**PRELIMINARY OFFICIAL STATEMENT DATED JUNE 28, 2022**

**NEW ISSUE** **TAX ANTICIPATION NOTES**

*In the opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Notes will be excludable from gross income for federal income tax purposes under existing law, and interest on the Notes will not be subject to the alternative minimum tax. In the further opinion of Bond Counsel, under existing law interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX MATTERS" herein for a description of the opinion of Bond Counsel and certain other tax consequences.*

*The Notes will NOT be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986 (the "Code").*

# MOUNT SINAI UNION FREE SCHOOL DISTRICT
# SUFFOLK COUNTY, NEW YORK
## (the "District")

## $13,200,000*

## TAX ANTICIPATION NOTES, 2022
**(the "Notes")**

Dated Date: July 20, 2022 Maturity Date: June 27, 2023

*Security and Sources of Payment:* The Notes will constitute general obligations of the District and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes, and all the taxable real property within the District will be subject to the levy of ad valorem taxes, without limitation as to rate or amount, for such purpose, subject to statutory limitations imposed by Chapter 97 of the Laws of 2011. See "Tax Levy Limit Law" herein.

*Prior Redemption:* The Notes are not subject to redemption prior to their maturity.

At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC") as book-entry notes.

*Form and Denomination:* For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. The Notes to be issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of DTC, which will act as the Securities Depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Individual purchases of the Notes to be issued in book-entry form may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Noteholders will not receive certificates representing their ownership interest in the Notes to be issued in book-entry form purchased. See "Book-Entry System" herein.

*Payment:* Payment of the principal of and interest on the Notes to be issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "Book-Entry System" herein. Payment of the principal of and interest on the Notes issued in the form registered to the Purchaser(s) will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. The District will act as Paying agent for the Notes.

*The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the legal opinion as to the validity of the Notes of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel, New York, New York, and certain other conditions. It is anticipated that the Notes will be available for delivery in New York, New York, or at such place as may be agreed upon with the purchaser(s) on or about July 20, 2022.*

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN DESCRIBED. THE DISTRICT WILL COVENANT IN AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN EVENTS AS DEFINED IN THE RULE. (SEE APPENDIX C HEREIN).

Dated: July , 2022

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* Preliminary, subject to change.

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**SUFFOLK COUNTY, NEW YORK**

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Mount Sinai, NY 11766
Telephone: 631/870-2561 (Ext. 709)
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**BOARD OF EDUCATION**

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Gordon Brosdal, Superintendent of Schools
Linda F. Jensen, Assistant Superintendent for Business
Lynne Kirchenko, District Treasurer
Maureen Poerio, District Clerk

School District Attorney

Kevin Seaman, Esq.
Stony Brook, New York

* * *

**BOND COUNSEL**

Norton Rose Fulbright US LLP
New York, New York

* * *

**MUNICIPAL ADVISOR**

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Municipal Financial Advisory Service
Since 1977

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*The District expects that a new President of the Board of Education will be elected on July 6, 2022.

No person has been authorized by the District to give any information or to make any representations not contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

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# OFFICIAL STATEMENT

## Relating to

# MOUNT SINAI UNION FREE SCHOOL DISTRICT
# SUFFOLK COUNTY, NEW YORK

## $13,200,000*

## TAX ANTICIPATION NOTES, 2022

### THE NOTES

### General

The $13,200,000* Tax Anticipation Notes, 2022 (the "Notes") will be general obligations of the Mount Sinai Union Free School District, Suffolk County, New York (the "District"), and will contain a pledge of the District's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (the "State") (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). The Notes will be dated July 20, 2022 and will mature, without the right of redemption prior to maturity, on June 27, 2023, with interest payable at maturity.

At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State as may be selected by the successful bidder.

For those Notes issued as book-entry notes registered to Cede & Co. DTC will act as securities depository for the Notes and owners will not receive certificates representing their interest in the Notes. Individual purchases of such registered Notes may be made in denominations of $5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. See "Book-Entry System" herein.

