

NORTH TONAWANDA CITY
SCHOOL DISTRICT, NEW YORK
*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and
Federal Awards Information for the Year Ended
June 30, 2022 and Independent Auditors' Reports*

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
North Tonawanda City School District, New York

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tonawanda City School District, New York (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 District, as of June 30, 2022, and the respective changes in financial position thereof 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 ("GAAS") 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

As discussed in Note 2 to the financial statements, during the year ended June 30, 2022, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Drescher & Malecki LLP

October 5, 2022

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2022

As management of the North Tonawanda City School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative. For comparative purposes, certain items from the prior year have been reclassified to conform with the current year presentation.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$71,706,961 (*net position*). This consists of \$45,539,213 net investment in capital assets, \$15,340,996 restricted for specific purposes and unrestricted net position of \$10,826,752.
- The District's net position increased by \$14,336,662 during the year ended June 30, 2022.
- At the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$24,210,570, an increase of \$19,430,576 in comparison with the prior year's fund balance of \$4,779,994.
- At the end of the current fiscal year, *unassigned fund balance* for the General Fund was \$3,342,200, or approximately 4.8 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 13.6 percent of the General Fund's total fund balance of \$24,639,116.
- The District's total bonded indebtedness increased by \$7,325,000 during the current year as a result of a serial bond issuance totaling \$11,600,000, partially offset by scheduled principal payments made in the amount of \$4,275,000.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving

rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, school food service, student activities and interest and other fiscal charges. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements—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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government'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 five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Aid Fund, School Lunch Fund, Student Activities Fund and Capital Projects Fund, all of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains one fiduciary fund, the Private Purpose Trust Fund.

The fiduciary fund financial statements can be found on pages 18-19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-48 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District’s net pension liability/(asset), the changes in the District’s total other postemployment benefits (“OPEB”) obligation, and the District’s budgetary comparison for the General Fund. Required Supplementary Information and related notes to the required supplementary information can be found on pages 49-56 of this report.

Other supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 57-59.

Finally, the Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found on pages 60-68 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as useful indicator of a government’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$71,706,961 at June 30, 2022, as compared to \$57,370,299, as restated, at the close of the fiscal year ended June 30, 2021.

Table 1, presented below, presents a condensed statement of net position compared to the prior year.

Table 1—Condensed Statements of Net Position

	June 30,	
	2022	2021 (as restated)
Current assets	\$ 30,817,965	\$ 25,809,592
Noncurrent assets	118,910,691	90,374,691
Total assets	149,728,656	116,184,283
Deferred outflows of resources	20,240,664	21,130,775
Current liabilities	6,657,572	20,912,750
Noncurrent liabilities	54,989,050	51,339,906
Total liabilities	61,646,622	72,252,656
Deferred inflows of resources	36,615,737	7,692,103
Net position:		
Net investment in capital assets	45,539,213	40,782,581
Restricted	15,340,996	10,047,089
Unrestricted	10,826,752	6,540,629
Total net position	\$ 71,706,961	\$ 57,370,299

The largest portion of the Districts' net position, \$45,539,213, reflects its investment in capital assets (e.g. land, buildings, improvements, equipment, vehicles, right-to-use leased equipment, net of accumulated depreciation/amortization), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position, \$15,340,996, represents resources that are subject to external restrictions on how they may be used. Any remaining portion of the District's net position would represent resources that are unrestricted and may be used to meet the District's ongoing obligations to citizens and creditors. Unrestricted net position of \$10,826,752 represents resources that may be used to meet the District's ongoing operations.

Table 2, shown below, presents the changes in net position for the years ended June 30, 2022 and June 30, 2021.

Table 2—Condensed Statements of Changes in Net Position

	Year Ended June 30,	
	2022	2021
Program revenues:		
Charges for services	\$ 342,425	\$ 200,538
Operating grants and contributions	9,160,044	4,456,880
General revenues	<u>75,064,221</u>	<u>73,436,777</u>
Total revenues	<u>84,566,690</u>	<u>78,094,195</u>
Program expenses	<u>70,230,028</u>	<u>75,682,703</u>
Change in net position	14,336,662	2,411,492
Net position—beginning	57,370,299	53,976,930
Restatement	<u>-</u>	<u>981,877</u>
Net position—ending	<u>\$ 71,706,961</u>	<u>\$ 57,370,299</u>

Overall revenues increased by 8.3 percent from the prior year, due primarily to an increase in operating grants related to increases in federal aid. Total expenses decreased 7.2 percent from the prior year ended June 30, 2021, due to a decrease in instruction costs from savings in salary and personnel costs.

A summary of sources of revenues for the years ended June 30, 2022 and June 30, 2021 is presented in Table 3 below.

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Charges for services	\$ 342,425	\$ 200,538	\$ 141,887	70.8
Operating grants and contributions	9,160,044	4,456,880	4,703,164	105.5
Real property taxes and other tax items	29,748,053	29,358,294	389,759	1.3
Use of money and property	278,713	325,334	(46,621)	(14.3)
Sale of property and compensation for loss	-	9,964	(9,964)	(100.0)
Miscellaneous	1,043,876	1,682,536	(638,660)	(38.0)
State aid—unrestricted	43,993,579	42,060,649	1,932,930	4.6
Total revenues	<u>\$ 84,566,690</u>	<u>\$ 78,094,195</u>	<u>\$ 6,472,495</u>	8.3

The most significant sources of revenue for the year ended June 30, 2022 are unrestricted state aid of \$43,993,579, or 52.0 percent of total revenues, real property taxes and items of \$29,748,053, or 35.2 percent of total revenues, and operating grants and contributions of \$9,160,044, or 10.8 percent of total revenues. Similarly, for the year ended June 30, 2021, the largest revenues were unrestricted state aid of \$42,060,649, or 53.9 percent of total revenues, real property taxes and items of \$29,358,294, or 37.6 percent of total revenues, and operating grants and contributions of \$4,456,880, or 5.7 percent of total revenues.

A summary of program expenses for the years ended June 30, 2022 and June 30, 2021 is presented below in Table 4:

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
General support	\$ 9,077,783	\$ 9,294,627	\$ (216,844)	(2.3)
Instruction	55,449,164	60,949,871	(5,500,707)	(9.0)
Pupil transportation	3,384,623	3,676,125	(291,502)	(7.9)
School food service	1,708,591	930,784	777,807	83.6
Student activities	99,006	49,327	49,679	100.7
Interest and other fiscal charges	510,861	781,969	(271,108)	(34.7)
Total program expenses	<u>\$ 70,230,028</u>	<u>\$ 75,682,703</u>	<u>\$ (5,452,675)</u>	(7.2)

The District's most significant expense items for the year ended June 30, 2022 were instruction of \$55,449,164, or 78.9 percent of total expenses, general support of \$9,077,783, or 12.9 percent of total expenses, and pupil transportation of \$3,384,623, or 4.8 percent of total expenses. Similarly, for the year ended June 30, 2021, significant expense items were instruction of \$60,949,871, or 80.5 percent of total expenses, general support of \$9,294,627, or 12.3 percent of total expenses, and pupil transportation of \$3,676,125, or 4.9 percent of total expenses.

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Education.

At June 30, 2022, the District’s governmental funds reported combined ending fund balances of \$24,210,570, an increase of \$19,430,576 from the prior year fund balance of \$4,779,994. Approximately 9.1 percent of this amount, \$2,208,209, constitutes *unassigned fund balance*, which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable, restricted, or assigned*, to indicate that it is 1) not in spendable form, \$133,923, 2) restricted for particular purposes, \$15,340,996, or 3) assigned for particular purposes, \$6,527,442.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$3,342,200, while total fund balance increased to \$24,639,116 from \$18,359,894 at June 30, 2021. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. *Unassigned fund balance* represents 4.8 percent of total General Fund expenditures and transfers out, while total fund balance represents 35.3 percent of that same amount.

The total fund balance of the District’s General Fund increased by \$6,279,222 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$5,035,969 of fund balance (this included funds appropriated from fund balance, \$4,750,000, and the re-appropriation of prior year’s encumbrances, \$285,969). As a result of spending less than anticipated, the District’s fund balance ended \$11,315,191 higher than anticipated.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Total revenues were \$6,513,915 and comprised of state, federal and local sources. Expenditures totaled \$6,657,275 and were used toward the instruction and transportation of students. The difference between revenues and expenditures was subsidized by a transfer in from the General Fund.

The School Lunch Fund fund balance is \$607,254 as of June 30, 2022, of which \$14,074 represents inventory and is considered nonspendable and \$16,740 is assigned for encumbrances. The District may use the remaining portion, \$576,440, for ongoing school lunch operations and to continue updating the school lunch facilities and equipment.

The Student Activities Fund reports a fund balance of \$98,191 at June 30, 2022, an increase of \$11,695 from the prior year. This total fund balance amount is classified as restricted fund balance for the future payment of extraclassroom activities on behalf of the students.

The Capital Projects Fund reported a fund balance deficit of \$1,133,991 at June 30, 2022, as compared to a fund balance deficit of \$13,994,230 at the close of the previous year. This deficit is anticipated to be remedied as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in.)

