share of contributions, differences between expected and actual plan experience, and changes in plan assumptions. The amortization is expensed against pension expense in future periods.
- Deferred charges resulting from differences between expected and actual experience and changes in assumptions related to OPEB. The amortization is offset against OPEB expense in future periods.
  - The separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The School District has the following items that qualify for reporting in this category:
- The net amount of the School District's balances of deferred inflows of resources related to pensions is reported in the government-wide Statement of Net Position as deferred inflows of resources. This represents the effect of the net change in the School District's proportion of the collective net pension asset or liability and the difference during the measurement period between the School District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Deferred inflows also relate to differences between expected and actual plan experience, changes in plan assumptions, and differences between projected and actual earnings on pension plan investments.
- Deferred inflows resulting from changes of benefit terms, differences between expected and actual experience, and changes in assumptions related to OPEB. The amortization is offset against OPEB expense in future periods.
- Lease-related amounts are recognized at the inception of leases when the School District is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

### Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the School 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.

## 1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Fund Balance/Net Position Classifications**

#### Government-Wide Statements

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

Net investment in capital assets - consists of net capital assets, (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

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

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

#### Governmental Fund Statements

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

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

Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The School District has available the following restricted fund balances:

#### Capital

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 source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the general fund under restricted fund balance.

#### Unemployment Insurance

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 School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund under restricted fund balance.

1. **NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Balance/Net Position Classifications (Continued)**

Debt Service

Mandatory reserve for debt service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. The reserve is accounted for in the debt service fund under restricted fund balance.

Liability Claims and Property Loss

Liability claims and property loss reserve, (Education Law §1709(8) (c)), are used to pay for property loss and liability claims incurred. Separate funds for property loss and liability claims are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by School Districts, except city School Districts with a population greater than 125,000. These reserves are accounted for in the general fund under restricted fund balance.

Tax Certiorari

Tax certiorari reserve, (Education Law §3651.1-a), is used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount which might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the general fund on or before the first day of the fourth fiscal year after deposit of these monies. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contributions Reserve Fund

According to General Municipal Law §6-r, all expenditures made from the retirement contributions reserve fund must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve is accounted for in the general fund under restricted fund balance. Effective April 1, 2019, a Board may adopt 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.

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2023.

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)**

**Fund Balance/Net Position Classifications (Continued)**

Governmental Fund Statements (Continued)

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual 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. All encumbrances of the General Fund are classified as Assigned Fund Balance in the General Fund. Encumbrances reported in the General Fund amounted to \$644,287. Appropriated fund balance in the General Fund amounted to \$8,270,079. Any remaining fund balance in other funds is considered assigned. The school lunch fund also reports assigned fund balance of \$2,470,900 and the miscellaneous revenue fund reports assigned fund balance of \$130,875. As of June 30, 2023, the District's General Fund encumbrances were classified as follows:

General Support	\$ 572,693
Instruction	71,594
	<u>\$ 644,287</u>

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments of expenditures are recorded for budgetary control purposes in order to reserve applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as restricted fund balance in all funds other than the general fund, since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

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

New York State Real Property Tax Law §1318 limits the amount of unexpended surplus funds the School District can retain to no more than 4% of the School District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

Order of Fund Balance Spending Policy

The School District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as assigned fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

## 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities compared with the current financial resources focus of the governmental funds.

### **Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities**

Total fund balances of the School District's governmental funds differ from net position of governmental activities reported in the statement of net position. This difference primarily results from the additional long-term economic focus of the statement of net position versus the solely current financial resources focus of the governmental fund balance sheets.

### **Statement of Revenue, Expenditures, and Change in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenue, expenditures, and changes in fund balance and the statement of activities fall into one of five broad categories:

#### Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenue only when it is considered available, whereas the statement of activities reports revenue when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

#### Capital Related Differences

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

#### Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net position.

#### Pension Differences

Pension differences occur as a result of changes in the School District's proportion of the collective net pension asset/liability and differences between the School District's contributions and its proportionate share of the total contributions to the pension systems.

#### OPEB Differences

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

### **3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgets**

The School District's administration prepares a proposed budget for approval by the Board of Education for the General Fund.

The voters of the School District approved the proposed appropriations budget for the General Fund.

Appropriations are adopted at the program line-item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The School District had supplemental appropriations during the year totaling approximately \$650 thousand dollars.

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

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

#### **Fund Balance**

Portions of fund balances are restricted and not available for current expenditures, as reported in the governmental funds' balance sheet.

#### 4. CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these Notes.

The School District's aggregate bank balances (disclosed in the financial statements), included balances not covered by depository insurance at year-end, collateralized as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and cash equivalents, including trust funds	\$ 50,427,815	\$ 47,600,878
Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name	\$ 49,927,815	
Covered by FDIC insurance	<u>500,000</u>	
Total	<u>\$ 50,427,815</u>	

#### 5. INVESTMENTS

The School District participates in the New York Cooperative Liquid Asset Securities System (NYCLASS) local government investment pool. A separate financial report for NYCLASS is prepared in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Copies of the report can be obtained from the NYCLASS website at [newyorkclass.org](http://newyorkclass.org).