The District will act as Fiscal and Paying Agent for the Notes. Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Linda F. Jensen, Assistant Superintendent for Business, Mount Sinai Union Free School District, P.O. Box 397, North Country Road, Mount Sinai, NY 11766, Phone (631) 870-2561 (Ext. 709), Fax (631) 473-0905 and email: ljensen@mtsinai.k12.ny.us.

### Book-entry-only System

In the event that the Notes are issued in registered book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered Notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's

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* Preliminary, subject to change.

participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

## Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply:

The Notes will be issued in bearer form in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes when due will be payable at the office of the District Clerk, as fiscal and paying agent for the Notes, or, at the option of the District, at a bank or trust company designated by the District for this purpose. The Notes will remain not subject to redemption prior to their stated final maturity date.

## Event Notices

In accordance with the requirements of Rule 15c-12 as the same may be amended or officially interpreted from time to time (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the District has agreed to provide, at the time of delivery of the Notes, an executed Disclosure Undertaking in substantially the form attached as Appendix C.

Pursuant to Undertakings previously entered into by the District, the District is required to file the Statement of Financial and Operating Information at the end of the sixth month of each fiscal year along with audited financial statements, if available. If the audited financial statements are not available at such time, it is filed following the receipt by the District of the audited financial statements for the preceding fiscal year, but in no event, not later than the last business day of each such succeeding fiscal year.

The following table sets forth the annual filings for each of the five preceding fiscal years.

| Fiscal Year Ending June 30: | Financial & Operating Information | Audited Financial Statements |
|---|---|---|
| 2017 | 11/08/2017 | 10/23/2017 |
| 2018 | 12/26/2018 | 11/06/2018 |
| 2019 | 12/05/2019 | 12/04/2019 |
| 2020 | 12/02/2020 | 11/04/2020 |
| 2021 | 12/13/2021 | 11/17/2021 |

Other than as noted above, the District has complied with all previous Undertakings in all material respects pursuant to the Rule.

## Authorization and Purpose

The Notes are being issued in anticipation of the collection of real property taxes receivable by the District during its 2022-2023 fiscal year, commencing on July 1, 2022, and pursuant to a tax anticipation note resolution adopted by the Board of Education on May 10, 2022. The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period that the Notes are outstanding. (See "Cash Flow herein). Such cash flow deficit is the result of a delay in the receipt of real property taxes, as a result of the fact that the dates fixed by law for the collection of such taxes do not conform to the expected cash needs of the District's operating budget.

## Security and Source of Payment

The Notes are general obligations of the District and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the District is subject to the levy of ad valorem taxes to pay the Notes and interest thereon, without limitation as to rate or amount, subject to statutory limitations imposed by Chapter 97 of the Laws of 2011.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2021-2022 real property taxes equals the amount of such real property taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter received, and to use the amounts so set aside only for the purpose of paying such notes. Interest on the Notes will be provided from budget appropriations.

For a description of prior issues of Tax Anticipation Notes and of projected issues of obligations for capital and operating purposes of the District. See "Details of Short-Term Indebtedness" and "Authorized But Unissued Items" herein.

## Remedies Upon Default

In the event of a default in the payment of the principal of and/or interest on the Notes, 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 Notes.

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgments or accrued claims against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of or interest on the Notes.

In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these provisions do not apply to school districts there can be no assurance that they will not be made so applicable in the future.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of the City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligations of the municipality during the emergency period, is subject to doubt. These provisions do not apply to school districts, but there can be no assurance that they will not be made applicable in the future. In any event, no such emergency has been declared with respect to the District.

## THE DISTRICT

### Description

The District, with a currently estimated population of 12,137, is located on the north shore of Long Island adjacent to Port Jefferson, and is approximately 65 miles east of New York City. The District covers an area of approximately six square miles.

Largely suburban-rural in character, the District contains the Mount Sinai Harbor, affording facilities for boating and fishing. Several Brookhaven Township beaches are nearby, including Cedar Beach with extensive frontage of Long Island Sound.