General Fund Budgetary Highlights

The District's General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year's encumbrances since the funds were allocated under the previous year's budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented below in Table 5:

Table 5—General Fund Budget

Adopted budget, 2021-2022	\$ 81,854,500
Add: Prior year's encumbrances	<u>286,102</u>
Original budget, 2021-2022	<u>82,140,602</u>
Final budget, 2021-2022	<u>\$ 82,140,602</u>

More detailed information regarding the District's General Fund budget is presented in the Schedule of Revenues, Expenditures, and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Required Supplementary Information section of this report.

Capital Assets and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2022, amounted to \$89,530,317 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings, land improvements, furniture and equipment, vehicles, and right-to-use leased equipment. All depreciable/amortizable capital assets were depreciated/amortized from acquisition date to the end of the current year, as outlined in the District's capital asset policy.

Capital assets, net of depreciation/amortization for the governmental activities at the years ended June 30, 2022 and June 30, 2021 are presented in Table 6 below.

Table 6—Summary of Capital Assets (Net of Accumulated Depreciation/Amortization)

	June 30,	
	2022	2021 (as restated)
Land	\$ 234,607	\$ 234,607
Construction in progress	1,340,090	4,716,335
Buildings	82,929,240	81,226,569
Land improvements	600,241	628,871
Furniture and equipment	1,353,237	1,048,348
Vehicles	1,792,504	1,365,376
Right-to-use leased equipment	<u>1,280,398</u>	<u>1,154,585</u>
Total	<u>\$ 89,530,317</u>	<u>\$ 90,374,691</u>

Additional information on the District's capital assets can be found in Note 5 to the financial statements.

Long-term liabilities—At June 30, 2022, the District had total long-term liabilities outstanding of \$54,989,050, as compared to \$51,339,906 in the prior year, as restated. Of the total long-term liabilities outstanding at June 30, 2022, \$35,765,000 represents serial bonds issued by the District.

A summary of the District’s long-term liabilities at June 30, 2022 and June 30, 2021 is presented in Table 7 below.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2022	2021 (as restated)
Serial bonds	\$ 35,765,000	\$ 28,440,000
Premiums on serial bonds	3,130,314	1,674,319
Installment purchase debt	5,095,790	5,350,000
Leases	-	172,708
Compensated absences	370,473	459,831
Net pension liability	-	4,422,204
OPEB obligation	<u>10,627,473</u>	<u>10,820,844</u>
Total	<u>\$ 54,989,050</u>	<u>\$ 51,339,906</u>

Additional information on the District’s long-term liabilities can be found in Note 12 to the financial statements.

Economic Factors and Next Year’s Budget and Rates

The unemployment rate, not seasonally adjusted, for the region at June 30, 2022 was 3.6 percent. This compares to New York State’s unemployment rate of 4.4 percent. These factors are considered in preparing the District’s budget.

During the current fiscal year, the District appropriated \$5,625,000 of the General Fund’s unassigned fund balance for spending in the District’s 2022-2023 fiscal year budget. The 2022-2023 adopted budget appropriations total of \$83,555,000 is an approximate increase of 2.1 percent as compared to \$81,854,500 in 2021-2022. The District’s total budgeted tax levy in 2022-2023 is \$29,711,000, an increase of \$410,250 compared to \$29,300,750 levied during the 2021-2022 year.

Request for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the District’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed Anthony Montoro, Assistant Superintendent of Administrative Services, North Tonawanda City School District, 176 Walck Road, North Tonawanda, New York 14120.

BASIC FINANCIAL STATEMENTS

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NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2022

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,738,934
Restricted cash and cash equivalents	15,360,316
Receivables	781,625
Intergovernmental receivables	5,802,057
Due from Private Purpose Trust Fund	1,110
Inventories	14,074
Cash value of life insurance	119,849
Noncurrent net pension asset	29,380,374
Capital assets not being depreciated/amortized	1,574,697
Capital assets, net of accumulated depreciation/amortization	87,955,620
Total assets	149,728,656
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	18,940,858
Deferred outflows—relating to OPEB	1,299,806
Total deferred outflows of resources	20,240,664
LIABILITIES	
Accounts payable	2,028,121
Accrued liabilities	1,599,443
Due to retirement systems	3,011,517
Unearned revenue	18,491
Noncurrent liabilities:	
Due within one year	6,245,991
Due within more than one year	48,743,059
Total liabilities	61,646,622
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pension plans	36,122,594
Deferred inflows—relating to OPEB	493,143
Total deferred inflows of resources	36,615,737
NET POSITION	
Net investment in capital assets	45,539,213
Restricted for:	
Debt service	3,150,146
Workers' compensation	1,143,464
Unemployment insurance	160,919
Retirement contribution	2,684,171
Liability and casualty	1,197,621
Bus reserve	320,130
Capital projects	5,978,816
Employee benefit accrued liabilities	607,538
Student activities	98,191
Unrestricted	10,826,752
Total net position	\$ 71,706,961

The notes to the financial statements are an integral part of this statement.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Governmental activities:				
General support	\$ 9,077,783	\$ -	\$ -	\$ (9,077,783)
Instruction	55,449,164	190,644	7,054,391	(48,204,129)
Pupil transportation	3,384,623	-	-	(3,384,623)
School food service	1,708,591	41,080	2,105,653	438,142
Student activities	99,006	110,701	-	11,695
Interest and other fiscal charges	510,861	-	-	(510,861)
Total primary government	<u>\$ 70,230,028</u>	<u>\$ 342,425</u>	<u>\$ 9,160,044</u>	<u>(60,727,559)</u>
General revenues:				
				29,748,053
				278,713
				1,043,876
				43,993,579
				<u>75,064,221</u>
				14,336,662
				<u>57,370,299</u>
				<u>\$ 71,706,961</u>

The notes to the financial statements are an integral part of this statement.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2022

	<u>Special Revenue</u>				<u>Capital Projects</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Student Activities</u>		
ASSETS						
Cash and cash equivalents	\$ 6,809,573	\$ 1,929,086	\$ 275	\$ -	\$ -	\$ 8,738,934
Restricted cash and cash equivalents	15,246,305	2,846	12,145	98,191	829	15,360,316
Receivables	781,625	-	-	-	-	781,625
Intergovernmental receivables	2,541,596	2,738,465	521,996	-	-	5,802,057
Due from other funds	6,708,351	2,109,161	83,127	-	2,113,502	11,014,141
Inventories	-	-	14,074	-	-	14,074
Cash value of life insurance	119,849	-	-	-	-	119,849
Total assets	<u>\$ 32,207,299</u>	<u>\$ 6,779,558</u>	<u>\$ 631,617</u>	<u>\$ 98,191</u>	<u>\$ 2,114,331</u>	<u>\$ 41,830,996</u>
LIABILITIES						
Accounts payable	\$ 961,610	\$ 800,947	\$ 73	\$ -	\$ 265,491	\$ 2,028,121
Accrued liabilities	1,028,333	-	-	-	-	1,028,333
Due to other funds	2,042,290	5,975,765	12,145	-	2,982,831	11,013,031
Due to retirement systems	3,011,517	-	-	-	-	3,011,517
Unearned revenue	3,500	2,846	12,145	-	-	18,491
Total liabilities	<u>7,047,250</u>	<u>6,779,558</u>	<u>24,363</u>	<u>-</u>	<u>3,248,322</u>	<u>17,099,493</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue—property taxes	520,933	-	-	-	-	520,933
Total deferred inflows of resources	<u>520,933</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>520,933</u>
FUND BALANCES (DEFICIT)						
Nonspendable	119,849	-	14,074	-	-	133,923
Restricted	15,242,805	-	-	98,191	-	15,340,996
Assigned	5,934,262	-	593,180	-	-	6,527,442
Unassigned	3,342,200	-	-	-	(1,133,991)	2,208,209
Total fund balances (deficit)	<u>24,639,116</u>	<u>-</u>	<u>607,254</u>	<u>98,191</u>	<u>(1,133,991)</u>	<u>24,210,570</u>
Total liabilities, deferred inflows of resources and fund balances (deficit)	<u>\$ 32,207,299</u>	<u>\$ 6,779,558</u>	<u>\$ 631,617</u>	<u>\$ 98,191</u>	<u>\$ 2,114,331</u>	<u>\$ 41,830,996</u>

The notes to the financial statements are an integral part of this statement.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Position
June 30, 2022

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficit)—governmental funds (page 14)	\$	24,210,570
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		29,380,374
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$161,185,912 and the accumulated depreciation/amortization is \$71,655,595.		89,530,317
Uncollected property taxes are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the fund statements.		520,933
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows relating to employer contributions	\$	2,842,355
Deferred outflows relating to experience, changes in assumptions and investment earnings		16,098,503
Deferred inflows of resources related to pension plans		<u>(36,122,594)</u>
		(17,181,736)
Deferred outflows and inflows of resources related to other postemployment benefits ("OPEB") are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows relating to experience and changes of assumptions	\$	1,299,806
Deferred inflows relating to changes of assumptions		<u>(493,143)</u>
		806,663
Net accrued interest expense for serial bonds is not reported in the fund statements.		(571,110)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$	(35,765,000)
Premiums on serial bonds		(3,130,314)
Installment purchase debt		(5,095,790)
Compensated absences		(370,473)
OPEB obligation		<u>(10,627,473)</u>
		<u>(54,989,050)</u>
Net position of governmental activities	\$	<u>71,706,961</u>