NYCLASS measures its investments at fair value and therefore a Participant's investments in the pools are not required to be categorized within the fair value hierarchy for purposes of Paragraph 81a(2) of Statement 72.

NYCLASS and NYCLASS Prime are rated by S&P Global Ratings. The current rating is 'AAAm.'

The dollar weighted average days to maturity (WAM) of NYCLASS at June 30, 2023 is 74 days. Next interest rate reset dates for floating rate securities are used in the calculation of the WAM. The weighted average life (WAL) of NYCLASS at March 31, 2023 was 46 days. This was the most recent data available.

The U.S. Treasuries within the NYCLASS portfolio are backed by the full faith and credit of the United States Government and therefore do not require collateral. New York State Municipal Bonds within the portfolio are backed by the full faith and credit of the State of New York and therefore do not require collateral. The other permissible investment security types are collateralized in accordance with NYS GML Section 10 and the NYCLASS Investment Policy. Repurchase Agreements (repo) are collateralized 102% by either U.S. Treasuries or U.S. Agencies. Certificates of Deposit (CD) also require full collateral; currently NYCLASS CDs are being collateralized by Federal Home Loan Bank (FHLB) Letters of Credit (LOC).

## 6. PARTICIPATION IN BOCES

During the year, the School District was billed \$21,578,333 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to \$1,638,840.

## 7. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2023, were as follows:

	(restated) July 1, 2022 <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	June 30, 2023 <u>Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 3,917,401	\$ -	\$ -	\$ 3,917,401
Construction in progress	<u>248,940</u>	<u>-</u>	<u>-</u>	<u>248,940</u>
Total non-depreciable cost	<u>4,166,341</u>	<u>-</u>	<u>-</u>	<u>4,166,341</u>
Capital assets that are depreciated:				
Land improvements	4,423,967	-	-	4,423,967
Buildings and improvements	157,131,432	19,490	-	157,150,922
Vehicles, furniture and equipment	<u>16,657,311</u>	<u>152,503</u>	<u>589,145</u>	<u>16,220,669</u>
Total depreciable historical cost	<u>178,212,710</u>	<u>171,993</u>	<u>589,145</u>	<u>177,795,558</u>
Less accumulated depreciation:				
Land improvements	3,034,528	106,392	-	3,140,920
Buildings and improvements	65,536,345	3,337,623	-	68,873,968
Vehicles, furniture and equipment	<u>10,626,852</u>	<u>1,189,987</u>	<u>562,537</u>	<u>11,254,302</u>
Total accumulated depreciation	<u>79,197,725</u>	<u>4,634,002</u>	<u>562,537</u>	<u>83,269,190</u>
Total capital assets, net	<u>103,181,326</u>	<u>(4,462,009)</u>	<u>26,608</u>	<u>98,692,709</u>
Lease Assets, being amortized:				
Equipment	-	416,486	-	416,486
Building	<u>771,523</u>	<u>-</u>	<u>-</u>	<u>771,523</u>
Total lease assets, being amortized:	<u>771,523</u>	<u>416,486</u>	<u>-</u>	<u>1,188,009</u>
Less accumulated amortization for:				
Equipment	-	69,745	-	69,745
Building	<u>-</u>	<u>202,366</u>	<u>-</u>	<u>202,366</u>
Total accumulated amortization	<u>-</u>	<u>272,111</u>	<u>-</u>	<u>272,111</u>
Total lease assets, being amortized, net	<u>771,523</u>	<u>144,375</u>	<u>-</u>	<u>915,898</u>
Governmental activities capital assets	<u>\$103,952,849</u>	<u>\$ (4,317,634)</u>	<u>\$ 26,608</u>	<u>\$ 99,608,607</u>

Depreciation and amortization expense for the year ended June 30, 2023 were allocated to specific functions as follows:

	<u>Depreciation</u>	<u>Amortization</u>
General government support	\$ 103,868	\$ -
Instruction	3,872,551	272,111
Transportation	<u>657,583</u>	<u>-</u>
Total Depreciation	<u>\$ 4,634,002</u>	<u>\$ 272,111</u>

## 8. SHORT-TERM DEBT

The School District may issue Revenue Anticipation Notes (RANs) and Tax Anticipation Notes (TANs), in anticipation of the receipt of revenue. 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 School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued.

The School District may issue Bond Anticipation Notes (BANs), 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.

Short term debt activity for the year is summarized below:

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
TAN	2/2023	3.00%	\$ -	\$ 10,000,000	\$ 10,000,000	\$ -
TAN	6/2023	4.00%	-	18,000,000	18,000,000	-
			<u>\$ -</u>	<u>\$ 28,000,000</u>	<u>\$ 28,000,000</u>	<u>\$ -</u>