Shopping and commercial activity is located mainly along Route 25A, with more extensive commercial activity in Port Jefferson and nearby shopping centers.

Farming remains as an important industry with the major crops of peaches and nursery stock.

Typical residential construction in the District is in the $350,000-$750,000 class. Zoning regulations are mostly one acre residential minimum.

The main highways serving the District are New York State Route 25A (east-west) and Patchogue-Mount Sinai Road (north-south). Rail transportation to western points is available through the Port Jefferson Branch of the Long Island Rail Road.

Police protection is provided by the County of Suffolk. Gas and electric are provided by PSEG Long Island and National Grid, respectively. Fire protection is provided by the Mount Sinai Fire District. Water service is provided by the Suffolk County Water Authority.

### District Organization

The Board of Education (the “Board”), which is the policy-making body of the District, consists of seven members with overlapping three-year terms so that as nearly as possible an equal number of members shall be elected to the Board each year. The President and the Vice President are selected by the Board Members.

The administrative officers of the District, whose duty it is to implement the policies of the Board and who are appointed by the Board, include the Superintendent of Schools, the Business Administrator, the School District Clerk and the District Treasurer.

### Enrollment History

| School Year | School Enrollment |
|---|---|
| 2017-2018 | 2,365 |
| 2018-2019 | 2,332 |
| 2019-2020 | 2,253 |
| 2020-2021 | 2,148 |
| 2021-2022 | 2,166 |

**Current and Estimated Future Public School Enrollment**

| School Year | School Enrollment |
|---|---|
| 2022-2023 | 2,072 |
| 2023-2024 | 2,018 |

**District Facilities**

| Name of School | Grades | Date of Construction | Capacity |
|---|---|---|---|
| Mount Sinai Elementary School | K-4 | 1964 | 1,147 |
| Mount Sinai Middle School | 5-8 | 1979 | 1,000 |
| Mount Sinai High School | 9-12 | 1991 | 1,000 |

**Employees**

Some employees are represented by organized labor as follows:

| Name of Union | Expiration Date of Contract | Approx. No. of Members |
|---|---|---|
| Mount Sinai Teachers' Association | 06/30/2022 | 189 |
| Civil Service Employees Association | 06/30/2023 | 146 |
| Mount Sinai Administrators' Association | 06/30/2025 | 18 |

## ECONOMIC AND DEMOGRAPHIC INFORMATION

**Population Trends**

The following table sets forth population statistics for the District, the Town of Brookhaven and Suffolk County.

| Year | District | Town of Brookhaven | Suffolk County |
|---|---|---|---|
| 2011 | 13,208 | 487,790 | 1,498,816 |
| 2012 | 13,267 | 487,807 | 1,498,125 |
| 2013 | 11,750 | 486,868 | 1,495,803 |
| 2014 | 12,620 | 488,485 | 1,500,373 |
| 2020 | 12,137 | 482,671 | 1,481,364 |

## Income Data

| | Per Capita Money Income | | | |
|---|---|---|---|---|
| | 1990 | 2000 | 2010 | 2020[a] |
| Town of Brookhaven | - | - | $44,079 | $52,467 |
| Suffolk County | $16,726 | $24,191 | 33,324 | 42,388 |
| New York State | 18,481 | 26,577 | 35,755 | 46,466 |

| | Median Household Income | | | |
|---|---|---|---|---|
| | 1990 | 2000 | 2010 | 2020[a] |
| Town of Brookhaven | - | - | $105,297 | $128,984 |
| Suffolk County | $47,074 | $62,475 | 81,937 | 100,061 |
| New York State | 49,128 | 65,288 | 84,506 | 105,362 |

Source: United States Bureau of the Census
a: Based on American Community Survey Five-Year Estimates (2016-2020)