The notes to the financial statements are an integral part of this statement.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds
Year Ended June 30, 2022

	Special Revenue					Total Governmental Funds
	General	Special Aid	School Lunch	Student Activities	Capital Projects	
REVENUES						
Real property taxes and other tax items	\$ 29,814,538	\$ -	\$ -	\$ -	\$ -	\$ 29,814,538
Charges for services	190,644	-	-	-	-	190,644
Use of money and property	278,688	-	25	-	-	278,713
Miscellaneous	1,043,876	-	-	-	-	1,043,876
State sources	43,993,579	910,230	39,671	-	-	44,943,480
Federal sources	540,476	5,603,685	2,065,982	-	-	8,210,143
Sales - food service	-	-	41,080	-	-	41,080
Student activities collections	-	-	-	110,701	-	110,701
Total revenues	<u>75,861,801</u>	<u>6,513,915</u>	<u>2,146,758</u>	<u>110,701</u>	<u>-</u>	<u>84,633,175</u>
EXPENDITURES						
Current:						
General support	7,430,029	-	-	-	-	7,430,029
Instruction	38,507,686	6,021,241	-	-	-	44,528,927
Pupil transportation	3,076,772	200,948	-	-	-	3,277,720
Employee benefits	13,549,588	435,086	8,285	-	-	13,992,959
Debt service:						
Principal	4,701,918	-	-	-	-	4,701,918
Interest and other fiscal charges	991,694	-	-	-	-	991,694
Cost of sales (school lunch)	-	-	1,675,717	-	-	1,675,717
Student activities	-	-	-	99,006	-	99,006
Capital outlay	-	-	-	-	2,141,997	2,141,997
Total expenditures	<u>68,257,687</u>	<u>6,657,275</u>	<u>1,684,002</u>	<u>99,006</u>	<u>2,141,997</u>	<u>78,839,967</u>
Excess (deficiency) of revenues over expenditures	<u>7,604,114</u>	<u>(143,360)</u>	<u>462,756</u>	<u>11,695</u>	<u>(2,141,997)</u>	<u>5,793,208</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	183,336	143,360	-	-	1,364,868	1,691,564
Transfers out	(1,508,228)	-	(183,336)	-	-	(1,691,564)
Issuance of serial bonds	-	-	-	-	11,600,000	11,600,000
Premium on serial bonds	-	-	-	-	2,037,368	2,037,368
Total other financing sources (uses)	<u>(1,324,892)</u>	<u>143,360</u>	<u>(183,336)</u>	<u>-</u>	<u>15,002,236</u>	<u>13,637,368</u>
Net change in fund balances (deficit)	6,279,222	-	279,420	11,695	12,860,239	19,430,576
Fund balances (deficit)—beginning	<u>18,359,894</u>	<u>-</u>	<u>327,834</u>	<u>86,496</u>	<u>(13,994,230)</u>	<u>4,779,994</u>
Fund balances (deficit)—ending	<u>\$ 24,639,116</u>	<u>\$ -</u>	<u>\$ 607,254</u>	<u>\$ 98,191</u>	<u>\$ (1,133,991)</u>	<u>\$ 24,210,570</u>

The notes to the financial statements are an integral part of this statement.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16) \$ 19,430,576

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which depreciation/amortization expense exceeded capital outlays in the current period.

Capital asset additions	\$ 3,731,960	
Depreciation/amortization expense	(4,823,337)	
Gain on disposal of assets	<u>247,003</u>	(844,374)

Governmental funds recognize real property taxes only if collected within 60 days after the end of the fiscal year; however, the government-wide statements recognize revenue on a full accrual basis. (66,485)

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

District pension contributions	\$ 3,747,206	
Employee contributions net of benefits earned	<u>988,984</u>	4,736,190

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization. (747,357)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid. (100,540)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and the related items is as follows:

Issuance of serial bonds	\$ (11,600,000)	
Repayment of serial bonds	4,275,000	
Premium on serial bonds issued	(2,037,368)	
Amortization of premiums on serial bonds	581,373	
Repayment of installment purchase debt	254,210	
Repayment of lease liability	172,708	
Change in compensated absences	89,358	
Change in other postemployment benefits obligation	<u>193,371</u>	(8,071,348)

Change in net position of governmental activities \$ 14,336,662

The notes to the financial statements are an integral part of this statement.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Fiduciary Net Position—Fiduciary Funds
June 30, 2022

	<u>Private Purpose Trust</u>
ASSETS	
Restricted cash and cash equivalents	\$ 36,684
Total assets	<u>36,684</u>
LIABILITIES	
Due to other funds	<u>1,110</u>
Total liabilities	<u>1,110</u>
NET POSITION	
Restricted for scholarships	<u>\$ 35,574</u>

The notes to the financial statements are an integral part of this statement.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Statement of Changes in Fiduciary Net Position—Fiduciary Funds
Year Ended June 30, 2022

	<u>Private Purpose Trust</u>
ADDITIONS	
Gifts and contributions	\$ 2,350
Total additions	<u>2,350</u>
DEDUCTIONS	
Scholarships and awards	<u>8,967</u>
Total deductions	<u>8,967</u>
Change in fiduciary net position	(6,617)
Net position—beginning	<u>42,191</u>
Net position—ending	<u>\$ 35,574</u>

The notes to the financial statements are an integral part of this statement.

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NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of North Tonawanda City School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District’s accounting policies are described below.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. The scope of activities included within the accompanying financial statements are those transactions which comprise District operations, and are governed by, or significantly influenced by, the Board of Education.

Essentially, the primary function of the District is to provide education for pupils. Support services such as transportation of pupils, food service, administration, finance, and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Extraclassroom Activity Funds—The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management; however, since the District has administrative involvement with these funds they are reported within the District’s Student Activities Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office.

Joint Venture—The District is one of 13 participating school districts in the Orleans-Niagara Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2022, there was no debt issued by the District on behalf of BOCES.

During the year ended June 30, 2022, the District was billed \$9,427,920 for BOCES administrative and program costs and recognized \$690,274 in revenue as a refund from prior years’ expenditures paid to BOCES. Audited financial statements are available from the Orleans-Niagara BOCES’ administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District’s various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District’s 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. All of the District’s funds are considered major funds.

The District reports the following major governmental funds:

- **General Fund**—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal source of revenue for the General Fund is real property taxes and state sources.
- **Special Aid Fund**—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.

- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District’s food service operations.
- *Student Activities Fund*—The Student Activities fund is used to account for extraclassroom transactions, which represents funds of the students of the District. The District exercises administrative involvement over these funds.
- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

Additionally, the District reports the following fund type:

Fiduciary Funds— These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary Funds include the *Private Purpose Trust Fund*. The *Private Purpose Trust Fund* is used to account for assets held by the District for scholarships.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In the fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are generally considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers most revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 60 days of year-end). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The District’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District has no investments at June 30, 2022; however, when the District does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represents amounts to support fund balance restrictions, unspent proceeds of debt, unearned revenues, and amounts held on behalf of others.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such allowance would not be material.

Inventories—Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Cash Value of Life Insurance—An asset representing a life insurance contract is measured at the amount that could be realized under the insurance contract as of the date of the financial statements, which is the amount reported by the insurance entity as the cash surrender value. However, since the assets are placed in trust and the District is entitled to receive back only the amount of premiums paid, an allowance offsets the asset to represent the difference between cash surrender value and premiums paid by the District. In the governmental funds, a corresponding amount of fund balance is recorded as nonspendable to indicate the funds are not available expendable resources. The District reported \$119,849 within cash value of life insurance as of June 30, 2022.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and right-to-use leased equipment are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold (\$5,000) for the type of asset and an estimated useful life in excess of eight years. Such assets are recorded at historical cost or estimated historical cost. The reported value excludes normal maintenance and repairs, which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at estimated fair market value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed. Right-to-use leased equipment and vehicles are initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs and are amortized on a straight line basis over their useful lives.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life (Years)
Buildings	\$5,000	50
Land improvements	5,000	20
Furniture, equipment and vehicles	5,000	8-20
Right-to-use leased equipment	5,000	8-20

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2022, the District has two items that qualify for reporting in this category. The first item is related to pensions reported in the government-wide financial statements. This represents the effect of the net change in the District’s proportion of the collective net pension liability, and the difference during the measurement period between the District’s contributions, its proportionate share of total contribution to the pension systems not included in pension expense, and any contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial

statements and represents the effects of the change in the District's proportion of the collective OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2022, the District has three items that qualify for reporting in this category. The first item arises only under the modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenue from property taxes that remain uncollected after 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item represents the effect of the net change in the District's proportion of the collective net pension liability and the difference during the measurement periods between the District's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense and is reported on the government-wide financial statements. Finally, the third item represents the effects of the change in the District's proportion of the collective OPEB liability and difference during the measurement period between certain of the employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability reported on the government-wide financial statements.

Net Position Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Balance Flow Assumptions—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board Education is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized both the Assistant Superintendent of Administrative Services and the Superintendent to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually by the Board of Education no later than September 1 and become a lien on September 1 each year. Taxes are collected during the period of September 1 to October 31 each year. The City of North Tonawanda, New York (the “City”), in which the District is located, enforces uncollected real property taxes. An amount representing all uncollected real property taxes must be transmitted by the City to the District within two years from the return of unpaid taxes to the City. Real property taxes receivable expected to be collected within 60 days of year-end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable within the fund financial statements.