## 9. LONG-TERM OBLIGATIONS

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

	(restated) <u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due Within One Year</u>	<u>Long-term Portion</u>
Government activities:						
Bonds and notes payable:						
Bond anticipation notes	\$ 2,406,164	\$ 781,390	\$ 806,164	\$ 2,381,390	\$ -	\$ 2,381,390
Bonds	50,635,000	-	4,085,000	46,550,000	4,170,000	42,380,000
Energy performance contract	3,002,402	-	519,010	2,483,392	530,648	1,952,744
Lease Liabilities	<u>771,523</u>	<u>415,801</u>	<u>352,185</u>	<u>835,139</u>	-	<u>835,139</u>
Total bonds and notes payable	56,815,089	1,197,191	5,762,359	52,249,921	4,700,648	47,549,273
Other long-term debt:						
Compensated Absences (*)	10,810,693	1,643,235	-	12,453,928	964,229	11,489,699
Workers' compensation (*)	2,196,685	171,921	-	2,368,606	-	2,368,606
Net pension liability(*)	-	18,267,975	-	18,267,975	-	18,267,975
Total other postemployment benefits	<u>129,534,082</u>	<u>26,456,532</u>	<u>3,442,696</u>	<u>152,547,918</u>	-	<u>152,547,918</u>
Total Long Term Debt	<u>\$ 199,356,549</u>	<u>\$ 47,736,854</u>	<u>\$ 9,205,055</u>	<u>\$ 237,888,348</u>	<u>\$ 5,664,877</u>	<u>\$ 232,223,471</u>

(\*) - increases or reductions are shown as net change as it is impractical to determine changes.

Interest on debt for the year was composed of:

Interest paid	\$ 2,472,923
Less : interest accrued in the prior year	(422,078)
Plus: amortization of right to use asset	413,546
Plus : interest accrued in the current year	<u>433,513</u>
Total expense	<u>\$ 2,897,904</u>

**9. LONG-TERM OBLIGATIONS (Continued)**

Issue dates, maturities, and interest rates on outstanding debt are as follows:

<u>Bond Issue</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2023</u> <u>Balance</u>
Serial Bond - 2015	2015	2031	2.00-3.00%	\$ 19,615,000
Refunding Bond - 2020	2020	2034	1.125-5.00%	7,700,000
Refunding Bond - 2022	2022	2034	4.00-5.00%	19,235,000
				<u>\$ 46,550,000</u>

The following is a summary of the maturity of long-term indebtedness as of June 30, 2023:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 4,170,000	\$ 1,564,425	\$ 5,734,425
2025	4,315,000	1,422,525	5,737,525
2026	4,465,000	1,271,731	5,736,731
2027	4,630,000	1,111,806	5,741,806
2028	4,805,000	941,938	5,746,938
2029-2033	21,195,000	3,279,081	24,474,081
2033-2037	<u>2,970,000</u>	<u>92,631</u>	<u>3,062,631</u>
Total	<u>\$ 46,550,000</u>	<u>\$ 9,684,137</u>	<u>\$ 56,234,137</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 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.

Issue dates, maturities, and interest rates on outstanding debt service requirements of the energy performance contract:

<u>Description</u>	<u>Issued</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2023</u> <u>Balance</u>
Serial Bond - 2015	2012	2028	2.23%	\$ 2,483,392
				<u>\$ 2,483,392</u>

The bond anticipation note payable carries a stated interest of 3.00% and is payable on September 8, 2023. The issuance is related to the acquisition of buses.

## 9. LONG-TERM OBLIGATIONS (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>288,329</u>	<u>3,215</u>	<u>291,544</u>
	<u>\$ 2,483,392</u>	<u>\$ 140,496</u>	<u>\$ 2,623,888</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 the lessee written notice to deliver such equipment or enter the premises to take possession of such equipment and charge the 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.

## 10. LEASES

### Lessee Agreements

The School District leases equipment and space from its BOCES and other organizations. The leases have various inception dates and remaining terms ranging from 5 to 53 months. Lease agreements are summarized as follows:

<u>Description</u>	<u>Interest Rate / Discount Rate</u>	<u>Lease Liability</u>
Eastern Suffolk BOCES - Instructional Tech	3.64%	\$ 91,774
Eastern Suffolk BOCES - Administrative Tech	3.64%	279,762
Crooked Hill Assoc - District Office	2.16%	<u>463,603</u>
Total Lease liability		<u>\$ 835,139</u>

Activity of lease liabilities for the year ended June 30, 2023 is summarized as follows:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Ending Balance</u>	<u>Amount due within One Year</u>
\$ 771,523	\$ 415,801	\$ 352,185	\$ 835,139	\$ 228,827

## 10. LEASES (Continued)

### Lessee Agreements (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 228,827	\$ 23,184	\$ 252,011
2025	234,919	17,390	252,309
2026	241,182	11,126	252,308
2027	86,299	4,685	90,984
2028	<u>43,912</u>	<u>1,580</u>	<u>45,492</u>
	<u>\$ 835,139</u>	<u>\$ 57,965</u>	<u>\$ 893,104</u>

## 11. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are eliminated on the statement of net position.

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

The following is a summary of interfund activity:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenue</u>	<u>Expenditures</u>
General fund	\$ 8,724,158	\$ -	\$ 4,451	\$ 1,800,390
Special aid fund	-	7,426,419	298,459	-
School lunch fund	51,821	-	91,658	-
Debt Service fund	388	9,785	-	-
Custodial fund	-	1,006,886	-	-
Capital projects funds	-	333,277	1,500,000	94,178
Total	<u>\$ 8,776,367</u>	<u>\$ 8,776,367</u>	<u>\$ 1,894,568</u>	<u>\$ 1,894,568</u>

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

## 12. PENSION PLANS

### New York State Employees' Retirement System

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

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

## 12. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

#### *Contributions*

The system is noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27<sup>th</sup>, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 (ERS) who generally contribute 3 – 3.5 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2023	\$	1,850,337
2022	\$	2,270,651
2021	\$	2,261,369

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

At June 30, 2023, the School District reported a net pension liability of \$12,057,184 for its proportionate share of the ERS net pension liability. The net pension liability was measured as of March 31, 2023, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2022. The School District's proportion of the net pension liability was based on a projection of the School District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2023 and 2022, the School District's proportion was .0562263% and .0511039%, respectively, which were measured at March 31, 2023 and 2022, respectively.