## Selected Listing of Larger Employers in Town of Brookhaven
(As of 2020)

| Name | Type of Business | Estimated Number of Employees |
|---|---|---|
| State University at Stony Brook | Education | 14,000 |
| Stony Brook University Medical Center | Medical Center | 7,500 |
| Brookhaven National Laboratory | Laboratory | 3,000 |
| John T. Mather Hospital | Hospital | 1,967 |
| Zebra Technologies | Commercial | 1,800 |
| Brookhaven Memorial Hospital | Hospital | 1,730 |
| St. Charles Hospital | Hospital | 1,400 |
| Three Village Central School District | Education | 1,298 |
| Quality King Distributors | Commercial | 900 |
| William Floyd Union Free School District | Education | 860 |
| Amneal Pharmaceuticals | Commercial | 780 |

## Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is the Town of Brookhaven (the "Town"). The information set forth below with respect to such Town, County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the District is necessarily representative of the Town, County and State or vice versa.

| Annual Averages: | Town of Brookhaven (%) | Suffolk County (%) | New York State (%) |
|---|---|---|---|
| 2017 | 4.5 | 4.4 | 4.6 |
| 2018 | 3.8 | 3.8 | 4.1 |
| 2019 | 3.6 | 3.6 | 3.8 |
| 2020 | 7.8 | 8.1 | 9.9 |
| 2021 | 4.5 | 4.6 | 6.9 |
| 2022 (4 Month Average) | 3.3 | 3.4 | 4.8 |

Source: New York State Department of Labor.

# INDEBTEDNESS OF THE DISTRICT

## Constitutional and Statutory Requirements

The State Constitution limits the power of the District (as well as other municipalities and school districts of the State) to issue obligations and contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the District and the Notes:

**Purpose and Pledge.** The District shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

**Payment and Maturity.** Except for certain short-term indebtedness contracted in anticipation of taxes (such as the Notes), indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for payment of principal of its serial bonds and bond anticipation notes.

**General.** The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the District so as to prevent abuses in the exercise of such powers; however, as has been noted under "Security and Source of Payment", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the District's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limit Law. See "Legal Matters" and "Tax Levy Limit Law," herein.

## Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the District to borrow and incur indebtedness through the enactment of the Local Finance Law, subject to the provisions set forth above. The power to spend money generally derives from other law, including specifically the Education Law and the General Municipal Law.

Pursuant to the Local Finance Law, the District authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the Board, the finance board of the District. Customarily, the Board has delegated to the President of the Board, as chief fiscal officer of the District, the power to authorize and sell bonds and bond anticipation notes in anticipation of the sale of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

(1) such obligations are authorized for a purpose for which the District is not authorized to expend money, or

(2) there has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations

and an action contesting such validity is commenced within twenty days after the date of such publication, or,

(3) such obligations are authorized in violation of the provisions of the State Constitution.

Except on rare occasions the District complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal restrictions (Constitution, Local Finance Law and case law) relating to the period of probable usefulness thereof.

The Board, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Statutory law in New York permits bond anticipation notes to be renewed each year, provided that annual principal installments are made in reduction of the total amount of such notes outstanding. These installments must commence no later than two years from the date of the first issuance of such notes, and such renewals may not extend more than five years beyond the original date of borrowing. See "Payment and Maturity" under "Constitutional Requirements" herein.

The Local Finance Law also contains provisions granting the District power to issue certain other short-term general obligation indebtedness, including revenue and tax anticipation notes and budget notes. See "Indebtedness of the District" herein.

There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. See "Tax Levy Limit Law" herein.

The following pages set forth certain details with respect to the indebtedness of the District.

**Computation of Debt Limit and Calculation of Total Net Indebtedness**
(As of June 28, 2022)

| In Town of: (2020-2021) | Assessed Valuation | State Equalization Rate (%) | Full Valuation |
|---|---|---|---|
| Brookhaven[a] | $15,511,534 | 0.74 | $2,096,153,243 |

| | |
|---|---|
| Debt Limit - 10% of Average Full Valuation | 209,615,324 |
| Inclusions:[b] | |
| Outstanding Bonds | $2,415,000 |
| Bond Anticipation Notes | 0 |
| Total Indebtedness | $2,415,000 |
| Exclusions (Estimated Building Aid)[c] | 1,886,115 |
| Total Net Indebtedness | 528,885 |
| Net Debt Contracting Margin | $209,086,439 |
| Percent of Debt Contracting Margin Exhausted | 0.25% |

a. The State Constitution does not provide for the inclusion of tax anticipation or revenue anticipation notes in the computation of the statutory debt limit of the District.

b. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive.