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2022, the District reported \$3,500, \$2,846, and \$12,145 of unearned revenues in the General Fund, Special Aid Fund and School Lunch Fund, respectively. The District receives health insurance premiums in advance but has not performed the services and therefore recognizes a liability.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Pension Plans—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System (“TRS”) and the New York State Local Employees' Retirement System (“ERS”). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 7.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees, as disclosed in Note 8.

Other

Estimates—The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenditures, assets, liabilities, deferred outflows/inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements during the reported period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements—During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 91, *Conduit Debt Obligations*; and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. GASB Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report. Other than the matter discussed in Note 2, the implementation of GASB Statements No. 87, 89, 91, and 98 did not have a material impact on the District’s financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*, effective for the year ending June 30, 2023, and the remainder of No. 99, *Omnibus 2022*; and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024, and No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100, and 101 will have on its financial position and results of operations when such statements are adopted.

Deficit Fund Balance—The Capital Projects Fund has a deficit fund balance at June 30, 2022 totaling \$1,133,991. This deficit will be remedied as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in).

2. RESTATEMENT OF NET POSITION

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. As a result of the implementation, the District’s capital assets and long-term liabilities were restated as of June 30, 2021. Accordingly, net position for governmental activities at June 30, 2021 has been restated from \$56,388,422 to \$57,370,299.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The District's investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The District's Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The 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. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the District at June 30, 2022 are as follows:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 100	\$ -	\$ 100
Deposits	<u>24,099,150</u>	<u>36,684</u>	<u>24,135,834</u>
Total	<u>\$ 24,099,250</u>	<u>\$ 36,684</u>	<u>\$ 24,135,934</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2022 as follows:

	Bank Balance	Carrying Amount
FDIC insured	\$ 680,058	\$ 680,058
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>24,268,163</u>	<u>23,455,776</u>
Total	<u>\$ 24,948,221</u>	<u>\$ 24,135,834</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2022, the District's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in the District's name.

Restricted Cash and Cash Equivalents—The District reports unspent proceeds of debt, amounts to support restricted fund balances, unearned revenues, and amounts held on behalf of others as restricted cash and cash equivalents. At June 30, 2022, the District reported \$15,360,316 of restricted cash within its governmental funds and \$36,684 within its fiduciary fund.

Investments—The District had no investments at June 30, 2022.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

4. RECEIVABLES

Revenues accrued by the District at June 30, 2022 consisted of the following:

Receivables—Primarily represents stop-loss payments owed to the District. The District reported \$153,602 of those receivables in the General Fund at June 30, 2022. In addition to this, the District also recorded amounts for taxes receivable; representing amounts due from District taxpayers that remain unpaid. The District reported \$628,023 of taxes receivable in the General Fund at June 30, 2022.

Intergovernmental Receivables—Represent amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2022 are as follows:

General Fund:			
New York State - BOCES Aid	\$ 1,332,988		
New York State - Excess Cost Aid	1,205,571		
New York State - Connect Kids Grant	<u>3,037</u>	\$	2,541,596
Special Aid Fund:			
Federal - Title I	420,503		
Federal - IDEA Part B, Section 619	14,562		
Federal - IDEA Part B, Section 611	500,462		
Federal - Title IIA	67,829		
Federal - Title IV	62,631		
Federal - CARES Act/ARPA	1,275,000		
New York State - various programs	<u>397,478</u>		2,738,465
School Lunch Fund:			
New York State - Breakfast and Lunch Program			<u>521,996</u>
Total governmental funds		\$	<u>5,802,057</u>

5. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

	Balance 7/1/2021 (as restated)	Increases	Decreases	Balance 6/30/2022
Capital assets, not being depreciated/amortized:				
Land	\$ 234,607	\$ -	\$ -	\$ 234,607
Construction in progress	<u>4,716,335</u>	<u>2,141,997</u>	<u>5,518,242</u>	<u>1,340,090</u>
Total capital assets, not being depreciated/amortized	<u>4,950,942</u>	<u>2,141,997</u>	<u>5,518,242</u>	<u>1,574,697</u>
Capital assets, being depreciated/amortized:				
Buildings	141,522,817	5,518,242	-	147,041,059
Land improvements	3,640,562	-	1,211	3,639,351
Furniture and equipment	3,170,122	242,666	7,812	3,404,976
Vehicles	2,647,032	753,835	100,536	3,300,331
Right-to-use leased equipment	<u>1,632,036</u>	<u>593,462</u>	<u>-</u>	<u>2,225,498</u>
Total capital assets, being depreciated/amortized	<u>152,612,569</u>	<u>7,108,205</u>	<u>109,559</u>	<u>159,611,215</u>
Less accumulated depreciation/amortization for:				
Buildings	60,296,248	3,815,571	-	64,111,819
Land improvements	3,011,691	27,419	-	3,039,110
Furniture and equipment	2,121,774	185,991	256,026	2,051,739
Vehicles	1,281,656	326,707	100,536	1,507,827
Right-to-use leased equipment	<u>477,451</u>	<u>467,649</u>	<u>-</u>	<u>945,100</u>
Total accumulated depreciation/amortization	<u>67,188,820</u>	<u>4,823,337</u>	<u>356,562</u>	<u>71,655,595</u>
Total capital assets, being depreciated/amortized, net	<u>85,423,749</u>	<u>2,284,868</u>	<u>(247,003)</u>	<u>87,955,620</u>
Governmental activities capital assets, net	<u>\$ 90,374,691</u>	<u>\$ 4,426,865</u>	<u>\$ 5,271,239</u>	<u>\$ 89,530,317</u>

Depreciation/amortization expense was charged to the functions and programs of governmental activities as follows:

Governmental activities:	
General support	\$ 403,894
Instruction	4,102,694
Pupil transportation	283,875
School lunch	<u>32,874</u>
Total	<u>\$ 4,823,337</u>

6. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2022, were as follows:

	General Fund
Salaries and employee benefits	\$ 631,048
Retirement incentive	397,285
Total accrued liabilities	<u>\$ 1,028,333</u>

7. PENSION PLANS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution requirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

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

Employees' Retirement System—ERS provides retirement benefits as well as death and disability benefits. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all net assets and record changes in plan net position allocated to ERS. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3.0%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0% to 3.5% of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, 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.

Pension Liabilities/(Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2022, the District reported the following (assets) for its proportionate share of the net pension (assets) for each of the Systems. The net pension (assets) were measured as of June 30, 2021 for TRS and March 31, 2022 for ERS. The total pension liability used to calculate the net pension (assets) was determined by actuarial valuations as of June 30, 2020 and April 1, 2021, respectively, with update procedures used to roll forward the total pension liability to the measurement dates. The District's proportion of the net pension (assets) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2021	March 31, 2022
Net pension (asset)	\$ (27,908,927)	\$ (1,471,447)
District's portion of the Plan's total		
Net pension (asset)	0.161053%	0.0180003%

For the year ended June 30, 2022, the District recognized pension expense (income) of (\$1,525,420) and \$170,623 for TRS and ERS, respectively. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources below:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experiences	\$ 309,869	\$ 111,435	\$ 144,999	\$ 144,537
Changes in assumptions	9,179,829	2,455,680	1,625,613	41,437
Net difference between projected and actual earnings on pension plan investments	-	-	29,209,580	4,818,371
Changes in proportion and differences between the District's contributions and proportionate share of contributions	3,846,950	194,740	120,461	17,596
District contributions subsequent to the measurement date	2,678,255	164,100	-	-
Total	<u>\$ 16,014,903</u>	<u>\$ 2,925,955</u>	<u>\$ 31,100,653</u>	<u>\$ 5,021,941</u>

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

Year Ending June 30,	TRS	ERS
2023	\$ (3,528,116)	\$ (309,785)
2024	(4,126,168)	(491,849)
2025	(5,304,874)	(1,214,931)
2026	(7,038,617)	(243,521)
2027	1,311,402	-
Thereafter	922,368	-

Actuarial Assumptions—The total pension liabilities/(assets) as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liabilities/(assets) to the respective measurement dates. The actuarial valuations used the following actuarial assumptions:

	TRS	ERS
Measurement date	June 30, 2021	March 31, 2022
Actuarial valuation date	June 30, 2020	April 1, 2021
Interest rate	6.95%	5.90%
Salary scale	1.95%-5.18%	4.40%
Decrement tables	July 1, 2015 - June 30, 2020	April 1, 2015 - March 31, 2020
Inflation rates	2.40%	2.70%
Cost-of-living adjustments	1.30%	1.40%

For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2020, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020.

For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term 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 returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized on the following page.