## 12. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

For the year ended June 30, 2023, the School District recognized pension expense of \$4,375,168. At June 30, 2023, the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,284,184	\$ 338,611
Changes of Assumptions	5,855,746	64,717
Net difference between projected and actual earnings on pension plan investments	-	70,835
Changes in proportion and differences between the District's contributions and proportionate share of contributions	450,600	57,173
Contributions subsequent to the measurement date	606,739	-
	<u>\$ 8,197,269</u>	<u>\$ 531,336</u>

The School District recognized \$606,739 as deferred outflow of resources related to pensions resulting from contributions made subsequent to the measurement date of March 31, 2023 which will be recognized on a reduction of the net pension liability in the year ending June 30, 2024.

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

#### Plan's Year Ended March 31:

2024	\$ 1,715,474
2025	(537,418)
2026	2,546,629
2027	3,334,509
	<u>\$ 7,059,194</u>

### **Actuarial Assumptions**

The total pension liability at March 31, 2023 was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023. The actuarial valuation used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.9 percent
Salary scale	4.4 percent indexed by service
Projected COLAs	1.5 percent compounded annually
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2015 through April 30, 2020
Mortality improvement	Society of Actuaries Scale MP-2021
Investment Rate of Return	5.9% compounded annually, net of investment expenses

## 12. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

#### **Actuarial Assumptions (Continued)**

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 and by adding expected inflation.

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

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	32.0%	4.30%
International Equity	15.0%	6.85%
Private Equity	10.0%	7.50%
Real Estate	9.0%	4.60%
Opportunistic Portfolio	3.0%	5.38%
Credit	4.0%	5.43%
Real Assets	3.0%	5.84%
Fixed Income	23.0%	1.50%
Cash	1.0%	0.00%
	<u>100%</u>	

#### **Discount Rate**

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

## 12. PENSION PLANS (Continued)

### New York State Employees' Retirement System (Continued)

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 5.9%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (4.9%) or 1% higher (6.9%) than the current rate:

	1 % Decrease <u>(4.90%)</u>	Current Assumption <u>(5.90%)</u>	1% Increase <u>(6.90%)</u>
Proportionate Share of Net Pension liability (asset)	\$ 29,137,043	\$ 12,057,184	\$ (2,215,025)

#### **Pension Plan Fiduciary Net Position (000's)**

The components of the current-year net pension liability of the employers as of March 31, 2023, was as follows:

	Pension Plan's Fiduciary Net Position <u>(Dollars in thousands)</u>
Total pension liability	\$ 232,627,259
Net position	<u>211,183,223</u>
Net pension liability (asset)	<u>\$ 21,444,036</u>
Fiduciary net position as a percentage of total pension liability	90.78%

### New York State Teachers' Retirement System

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

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

#### *Contributions*

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

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

## 12. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

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

2023	\$	5,619,147
2022	\$	6,212,720
2021	\$	5,468,680

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

At June 30, 2023, the School District reported a net pension liability of \$6,210,791 for its proportionate share of the NYSTRS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2023 and 2022, the School District's proportionate share was 0.323666% and 0.304788%, respectively, which were measured at June 30, 2022 and 2021, respectively.

For the year ended June 30, 2023, the School District recognized pension expense of \$7,667,968. At June 30, 2023 the School District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,508,123	\$ 124,453
Changes of assumptions	12,047,883	2,501,882
Net difference between projected and actual earnings on pension plan investments	8,024,931	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	210,822	1,072,904
Contributions subsequent to the measurement date	6,330,943	-
	<u>\$ 33,122,702</u>	<u>\$ 3,699,239</u>

The School District recognized \$6,330,943 as a deferred outflow of resources related to pensions resulting from the School District's contributions subsequent to the measurement date of June 30, 2022, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2024.

## 12. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

#### **Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)**

Other amounts reported as deferred outflows/inflows of resources related to pensions will be recognized in pension expense as follows:

Plan's Year Ended June 30:	
2023	\$ 4,464,269
2024	2,263,962
2025	(1,133,460)
2026	15,644,467
2027	1,864,721
Thereafter	<u>(11,439)</u>
	<u>\$ 23,092,520</u>

#### **Actuarial Assumptions**

The total pension liability at the June 30, 2022 measurement date was determined by an actuarial valuation as of June 30, 2021, with update procedures used to roll forward the total pension liability to June 30, 2022. These actuarial valuations used the following actuarial assumptions:

Actuarial cost method	Entry age normal
Inflation	2.4 percent
Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	5.18%
15	3.64%
25	2.50%
35	1.95%

Projected COLAs	1.30% compounded annually
Investment rate of return	6.95% compounded annually, net of pension plan investment expense, including inflation.

Annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2021, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2015 to June 30, 2020. NYSTRS runs one-year and five-year experience studies annually in order to gauge the appropriateness of the assumptions and has updated the mortality improvement assumption as of June 30, 2022.

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.

## 12. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

#### **Actuarial Assumptions (Continued)**

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.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2022 are summarized in the following table:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.0%	6.5%
International Equity	16.0%	7.2%
Global Equity	4.0%	6.9%
Real Estate Equity	11.0%	6.2%
Private Equity	8.0%	9.9%
Domestic Fixed Income	16.0%	1.1%
Global Bonds	2.0%	0.6%
Private Debt	2.0%	5.3%
Real Estate Debt	6.0%	2.4%
High-yield Bonds	1.0%	3.3%
Cash Equivalents	1.0%	-0.3%
	<u>100%</u>	

#### **Discount Rate**

The discount rate used to measure the total pension liability was 6.95%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from School Districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' 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.

## 12. PENSION PLANS (Continued)

### New York State Teachers' Retirement System (Continued)

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

The following presents the net pension liability (asset) of the School District's calculated using the discount rate of 6.95 percent, as well as what the School District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95 percent) or 1-percentage-point higher (7.95 percent) than the current rate:

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

	1 % Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Proportionate Share of Net Pension liability (asset)	\$ 57,266,403	\$ 6,210,791	\$ (36,726,644)

#### **Pension Plan Fiduciary Net Position**

The components of the current year net pension liability (asset) of the employers as of June 30, 2022, were as follows:

	Pension Plan's Fiduciary Net Position
	(Dollars in Thousands)
Total pension liability	\$ 133,883,474
Net position	131,964,582
Net pension liability (asset)	<u>\$ 1,918,892</u>
Fiduciary net position as a percentage of total pension liability	98.6%

#### **Payables to the Pension Plans**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2023 through a state aid intercept. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Employee contributions are remitted monthly.

As of June 30, 2023, the School District had payables to the pension plans as follows:

ERS Liability \$606,739  
TRS Liability \$7,070,925

### 13. TOTAL OTHER POSTEMPLOYMENT BENEFITS

#### Plan Description

The School District's defined benefit OPEB plan provides OPEB for all permanent full-time general and public safety employees of the School District.

The plan is a single-employer defined benefit OPEB plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

#### Benefits Provided

The School District provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

#### Employees Covered by Benefit Terms

At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefits	342
Active employees	<u>912</u>
Total participants	<u><u>1,254</u></u>

#### Total OPEB Liability

The School District's total OPEB liability of \$152,547,918 was measured as of June 30, 2023 and was determined by an actuarial valuation as of July 1, 2021.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Payroll Growth	2.40%
Discount Rate	3.65%
Healthcare Cost Trend Rates	5.10% for 2023, decreasing to an ultimate rate of 4.10% by 2074
Share of Benefit-Related Costs	Varies based on applicable bargaining unit

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

**13. TOTAL OTHER POSTEMPLOYMENT BENEFITS (Continued)**

**Changes in the Total OPEB Liability**

Balance at July 1, 2022	\$ 129,534,082
Changes for the Year	
Service cost	6,677,746
Interest	4,761,493
Changes of benefit terms	-
Changes in assumptions or other inputs	15,017,293
Differences between expected and actual experience	-
Benefit payments	(3,442,696)
Net changes	<u>23,013,836</u>
Balance at June 30, 2023	<u>\$ 152,547,918</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.54% to 3.65%.

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

The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65%) or 1 percentage point higher (4.65%) than the current discount rate:

	1% Decrease <u>(2.65%)</u>	Current Discount <u>3.65%</u>	1% Increase <u>(4.65%)</u>
Total OPEB Liability	<u>\$ 179,056,720</u>	<u>\$ 152,547,918</u>	<u>\$ 131,256,001</u>

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

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

	Healthcare Cost Trend		
	1% <u>Decrease</u>	Current <u>Current</u>	1% <u>Increase</u>
Total OPEB Liability	<u>\$ 126,006,601</u>	<u>\$ 152,547,918</u>	<u>\$ 187,085,330</u>

**13. TOTAL OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

For the year ended June 30, 2023, the School District recognized OPEB expense of \$26,456,532. At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 37,907,403	\$ 19,013,806
Changes of assumptions or other inputs	<u>-</u>	<u>20,272,036</u>
Total	<u>\$ 37,907,403</u>	<u>\$ 39,285,842</u>

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

Fiscal year ending June 30:

2024	\$ 930,534
2025	930,534
2026	1,024,457
2027	1,514,797
2028	(1,639,859)
Thereafter	<u>(4,138,902)</u>
	<u>\$ (1,378,439)</u>

**14. RISK MANAGEMENT**

**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.

**14. RISK MANAGEMENT (Continued)**

**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:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Unpaid claims at beginning of year	\$ 2,196,685	\$ 2,230,755
Incurred claims and claim adjustment expenses	957,725	314,498
Claim payments	<u>(785,804)</u>	<u>(348,568)</u>
Unpaid claims at end of year	<u>\$ 2,368,606</u>	<u>\$ 2,196,685</u>

At June 30, 2023, the District had \$1,522,004 of funds in the workers’ compensation reserve.