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2021	March 31, 2022
Asset class:				
Domestic equities	33.0 %	32.0 %	6.8 %	3.3 %
International equities	16.0	15.0	7.6	5.9
Global equities	4.0	0.0	7.1	0.0
Private equity	8.0	10.0	10.0	6.5
Real estate	11.0	9.0	6.5	5.0
Opportunistic portfolio/Absolute return strategies	0.0	3.0	0.0	4.1
Credit	0.0	4.0	0.0	3.8
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global bonds	2.0	0.0	0.8	0.0
High-yield bonds	1.0	0.0	3.8	0.0
Private debt	1.0	0.0	5.9	0.0
Real assets	0.0	3.0	0.0	5.6
Real estate debt	7.0	0.0	3.3	0.0
Fixed income	0.0	23.0	0.0	0.0
Cash	1.0	1.0	(0.2)	(1.0)
Total	100.0 %	100.0 %		

Discount Rate—The discount rate used to calculate the total pension liability was 6.95% for TRS and 5.90% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liabilities/(Assets) to the Discount Rate Assumption—The chart on the following page presents the District’s proportionate share of the net pension liabilities/(assets) calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the District’s proportionate share of the net pension liabilities/(assets) would be if it were calculated using a discount rate that is one percentage-point lower (5.95% for TRS and 4.90% for ERS) or one percentage-point higher (7.95% for TRS and 6.90% for ERS) than the current assumption.

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension liability/(asset)	\$ (2,928,635)	\$ (27,908,927)	\$ (48,903,050)

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension liability/(asset)	\$ 3,787,488	\$ (1,471,447)	\$ (5,870,292)

Pension Plan Fiduciary Net Position—The components of the current-year net pension (assets) of the employers as of the respective valuation dates, were as follows:

	(Dollar in Thousands)	
	TRS	ERS
Valuation date	June 30, 2020	April 1, 2021
Employers' total pension liability	\$ 130,819,415	\$ 223,874,888
Plan fiduciary net position	<u>148,148,457</u>	<u>232,049,473</u>
Employers' net pension liability (assets)	<u>\$ (17,329,042)</u>	<u>\$ (8,174,585)</u>
System fiduciary net position as a percentage of total pension liability	113.2%	103.7%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2022 amounted to \$2,847,417.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$164,100.

8. OTHER POSTEMPLOYMENT BENEFITS (“OPEB”) OBLIGATION

Plan Description—In addition to pension benefits, the District pays for a portion of eligible retirees’ health insurance, depending on the type of health plan provided in accordance with the provisions of various employment contracts. The benefit level, employee contributions and employer contributions are governed by the District’s contractual agreements.

Employees Covered by Benefit Terms—At June 30, 2021, the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	129
Active employees	<u>574</u>
Total	<u><u>703</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The District’s total OPEB liability of \$10,627,473 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2021.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the June 30, 2021 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 2.27% to 2.83% effective June 30, 2022. The salary scale changed from 3.11% to 3.44% effective June 30, 2022. Mortality rates were updated to rates based on the MP-2021. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 6.10%, while the ultimate healthcare cost trend rate is 4.37%.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	Total OPEB Liability
Balance at June 30, 2021	<u>\$ 10,820,844</u>
Changes for the year:	
Service cost	223,721
Interest	235,082
Change of benefit terms	139,238
Changes of assumptions	(443,300)
Differences between expected and actual experience	340,407
Benefit payments	<u>(688,519)</u>
Net changes	(193,371)
Balance at June 30, 2022	<u>\$ 10,627,473</u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (1.83%)	Current Discount Rate (2.83%)	1% Increase (3.83%)
Total OPEB liability	\$ 11,443,452	\$ 10,627,473	\$ 9,902,361

Additionally, healthcare costs can be subject to considerable volatility over time. The following table presents the effect on the net OPEB liability of a 1% change in the initial (6.10%) and ultimate (4.37%) healthcare cost trend rates.

	1% Decrease (5.10% / 3.37%)	Healthcare Cost Trend Rates (6.10% / 4.37%)	0.01 Increase (7.10% / 5.37%)
Total OPEB liability	\$ 9,689,235	\$ 10,627,473	\$ 11,703,044

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts, which were ratified by the District’s Board of Education. The District recognizes the cost of providing these benefits by expensing the annual insurance premiums when invoiced by the health insurance provider. District governmental funds contributed \$688,519 for the fiscal year ended June 30, 2022. The District’s contributions to the OPEB plan are based on negotiated contracts with six bargaining units, as discussed in Note 15. Any amendments to the employer’s contributions are subject to the collective bargaining agreements.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The District reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between certain of the employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective total OPEB liability are required to be determined. The following table presents the District’s deferred outflows and inflows of resources at June 30, 2022.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,153,200	\$ -
Changes of assumptions	<u>146,606</u>	<u>493,143</u>
Total	<u>\$ 1,299,806</u>	<u>\$ 493,143</u>

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

<u>Year Ending June 30,</u>	
2023	\$ 428,211
2024	186,648
2025	191,804

9. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District purchases insurance for: general liability, property, crime, earthquake and flood. The general liability insurance is limited to \$1 million per occurrence and a \$3 million aggregate. The District also carries an umbrella policy with a \$15,000,000 coverage limit per occurrence. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years. At June 30, 2022, \$1,143,464 of the General Fund’s fund balance was restricted for workers’ compensation for purposes of funding the District’s future claim liabilities. At June 30, 2022, management believes that there are no material outstanding liabilities for workers’ compensation.

Medical Self-Insurance—During the year ended June 30, 2022, the District participated in a Administrative Services Agreement with Independent Health. As part of the agreement, Independent Health prepares forms, provides access to Independent Health’s Networks Providers and processes claims for a fee per covered person per month. The responsibility of insuring claims however, lies with the District.

In order to insure against larger than expected health care losses associated with the self-insurance plan, the District has entered into a Stop Loss Agreement negotiated through Independent Health. This agreement includes a “specific deductible” for each covered person of \$150,000 per year. This will cover the individual up to an unlimited lifetime maximum specific benefit. Above this dollar amount the District will not be liable for the claim. In return, the District pays premiums to Independent Health for the stop loss insurance. The plans coverage extends to both medical and prescription claims.

10. LEASES

The District is a lessee for noncancellable leases of various equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

During the years ended June 30, 2018 and 2020, the District entered into a long-term lease agreement as the lessee for the acquisition and use of equipment. With the implementation of GASB Statement No. 87, an initial lease liability was recorded in the amount of \$172,708 as of June 30, 2021.

As of June 30, 2022, the total value of the lease liability was \$0 as the District made the final principal and interest payments. The District was required to make monthly principal and interest payments on the equipment ranging from \$3,643 to \$10,930. The leases have interest rates ranging from 1.69% to 2.52%. The value of the right-to-use assets as of the end of the current fiscal year was \$2,225,498 and had accumulated amortization of \$945,100.

11. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District’s short-term debt for the fiscal year ended June 30, 2022 follows:

Description	Interest Rate	Maturity Date	Balance 7/1/2021	Issued	Redeemed	Balance 6/30/2022
Capital Projects Fund:						
Various capital projects	1.25%	8/20/2021	\$ 14,940,000	\$ -	\$ 14,940,000	\$ -
Total			\$ 14,940,000	\$ -	\$ 14,940,000	\$ -

12. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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

The District’s outstanding long-term liabilities include serial bonds, installment purchase debt, leases, compensated absences, net pension liability and other postemployment benefits (“OPEB”) obligation. The serial bonds of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District’s long-term liabilities at June 30, 2022 follows:

	Balance 7/1/2021 (as restated)	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Serial bonds	\$ 28,440,000	\$ 11,600,000	\$ 4,275,000	\$ 35,765,000	\$ 5,280,000
Premiums on serial bonds	1,674,319	2,037,368	581,373	3,130,314	604,525
Bonds payable	30,114,319	13,637,368	4,856,373	38,895,314	5,884,525
Installment purchase debt	5,350,000	-	254,210	5,095,790	324,419
Lease liability	172,708	-	172,708	-	-
Compensated absences*	459,831	-	89,358	370,473	37,047
Net pension liability*	4,422,204	-	4,422,204	-	-
OPEB obligation	10,820,844	938,448	1,131,819	10,627,473	-
Total	\$ 51,339,906	\$ 14,575,816	\$ 10,926,672	\$ 54,989,050	\$ 6,245,991

(*Reductions to compensated absences and net pension liability are shown net of additions.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with maturities that range from 10 to 15 years.

On August 19, 2021, the District issued \$11,600,000 in public improvement serial bonds for various capital improvements. These Series 2022 Bonds were issued at a premium of \$2,037,368, carry interest rates ranging from 3.00 to 4.00 percent, and mature in August of 2032.

In the event of a default in the payment of the principal of or interest on the serial bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds.

The District does not hold any lines of credit.

A summary of additions and payments for the year ended June 30, 2022 is presented below:

Description	Original Issue	Interest Rate (%)	Year of Issue/Maturity	Balance 7/1/2021	Additions	Payments	Balance 6/30/2022
2015 serial bonds	\$ 9,160,000	4.00%	2015 - 2025	\$ 3,905,000	\$ -	\$ 940,000	\$ 2,965,000
2016 serial bonds	19,065,000	2.00-5.00%	2016 - 2026	10,430,000	-	2,115,000	8,315,000
2017 QZAB bonds	17,688,626	n/a	2017 - 2032	14,105,000	-	1,220,000	12,885,000
2022 serial bonds	11,600,000	3.00-4.00%	2022 - 2033	-	11,600,000	-	11,600,000
Total				<u>\$ 28,440,000</u>	<u>\$ 11,600,000</u>	<u>\$ 4,275,000</u>	<u>\$ 35,765,000</u>

Amortization of Bond Premium—Premiums on bond issuances are being amortized on a straight-line basis over the life of their respective bonds. The unamortized premiums as of June 30, 2022 totaled \$3,130,314.

Installment Purchase Debt—During the prior year ended June 30, 2021, the District entered into a financed purchase agreement as lessee for the financing of energy performance improvements. At June 30, 2022 the liability for the installment purchase debt totaled \$5,095,790. Assets totaling \$5,350,000 related to this debt are included within the District’s buildings capital assets balance at June 30, 2022.

Compensated Absences—As described in Note 1, the District records the value of compensated absences. The annual budgets of the operating funds provide funding for these benefits as they become payable. The value recorded in the government-wide financial statements at June 30, 2022, for governmental activities is \$370,473. Management estimates that \$37,047 is due within one year.

OPEB Obligation—As explained in Note 8, the District provides health insurance coverage for certain retirees. The District’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The long-term OPEB obligation is estimated to be \$10,627,473 at June 30, 2022.

The following is a maturity schedule of the District's indebtedness:

Year Ending June 30,	Serial Bonds	Premiums on Serial Bonds	Installment Purchase Debt	Compensated Absences	OPEB Obligation	Total
2023	\$ 5,280,000	\$ 604,525	\$ 324,419	\$ 37,047	\$ -	\$ 6,245,991
2024	5,450,000	604,525	332,154	-	-	6,386,679
2025	5,650,000	523,712	340,072	-	-	6,513,784
2026	3,555,000	263,107	348,180	-	-	4,166,287
2027	2,285,000	185,215	356,481	-	-	2,826,696
2028-2032	12,270,000	926,075	1,914,009	-	-	15,110,084
2033-2037	1,275,000	23,155	1,480,475	-	-	2,778,630
thereafter	-	-	-	333,426	10,627,473	10,960,899
Total	<u>\$ 35,765,000</u>	<u>\$ 3,130,314</u>	<u>\$ 5,095,790</u>	<u>\$ 370,473</u>	<u>\$ 10,627,473</u>	<u>\$ 54,989,050</u>

Interest requirements on serial bonds payable and installment purchase debt are as follows:

Year Ending June 30,	Serial Bonds	Installment Purchase Debt
2023	\$ 1,123,961	\$ 118,859
2024	710,600	111,125
2025	509,800	103,206
2026	357,350	95,099
2027	284,950	86,798
2028-2032	775,550	302,386
2033-2037	19,125	71,001
Total	<u>\$ 3,781,336</u>	<u>\$ 888,474</u>

13. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

- **Net Investment in Capital Assets**—This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation/amortization and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Position**—This category represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position**—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2022 includes:

- **Cash Value of Life Insurance**—Represents cash value of life insurance. This balance is nonspendable as the cash does not represent an available resource. The balance at June 30, 2022 was \$119,849.
- **Inventories**—Representing the portion of fund balance, \$14,074, composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grants, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. Restricted fund balance maintained by the District at June 30, 2022 includes:

	General Fund	Student Activities Fund	Total
Debt service	\$ 3,150,146	\$ -	\$ 3,150,146
Workers' compensation	1,143,464	-	1,143,464
Unemployment insurance	160,919	-	160,919
Retirement contribution	2,684,171	-	2,684,171
Liability and casualty	1,197,621	-	1,197,621
Bus reserve	320,130	-	320,130
Capital projects	5,978,816	-	5,978,816
Employee benefit accrued liabilities	607,538	-	607,538
Student activities	-	98,191	98,191
Total	<u>\$ 15,242,805</u>	<u>\$ 98,191</u>	<u>\$ 15,340,996</u>

- **Debt Service**—According to General Municipal Law Section 6-1, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of District property and unspent debt proceeds and premiums.
- **Workers' Compensation**—According to General Municipal Law Section 6-j, this restriction must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of the 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.

- ***Unemployment Insurance***—According to General Municipal Law Section 6-m, this restriction must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The restriction may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year’s budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund.
- ***Retirement Contribution***—According to General Municipal Law Section 6-r, this restriction must be used to pay “retirement contributions,” which are defined as all or any portion of the amount payable to the ERS, pursuant to Sections 17 or 317 of the NYSSRL. The restriction may be established by Board resolution; there are no referendum requirements to create the funds or expend money from the funds. The Board may authorize the transfer of the moneys to a reserve fund established pursuant to Sections 6c-g of the GML or Section 3651 of Education Law.
- ***Liability and Casualty***—According to Education Law Sections 1709[8-c] and 1950[4][cc], this restriction must be used to establish and maintain a program of reserves to cover property loss or liability claims. The creation of a property loss reserve requires resolution of the governing board; there are no referendum requirements to create the funds or expend money from the funds.
- ***Bus Reserve***—Similar to the restriction for capital projects, according to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a bus capital reserve fund requires authorization by a majority of the voters establishing the purpose of the restriction, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction 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 Section 3651 of the Education Law.
- ***Restricted for Capital Projects***—According to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction 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 Section 3651 of the Education Law.
- ***Employee Benefit Accrued Liabilities***—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee’s service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.

- ***Student Activities Fund***—Amounts generated by the Extraclassroom Activities at the District which are restricted for use only within the Student Activities Fund for specified student activities.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority. As of June 30, 2022, the District has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2022 and include:

	General Fund	School Lunch Fund	Total
Subsequent year's expenditures	\$ 5,625,000	\$ -	\$ 5,625,000
Encumbrances	309,262	16,740	326,002
Specific use	-	576,440	576,440
Total	<u>\$ 5,934,262</u>	<u>\$ 593,180</u>	<u>\$ 6,527,442</u>

- ***Assigned to Subsequent Year’s Expenditures***—Represents available fund balance being appropriated to meet expenditure requirements in the 2022-2023 fiscal year.
- ***Assigned to Encumbrances***—Represents amounts related to unperformed (executory) contracts for goods and services.
- ***Assigned to Specific Use***—Represents fund balance within the special revenue fund that is assigned for a specific purpose. The assignments’ purpose relates to each fund’s operations and represent remaining amounts within funds that are not committed or restricted.

If the District must use funds for emergency expenditures the Board of Education shall authorize the Assistant Superintendent of Administrative Services to expend funds first from fund classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

14. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2022 is as follows:

	<u>Interfund</u>	
	<u>Receivables</u>	<u>Payables</u>
Governmental funds:		
General Fund	\$ 6,708,351	\$ 2,042,290
Special Aid Fund	2,109,161	5,975,765
School Lunch Fund	83,127	12,145
Capital Projects Fund	<u>2,113,502</u>	<u>2,982,831</u>
Total governmental funds	<u>11,014,141</u>	<u>11,013,031</u>
Private Purpose Trust Fund	<u>-</u>	<u>1,110</u>
Total	<u>\$ 11,014,141</u>	<u>\$ 11,014,141</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2022:

	<u>Transfers In:</u>			
	<u>General Fund</u>	<u>Special Aid Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Transfers out:				
General Fund	\$ -	\$ 143,360	\$ 1,364,868	\$ 1,508,228
School Lunch Fund	<u>183,336</u>	<u>-</u>	<u>-</u>	<u>183,336</u>
Total	<u>\$ 183,336</u>	<u>\$ 143,360</u>	<u>\$ 1,364,868</u>	<u>\$ 1,691,564</u>

Transfers are used primarily to finance certain special aid programs and to support capital projects expenditures.

15. LABOR CONTRACTS

District employees are represented by six bargaining units, with the balance of employees governed by Board of Education rules and regulations. The CSEA Clerical, Nursing and Teacher Aide Unit #7686 – Local 872, the North Tonawanda United Teachers, and the CSEA School Bus Drivers, Substitute School Bus Drivers, and School Bus Attendants – Local 872 are negotiated through June 30, 2022, the CSEA Custodial and Maintenance Unit #7686 – Local 872 is negotiated through June 30, 2023, and the North Tonawanda School Administrators Association and the North Tonawanda Substitutes Teachers Association are negotiated through June 30, 2024.

16. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year’s budget pursuant to state regulations. The District considers encumbrances significant if they are in excess of \$10,000. The significant encumbrances of the District as of June 30, 2022 are shown below:

Fund	Purpose	Amount
		Encumbered
General	Professional services	\$ 181,632
General	Equipment	51,970
Capital Projects	Smart Schools Bond Project	2,231,188
Capital Projects	General Construction	23,807
School Lunch	Cafeteria tables	16,740
Special Aid	Professional services	17,970

17. TAX ABATEMENTS

The District is subject to tax abatements granted by the City of North Tonawanda (“CNT”) and the Niagara County Industrial Development Agency (“NCIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the CNT and NCIDA and include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by the CNT and the NCIDA, the District collected \$309,557 during the 2021-2022 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$567,303 in property taxes.

18. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable, but in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of operations, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The District is involved in litigation in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District’s financial condition or results of operations.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 5, 2022, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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REQUIRED SUPPLEMENTARY INFORMATION

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NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Teachers' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
District's proportion of the net pension liability/(asset)	0.161053%	0.159402%	0.158934%	0.159660%	0.162255%	0.171633%	0.167170%	0.167281%	0.169281%
District's proportionate share of the net pension liability/(asset)	\$ (27,908,927)	\$ 4,044,699	\$ (4,126,103)	\$ (2,887,065)	\$ (1,233,300)	\$ 1,838,260	\$ (17,363,609)	\$ (18,634,064)	\$ (1,114,299)
District's covered payroll	\$ 27,748,703	\$ 27,410,741	\$ 26,939,308	\$ 26,591,121	\$ 26,193,144	\$ 26,931,069	\$ 25,477,447	\$ 24,710,014	\$ 24,796,031
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(100.6%)	14.8%	(15.3%)	(10.9%)	(4.7%)	6.8%	(68.2%)	(75.4%)	(4.5%)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%	100.7%

*Information prior to the year ended June 30, 2014 is not available.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions—
Teachers' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 2,678,255	\$ 2,605,106	\$ 2,397,118	\$ 2,548,661	\$ 3,013,456	\$ 3,511,869	\$ 4,401,987	\$ 4,015,377	\$ 3,025,099
Contributions in relation to the contractually required contribution	<u>(2,678,255)</u>	<u>(2,605,106)</u>	<u>(2,397,118)</u>	<u>(2,548,661)</u>	<u>(3,013,456)</u>	<u>(3,511,869)</u>	<u>(4,401,987)</u>	<u>(4,015,377)</u>	<u>(3,025,099)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,763,934	\$ 27,748,703	\$ 27,410,741	\$ 26,939,308	\$ 26,591,121	\$ 26,193,144	\$ 26,931,069	\$ 25,477,447	\$ 24,710,014
Contributions as a percentage of covered payroll	9.6%	9.4%	8.7%	9.5%	11.3%	13.4%	16.3%	15.8%	12.2%

*Information prior to the year ended June 30, 2014 is not available.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Measurement date	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 31, 2014
District's proportion of the net pension liability/(asset)	0.00180003%	0.00175797%	0.0172765%	0.0177193%	0.0183255%	0.0162665%	0.0168878%	0.0169674%	0.0169674%
District's proportionate share of the net pension liability/(asset)	<u>\$ (1,471,447)</u>	<u>\$ 17,505</u>	<u>\$ 4,574,925</u>	<u>\$ 1,255,465</u>	<u>\$ 591,444</u>	<u>\$ 1,528,439</u>	<u>\$ 2,710,543</u>	<u>\$ 573,201</u>	<u>\$ 766,734</u>
District's covered payroll	\$ 6,014,854	\$ 5,819,357	\$ 5,928,072	\$ 5,616,215	\$ 5,551,126	\$ 5,475,661	\$ 4,841,399	\$ 5,065,175	\$ 5,087,885
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(24.5%)	0.3%	77.2%	22.4%	10.7%	27.9%	56.0%	11.3%	15.1%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%	97.2%

*Information prior to the year ended June 30, 2014 is not available.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of the District's Contributions—
Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,068,951	\$ 850,020	\$ 773,625	\$ 778,037	\$ 808,778	\$ 742,180	\$ 866,199	\$ 987,331	\$ 1,165,954
Contributions in relation to the contractually required contribution	<u>(1,068,951)</u>	<u>(850,020)</u>	<u>(773,625)</u>	<u>(778,037)</u>	<u>(808,778)</u>	<u>(742,180)</u>	<u>(866,199)</u>	<u>(987,331)</u>	<u>(1,165,954)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 6,078,536	\$ 5,923,815	\$ 5,938,792	\$ 5,747,110	\$ 5,634,882	\$ 5,344,668	\$ 5,040,800	\$ 5,005,282	\$ 5,124,516
Contributions as a percentage of covered payroll	17.6%	14.3%	13.0%	13.5%	14.4%	13.9%	17.2%	19.7%	22.8%

*Information prior to the year ended June 30, 2014 is not available.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Six Fiscal Years*

	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 223,721	\$ 187,831	\$ 158,732	\$ 233,136	\$ 228,953	\$ 212,285
Interest	235,082	257,425	335,518	556,514	584,217	463,814
Changes in assumptions or other inputs	(443,300)	115,015	438,953	(1,497,013)	206,793	(552,534)
Differences between expected and actual experience	340,407	68,375	439,248	(2,817,954)	(4,621)	2,362,942
Changes of benefit terms	139,238	-	-	(1,230,978)	-	-
Benefit payments	(688,519)	(774,937)	(831,781)	(977,766)	(974,238)	(873,928)
Net changes in total OPEB liability	(193,371)	(146,291)	540,670	(5,734,061)	41,104	1,612,579
Total OPEB liability—beginning	10,820,844	10,967,135	10,426,465	16,160,526	16,119,422	14,506,843
Total OPEB liability—ending	<u>\$ 10,627,473</u>	<u>\$ 10,820,844</u>	<u>\$ 10,967,135</u>	<u>\$ 10,426,465</u>	<u>\$ 16,160,526</u>	<u>\$ 16,119,422</u>
Plan fiduciary net position						
Contributions—employer	\$ 688,519	\$ 774,937	\$ 831,781	\$ 977,766	\$ 974,238	\$ 873,928
Benefit payments	(688,519)	(774,937)	(831,781)	(977,766)	(974,238)	(873,928)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's net OPEB liability—ending	<u>\$ 10,627,473</u>	<u>\$ 10,820,844</u>	<u>\$ 10,967,135</u>	<u>\$ 10,426,465</u>	<u>\$ 16,160,526</u>	<u>\$ 16,119,422</u>
Plan's fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	N/A	N/A	\$ 3,913,563	\$ 3,791,477	\$ 3,791,477	\$ 3,670,000
District's net OPEB liability as a percentage of covered-employee payroll	N/A	N/A	280.2%	275.0%	426.2%	439.2%

*Information prior to the year ended June 30, 2017 is not available.

The notes to the required supplementary information are an integral part of this schedule.

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NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Real property taxes and other tax items	\$ 29,745,272	\$ 29,745,272	\$ 29,814,538	\$ 69,266
Charges for services	195,896	195,896	190,644	(5,252)
Use of money and property	435,974	435,974	278,688	(157,286)
Miscellaneous	1,205,775	1,205,775	1,043,876	(161,899)
State sources:				
Basic formula	26,839,780	26,839,780	26,581,876	(257,904)
Excess cost	8,293,751	8,293,751	8,037,142	(256,609)
Lottery	4,801,078	4,801,078	4,995,660	194,582
VLT lottery	1,304,178	1,304,178	1,109,678	(194,500)
BOCES	2,729,053	2,729,053	2,833,967	104,914
Tuition for students with disabilities	-	-	71,205	71,205
Textbooks	206,729	206,729	206,963	234
Computer software	109,820	109,820	109,723	(97)
Library loan program	20,794	20,794	20,775	(19)
In-kind grants	-	-	26,590	26,590
Federal sources:				
Emergency relief funding	-	-	38,243	38,243
Medicaid assistance	300,000	300,000	502,233	202,233
Total revenues	<u>76,188,100</u>	<u>76,188,100</u>	<u>75,861,801</u>	<u>(326,299)</u>
OTHER FINANCING SOURCES				
Transfers in	216,400	216,400	183,336	(33,064)
Appropriated reserves	700,000	700,000	-	(700,000)
Total other financing sources	<u>916,400</u>	<u>916,400</u>	<u>183,336</u>	<u>(733,064)</u>
Total revenues and other financing sources	<u>\$ 77,104,500</u>	<u>\$ 77,104,500</u>	<u>\$ 76,045,137</u>	<u>\$ (1,059,363)</u>

(continued)

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>		(concluded)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Encumbrances</u>	<u>Variance with Final Budget</u>
EXPENDITURES					
General support:					
Board of Education	\$ 49,178	\$ 223,979	\$ 218,312	\$ 240	\$ 5,427
Central administration	262,915	262,915	253,899	-	9,016
Finance	498,684	566,716	472,481	4,327	89,908
Staff	427,791	517,791	505,103	7,051	5,637
Central services	5,894,263	6,011,826	5,266,017	137,118	608,691
Special items	787,226	790,226	714,217	-	76,009
Instruction:					
Instruction, administration and improvement	2,402,003	2,619,471	2,643,116	13,437	(37,082)
Teaching—regular school	20,006,072	20,138,689	18,488,974	21,981	1,627,734
Programs for children with handicapping conditions	14,236,378	13,337,835	11,603,834	107,648	1,626,353
Occupational education	1,356,860	1,356,860	1,356,860	-	-
Teaching—special schools	15,893	53,143	53,143	-	-
Instructional media	2,190,286	2,771,952	2,383,914	8,008	380,030
Pupil services	3,820,552	3,905,820	2,150,553	5,505	1,749,762
Pupil transportation	4,064,688	4,039,888	3,076,772	3,947	959,169
Employee benefits	19,076,908	18,492,586	13,549,588	-	4,942,998
Debt service:					
Debt service - principal	4,529,211	4,529,211	4,529,210	-	-
Debt service - interest	991,694	991,694	991,694	-	-
Total expenditures/encumbrances	<u>80,610,602</u>	<u>80,610,602</u>	<u>68,257,687</u>	<u>309,262</u>	<u>12,043,652</u>
OTHER FINANCING USES					
Transfers out	<u>1,530,000</u>	<u>1,530,000</u>	<u>1,508,228</u>	<u>-</u>	<u>21,772</u>
Total expenditures/encumbrances and other financing uses	<u>82,140,602</u>	<u>82,140,602</u>	<u>69,765,915</u>	<u>309,262</u>	<u>12,065,424</u>
Net change in fund balance*	(5,036,102)	(5,036,102)	6,279,222		
Fund balance—beginning	<u>18,359,894</u>	<u>18,359,894</u>	<u>18,359,894</u>		
Fund balance—ending	<u>\$ 13,323,792</u>	<u>\$ 13,323,792</u>	<u>\$ 24,639,116</u>		