**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.

**15. TAX ABATEMENTS**

All real property in New York State is subject to taxation unless specific legal provision grant it exempt status. Real property exemptions are granted on the basis of many different criteria, including the use to which the property is put, the owner’s ability to pay taxes, the desire of the state and local governments to encourage certain economic or social activities, and other considerations. Most exemptions are granted under Article 4 of the Real Property Tax Law, but others are authorized by a wide variety of statutes ranging from Article 18-A of the Real Property Tax Law, the Agriculture and Markets Law and the Transportation Law. Certain exemptions provide full relief from taxation (wholly exempt property) and others reduce the taxes which would otherwise be payable by varying degrees (partially exempt property). Some exemptions apply to taxes levied for county, city/town, and school purposes, whereas others pertain only to certain of these purposes. Some tax exemptions are mandated by State law, others are subject to local option and/or local determination of eligibility criteria.

The Riverhead Industrial Development Agency and the Suffolk County Industrial Development Agency periodically enters into various property tax abatement programs for the purpose of economic development. The District’s property tax revenue was reduced by approximately \$4 million. 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 \$8,193,003.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED) (Continued)  
FOR THE YEAR ENDED JUNE 30, 2023**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Encumbrances</i>	<i>Variance with Budgetary Actual and Encumbrances</i>
<b>EXPENDITURES</b>					
GENERAL SUPPORT:					
Board of education	\$ 133,480	\$ 104,547	\$ 84,569	\$ -	\$ 19,978
Central administration	353,120	378,787	373,036	-	5,751
Finance	1,118,665	1,493,165	1,402,124	54,035	37,006
Staff	1,082,864	1,320,345	1,307,509	-	12,836
Central services	10,614,902	12,033,906	11,071,711	518,658	443,537
Special items	<u>1,669,742</u>	<u>1,576,185</u>	<u>1,571,846</u>	<u>-</u>	<u>4,339</u>
Total general support	<u>14,972,773</u>	<u>16,906,935</u>	<u>15,810,795</u>	<u>572,693</u>	<u>523,447</u>
INSTRUCTION:					
Instruction, administration, and improvement	5,065,045	5,267,956	5,215,678	-	52,278
Teaching - regular school	50,925,943	48,813,200	48,611,159	4,676	197,365
Programs for children with handicapping conditions	29,833,977	32,015,694	31,941,414	300	73,980
Occupational education	2,397,352	2,647,802	2,647,801	-	1
Instructional media	4,034,740	5,282,165	4,873,593	65,370	343,202
Pupil services	<u>7,605,268</u>	<u>7,731,794</u>	<u>7,616,398</u>	<u>1,248</u>	<u>114,148</u>
Total instruction	99,862,325	101,758,611	100,906,043	71,594	780,974
Pupil transportation	7,762,767	8,271,416	8,237,600	-	33,816
Employee benefits	37,360,745	35,300,545	34,630,101	-	670,444
Debt service - principal	5,555,174	5,404,075	5,602,423	-	(198,348)
Debt service - interest	2,386,512	2,464,460	2,472,923	-	(8,463)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	167,900,296	170,106,042	167,659,885	644,287	1,801,870
<b>OTHER FINANCING USES</b>					
Proceeds from leases	-	-	415,801	-	415,801
Transfers (to) other funds	<u>(1,850,000)</u>	<u>(1,799,000)</u>	<u>(1,795,939)</u>	<u>-</u>	<u>3,061</u>
Total other financing sources (uses)	<u>(1,850,000)</u>	<u>(1,799,000)</u>	<u>(1,380,138)</u>	<u>-</u>	<u>418,862</u>
Total expenditures and other financing sources (uses)	<u>169,750,296</u>	<u>171,905,042</u>	<u>169,040,023</u>	<u>\$ 644,287</u>	<u>\$ 2,220,732</u>
NET CHANGE IN FUND BALANCE	(5,059,159)	(7,206,493)	1,856,371		
FUND BALANCE - beginning of year	<u>33,534,884</u>	<u>33,534,884</u>	<u>33,534,884</u>		
FUND BALANCE - end of year	<u>\$ 28,475,725</u>	<u>\$ 26,328,391</u>	<u>\$ 35,391,255</u>		

The accompanying notes are an integral part of these schedules.

RIVERHEAD CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL - GENERAL FUND (UNAUDITED)  
 FOR THE YEAR ENDED JUNE 30, 2023

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual (Budgetary Basis)</i>	<i>Final Budget Variance with Budgetary Actual</i>
<b>REVENUE</b>				
Local sources:				
Real property taxes	\$ 105,586,808	\$ 97,436,392	\$ 97,436,392	\$ -
Other tax items	1,850,000	10,000,416	13,620,448	3,620,032
Charges for services	795,000	795,000	978,925	183,925
Use of money and property	85,000	85,000	574,118	489,118
Sale of property and compensation for loss	120,000	120,000	292,607	172,607
Miscellaneous	<u>575,000</u>	<u>582,412</u>	<u>1,756,786</u>	<u>1,174,374</u>
Total local sources	<u>109,011,808</u>	<u>109,019,220</u>	<u>114,659,276</u>	<u>5,640,056</u>
State sources	55,530,029	55,530,029	56,008,365	478,336
Medicaid reimbursement	59,300	59,300	172,173	112,873
Federal sources	90,000	90,000	56,580	(33,420)
Total revenue	<u>164,691,137</u>	<u>164,698,549</u>	<u>170,896,394</u>	<u>6,197,845</u>

(Continued)

The accompanying notes are an integral part of these schedules.

RIVERHEAD CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET) (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.0562263%	0.0511039%	0.0512498%	0.0522516%	0.0525464%	0.0533852%	0.0499371%	0.0504270%	0.0469909%	0.0469909%
Proportionate share of the net pension liability (asset)	\$ 12,057	\$ 4,178	\$ (51)	\$ (13,837)	\$ (3,723)	\$ (1,723)	\$ (4,692)	\$ (8,094)	\$ (1,587)	\$ (2,123)
Covered-employee payroll	\$ 18,154	\$ 16,463	\$ 16,320	\$ 16,345	\$ 16,398	\$ 15,771	\$ 15,758	\$ 14,518	\$ 14,319	\$ 13,534
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	66.42%	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 liability (asset)	90.78%	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability (asset)	0.323666%	0.304788%	0.308338%	0.308948%	0.311402%	0.310412%	0.312236%	0.305625%	0.296082%	0.304499%
Proportionate share of the net pension liability (asset)	\$ 6,211	\$ 52,817	\$ (8,520)	\$ 8,026	\$ 5,631	\$ 2,359	\$ 3,344	\$ 31,745	\$ 32,982	\$ 2,004
Covered-employee payroll	\$ 61,525	\$ 57,384	\$ 52,335	\$ 51,626	\$ 50,779	\$ 49,209	\$ 48,149	\$ 45,918	\$ 43,976	\$ 44,609
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.10%	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 (asset)	98.57%	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

NOTE - This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

RIVERHEAD CENTRAL SCHOOL DISTRICT

SCHEDULE OF CONTRIBUTIONS - PENSION PLANS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,850	\$ 2,271	\$ 2,261	\$ 2,211	\$ 2,216	\$ 2,261	\$ 2,173	\$ 2,519	\$ 2,193	\$ 2,573
Contributions in relation to the contractually required contribution	1,850	2,271	2,261	2,211	2,216	2,261	2,173	2,519	2,193	2,573
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 18,154	\$ 17,004	\$ 15,830	\$ 17,393	\$ 16,591	\$ 15,412	\$ 15,069	\$ 14,242	\$ 13,666	\$ 13,574
Contributions as a percentage of covered-employee payroll	10.19%	13.36%	14.28%	12.71%	13.36%	14.67%	14.42%	17.69%	16.05% #	18.96%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Fiscal Years (Dollar amounts displayed in thousands)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 5,619	\$ 6,213	\$ 5,469	\$ 4,637	\$ 5,477	\$ 4,971	\$ 5,765	\$ 6,316	\$ 8,048	\$ 5,565
Contributions in relation to the contractually required contribution	5,619	6,213	5,469	4,637	5,477	4,971	5,765	6,316	8,048	5,565
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 61,525	\$ 63,395	\$ 57,389	\$ 52,335	\$ 51,626	\$ 50,779	\$ 49,209	\$ 48,149	\$ 45,918	\$ 43,976
Contributions as a percentage of covered-employee payroll	9.13%	9.80%	9.53%	8.86%	10.61%	9.79%	11.72%	13.12%	17.53%	12.65%

The accompanying notes are an integral part of these schedules.

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023**

	Last 10 Fiscal Years					
	2023	2022	2021	2020	2019	2018
<b>Total OPEB Liability</b>						
Service cost	\$ 6,677,746	\$ 8,538,717	\$ 8,183,420	\$ 5,710,006	\$ 2,917,073	\$ 3,040,214
Interest	4,761,493	3,652,998	3,512,585	4,643,556	4,032,662	3,654,836
Changes of benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	(17,406,234)	-	(7,510,023)	(3,686,723)	-
Changes in assumptions	15,017,293	(24,253,543)	1,323,977	24,029,856	25,012,462	(5,164,399)
Benefit payments	(3,442,696)	(3,142,111)	(3,247,812)	(2,903,679)	(2,296,582)	(2,395,149)
<b>Total change in total OPEB liability</b>	<b>23,013,836</b>	<b>(32,610,173)</b>	<b>9,772,170</b>	<b>23,969,716</b>	<b>25,978,892</b>	<b>(864,498)</b>
<b>Total OPEB liability - beginning</b>	<b><u>129,534,082</u></b>	<b><u>162,144,255</u></b>	<b><u>152,372,085</u></b>	<b><u>128,402,369</u></b>	<b><u>102,423,477</u></b>	<b><u>103,287,975</u></b>
<b>Total OPEB liability - ending</b>	<b>\$ <u>152,547,918</u></b>	<b>\$ <u>129,534,082</u></b>	<b>\$ <u>162,144,255</u></b>	<b>\$ <u>152,372,085</u></b>	<b>\$ <u>128,402,369</u></b>	<b>\$ <u>102,423,477</u></b>
<b>Covered-employee payroll</b>	\$ 66,906,964	\$ 66,906,964	\$ 63,888,737	\$ 63,888,737	\$ 61,473,730	\$ 63,745,571
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>228.00%</b>	<b>193.60%</b>	<b>253.79%</b>	<b>238.50%</b>	<b>208.87%</b>	<b>160.68%</b>