*The net change in fund balance was included as an appropriation (i.e., spenddown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the required supplementary information are an integral part of this schedule.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2022

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate, the mortality rate, and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which increased from 2.27% to 2.83% at June 30, 2022. Mortality rates were updated to rates based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General, and Safety, without separate Contingent Survivor. Finally, the initial healthcare cost trend rate increased from 5.20% to 6.10%, and the ultimate healthcare cost trend rate increased from 3.80% to 4.37% at June 30, 2022.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the Special Aid Fund, School Lunch Fund, or Student Activities Fund. Appropriation limits, where applicable, for the Special Aid Fund are maintained based on individual grants and donations accepted by the Board of Education. The periods of such grants may vary from the District's fiscal year. No budget is adopted for the Student Activities Fund as the extraclassroom activities of the District are maintained by the individual clubs. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Excess of Expenditures over Appropriations—At June 30, 2022, expenditures exceeded the final budget for instruction, administration and improvements expenditures by \$37,082. This is a result of higher than anticipated instruction costs.

SUPPLEMENTARY INFORMATION

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget and the
Real Property Tax Limit—General Fund
Year Ended June 30, 2022

Changes from Adopted Budget to Final Budget

Adopted budget, 2021-2022	\$ 81,854,500
Add: Prior year's encumbrances	<u>286,102</u>
Original budget	<u>82,140,602</u>
 Final budget, 2021-2022	 <u><u>\$ 82,140,602</u></u>

Section 1318 of Real Property Tax Law Limit Calculation

2022-23 voter-approved expenditure budget	\$ <u>83,555,000</u>	
Maximum allowed (4% of 2022-23 budget)		<u>\$ 3,342,200</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law*:

Unrestricted fund balance:

Assigned fund balance	\$ 5,934,262	
Unassigned fund balance	<u>3,342,200</u>	
Total unrestricted fund balance		\$ 9,276,462

Less:

Appropriated fund balance	\$ 5,625,000	
Encumbrances included in assigned fund balance	<u>309,262</u>	
Total adjustments		<u>5,934,262</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law		<u><u>\$ 3,342,200</u></u>
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Actual percentage		4.00%
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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.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2022

Project Title	S.E.D. Project No.	Original Approp- riation	Revised Approp- riation	Expenditures to Date			Unexpended Balance
				Prior Years	Current Year	Total	
Spruce School	011-010	\$ 459,375	\$ 262,935	\$ 296,288	\$ -	\$ 296,288	\$ (33,353)
Ohio School	014-012	553,171	40,526	92,679	-	92,679	(52,153)
Meadow Complex	015-016	29,875,493	33,912,190	33,428,904	-	33,428,904	483,286
Concession Stand	024-001	514,458	1,121,893	1,170,512	-	1,170,512	(48,619)
Press Box	025-001	55,308	106,686	42,496	-	42,496	64,190
NT Former Middle School (4-6)	016-015	4,080,985	3,955,770	4,361,177	-	4,361,177	(405,407)
Tennis Courts	015-020	450,000	450,000	449,009	-	449,009	991
19-20 Meadown	015-020	100,000	100,000	85,760	-	85,760	14,240
20-21 Spruce	011-012	100,000	100,000	78,707	3,775	82,482	17,518
20-21 Spruce School	011-014	230,000	230,000	75,327	188,776	264,103	(34,103)
20-21 Meadow Complex	015-022	270,000	270,000	191,689	1,634	193,323	76,677
Energy performance - Admin. Building	010-001	319,181	319,190	154,144	165,046	319,190	-
Energy performance - Spruce School	011-013	220,592	220,592	119,496	101,096	220,592	-
Energy performance - Drake School	003-010	220,847	220,897	113,622	107,275	220,897	-
Energy performance - Ohio School	014-014	933,962	910,501	900,124	10,377	910,501	-
Energy performance - NTI	016-017	1,247,241	1,247,241	1,086,821	160,420	1,247,241	-
Energy performance - Meadow Complex	015-021	2,430,445	2,431,579	1,995,270	435,176	2,430,446	1,133
21-22 Capital Outlay	015-023	100,000	100,000	-	56,093	56,093	43,907
Smart Schools	7-999-006	3,332,873	3,332,873	-	912,329	912,329	2,420,544
Totals		<u>\$ 45,493,931</u>	<u>\$ 49,332,873</u>	<u>\$ 44,642,025</u>	<u>\$ 2,141,997</u>	<u>\$ 46,784,022</u>	<u>\$ 2,548,851</u>

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
Year Ended June 30, 2022

Capital assets, net of accumulated depreciation/amortization	\$ 89,530,317
Deduct:	
Serial bonds	\$ (35,765,000)
Premiums on serial bonds	(3,130,314)
Installment purchase contract	<u>(5,095,790)</u> <u>(43,991,104)</u>
Net investment in capital assets	<u>\$ 45,539,213</u>

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FEDERAL AWARDS INFORMATION

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor /Pass-through Grantor/Program or Cluster Title (1a)	Federal Assistance Listing Number (1b)	Pass-Through Entity Identifying Number (1c)	Passed Through to Sub- recipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through New York State Department of Agriculture:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	n/a	\$ -	\$ 495,899
National School Lunch Program	10.555	n/a	-	1,504,664
Total Child Nutrition Cluster			-	2,000,563
Commodity Supplemental Food Program	10.565	n/a	-	65,419
TOTAL U. S. DEPARTMENT OF AGRICULTURE			-	2,065,982
FEDERAL COMMUNICATIONS COMMISSION				
<i>Direct Program:</i>				
Emergency Connectivity Fund Program	32.009	n/a	-	788,000
TOTAL FEDERAL COMMUNICATIONS COMMISSION			-	788,000
U.S. DEPARTMENT OF EDUCATION:				
<i>Passed through New York State Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	0021-22-1970	-	837,381
Special Education Cluster:				
Special Education - Grants to States	84.027	0032-22-0611	-	1,218,880
Special Education - Preschool Grants	84.173	0033-22-0611	-	63,611
Total Special Education Cluster			-	1,282,491
Improving Teacher Quality State Grants	84.367	0147-22-1970	-	177,461
Student Support and Academic Enrichment Grants	84.424	0204-22-1970	-	73,595
Education Stabilization Fund				
Governor's Emergency Education Relief Fund	84.425C	5896-21-1970	-	142,716
Elementary and Secondary School Emergency Relief Fund	84.425D	5896-21-1970	-	619,189
American Rescue Plan - Elementary and Secondary School Emergency Relief	84.425U	5880-21-1970	-	1,721,095
Total Education Stabilization Fund			-	2,483,000
TOTAL U.S. DEPARTMENT OF EDUCATION			-	4,853,928
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			\$ -	\$ 7,707,910

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the North Tonawanda City School District, New York (the “District”) under programs of federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the Title 2 U.S. Code of Federal Regulations (“CFR”) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The following notes were identified on the Schedule:

- (a) Includes all federal award programs of the North Tonawanda City School District, New York.
- (b) Source: Federal Assistance Listing Numbers, previously known as Catalog of Federal Domestic Assistance.
- (c) Pass-through entity identifying numbers are presented where available.
- (d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- (e) Total federal expenditures for the District’s 2021-2022 fiscal year is reconciled to Federal sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 7,707,910
Medicaid reimbursement	<u>502,233</u>
Total Federal sources per financial statements	<u><u>\$ 8,210,143</u></u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a “non-monetary program.” During the year ended June 30, 2022, the District used \$65,419 worth of commodities.

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Certified Public Accountants

**INDEPENDENT AUDITORS' 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**

The Board of Education
North Tonawanda City School District, New York:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Tonawanda City School District, New York (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2022 (which report includes an other matter paragraph regarding the implementation of GASB Statement No. 87).

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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.

Drescher & Malecki LLP

October 5, 2022

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Education
North Tonawanda City School District, New York:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the North Tonawanda City School District, New York's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Drescher & Malecki LLP

October 5, 2022

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified*
 *(which includes an other matter paragraph regarding the implementation of GASB Statement No. 87)

Internal control over financial reporting:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported
Noncompliance material to the financial statements noted?	_____ Yes	_____ <input checked="" type="checkbox"/> No

Federal Awards:

Internal control over major federal programs:

Material weakness(es) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> No
Significant deficiency(ies) identified?	_____ Yes	_____ <input checked="" type="checkbox"/> None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes No

Identification of major federal programs:

<u>ALN</u>	<u>Name of Federal Program or Cluster</u>
32.009	Emergency Connectivity Fund Program
84.010	Title 1 Grants to Local Educational Agencies
84.425C	Governor's Emergency Education Relief Fund
84.425D	Elementary and Secondary School Education Relief Fund
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes _____ No

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

NORTH TONAWANDA CITY SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings and Corrective Action Plan
Year Ended June 30, 2022
(Follow-up of June 30, 2021 Findings)

No findings noted.