**Notes to schedule:**

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

Discount rate	3.65%	3.54%	2.16%	2.21%	3.51%	3.87%
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*Plan Assets.* No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

- Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
- Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
- Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

NOTE - This schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

**RIVERHEAD CENTRAL SCHOOL DISTRICT**

**SCHEDULE OF CHANGE FROM ORIGINAL BUDGET TO FINAL BUDGET  
AND REAL PROPERTY TAX LAW LIMIT CALCULATION - GENERAL FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023**

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**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted budget	\$ 169,750,296
Add: Prior year's encumbrances	<u>1,538,846</u>
Original budget	171,289,142
Budget revisions	<u>615,900</u>
Final budget	<u>\$ 171,905,042</u>

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

2023-24 voter-approved expenditure budget	\$ 191,999,210	
Maximum allowed (4% of 2023-24 budget)		<u>\$ 7,679,968</u>
General fund, fund balance subject to section 1318 of real property tax law*:		
Unrestricted fund balance:		
Assigned fund balance		\$ 8,914,366
Unassigned fund balance		<u>9,651,700</u>
Total Unrestricted Fund Balance		<u>\$ 18,566,066</u>
Less:		
Appropriated fund balance	\$ 8,270,079	
Encumbrances included in assigned fund balance	<u>644,287</u>	
Total adjustments	<u>\$ 8,914,366</u>	
General fund, fund balance subject to section 1318 of real property tax law		<u>\$ 9,651,700</u>
Actual percentage		5.03%

\*Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

RIVERHEAD CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2023

Project Title	Budget		Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2023	
	June 30, 2022	June 30, 2023	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Capital Reserve	Budgetary Transfer		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	463,685	463,685	373,958	-	373,958	89,727	-	-	463,685	-	463,685	89,727
Cafeteria Capital Reserve 2022 Proposition	56,000	56,000	-	48,971	48,971	7,029	-	-	56,000	-	56,000	7,029
Smart Schools Bond Act	753,238	753,238	710,704	-	710,704	42,534	-	753,238	-	-	753,238	42,534
Smart Schools Bond Act - Computer Servers	293,797	293,797	40,988	255,097	296,085	(2,288)	-	293,797	-	-	293,797	(2,288)
Smart Schools Bond Act - IFPs	1,079,327	1,079,327	-	1,072,919	1,072,919	6,408	-	1,079,327	-	-	1,079,327	6,408
Bus Purchase Plan (2019)	3,993,000	3,993,000	2,010,349	959,944	2,970,293	1,022,707	3,993,000	-	-	-	3,993,000	1,022,707
Security Upgrade Project	-	1,500,000	-	1,161,187	1,161,187	338,813	-	-	-	1,500,000	1,500,000	338,813
<b>TOTAL</b>	<u>\$ 10,627,047</u>	<u>\$ 12,127,047</u>	<u>\$ 7,119,548</u>	<u>\$ 3,498,118</u>	<u>\$ 10,617,666</u>	<u>\$ 1,509,381</u>	<u>\$ 7,981,000</u>	<u>\$ 2,126,362</u>	<u>\$ 519,685</u>	<u>\$ 1,500,000</u>	<u>\$ 12,127,047</u>	<u>\$ 1,509,381</u>
												Less: Transfer to General Fund (4,451)
												Less: Transfer to School Lunch School (89,727)
												Less: Unissued Debt (779,931)
												Less: Uncertified State Aid (1,390,171)
												<u>\$ (754,899)</u>

# RIVERHEAD CENTRAL SCHOOL DISTRICT

## SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS (UNAUDITED) FOR THE YEAR ENDED JUNE 30, 2023

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Capital assets, net	<u>\$ 99,608,607</u>
Deduct:	
Short-term portion of installment debt payable	530,648
Long-term portion of installment debt payable	1,952,744
Short-term portion of bonds payable	4,170,000
Long-term portion of bonds payable	42,380,000
Unamortized bond premium	3,316,694
Short-term portion of lease payable	228,827
Long-term portion of lease payable	<u>606,312</u>
	<u>53,185,225</u>
Net investment in capital assets	<u><u>\$ 46,423,382</u></u>

The accompanying notes are an integral part of these schedules.

**REQUIRED REPORTS UNDER GOVERNMENT AUDITING STANDARDS**

**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**

January 4, 2024

To the Board of Education of  
Riverhead Central School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Riverhead Central School District (School District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated January 4, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

1040 Avenue of the  
Americas, 3rd Floor  
New York, NY 10018  
p (212) 600-2854

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

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**Purpose of This Report**

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