**Details of Short-Term Indebtedness Outstanding**

The District has no short-term indebtedness outstanding.

**Debt Service Requirements - Outstanding Bonds[a]**

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $745,000 | $99,913 | $844,913 |
| 2023 | 590,000 | 66,713 | 656,713 |
| 2024 | 620,000 | 39,513 | 659,513 |
| 2025 | 80,000 | 10,813 | 90,813 |
| 2026 | 80,000 | 9,113 | 89,113 |
| 2027 | 75,000 | 7,313 | 82,313 |
| 2028 | 75,000 | 5,625 | 80,625 |
| 2029 | 75,000 | 3,844 | 78,844 |
| 2030 | 75,000 | 1,969 | 76,969 |
| Totals | $2,415,000 | $244,813 | $2,659,813 |

a. Does not reflect payments made to date.

**Installment Purchase Debt[a]**

| Fiscal Year Ending June 30: | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $264,918 | $42,403 | $307,321 |
| 2023 | 271,287 | 36,033 | 307,320 |
| 2024 | 277,810 | 29,511 | 307,321 |
| 2025-2028 | 1,025,998 | 49,625 | 1,075,623 |
| Totals | $1,840,013 | $157,572 | $1,997,585 |

a. Does not include payments made to date.

**Operating Leases[a]**

| Fiscal Year Ending June 30: | Amount |
|---|---|
| 2022 | $54,117 |
| 2023 | 6,180 |
| Total | $60,297 |

a. Does not include payments made to date.

**Trend of District Indebtedness**

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Bonds | $7,020,000 | $5,395,000 | $3,765,000 | $3,130,000 | $2,415,000 |
| BANs | 0 | 0 | 0 | 0 | 0 |
| Other | 0 | 0 | 0 | 0 | 0 |
| Total | $7,020,000 | $5,395,000 | $3,765,000 | $3,130,000 | $2,415,000 |

**Tax Anticipation Notes**

The District has generally found it necessary to borrow from time to time in anticipation of taxes, which borrowing is necessitated by the schedule of real property tax payments. The following is a history of such tax anticipation note borrowings for the five most recent fiscal years:

| Fiscal Year Ending June 30: | Amount | Issue | Maturity |
|---|---|---|---|
| 2018 | $7,400,000 | 07/27/2017 | 06/27/2018 |
| 2019 | 7,000,000 | 07/26/2018 | 06/27/2019 |
| 2020 | 10,500,000 | 07/11/2019 | 06/25/2020 |
| 2021 | 10,700,000 | 06/24/2020 | 06/24/2021 |
| 2022 | 11,900,000 | 7/15/2021 | 06/24/2022 |

**Authorized but Unissued Debt**

The District has no authorized but unissued debt.

**Calculation of Estimated Overlapping and Underlying Indebtedness**

| Overlapping Units | Date of Report | Percentage Applicable (%) | Applicable Total Indebtedness | Applicable Net Indebtedness |
|---|---|---|---|---|
| County of Suffolk | 07/14/2021 | 4.94 | $97,838,515 | $62,101,629 |
| Town of Brookhaven | 06/25/2021 | 2.10 | 11,298,420 | 11,029,200 |
| Mount Sinai Fire District | 12/31/2021 | 99.00 | 675,125 | 675,125 |
| Totals | | | $109,812,060 | $73,805,954 |

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

**Debt Ratios**
(As of June 28, 2022)

| | Amount | Per Capita[a] | Percentage of Full Value (%)[b] |
|---|---|---|---|
| Total Direct Debt | $ 2,415,000 | $ 199 | 0.12 |
| Net Direct Debt | 528,885 | 44 | 0.03 |
| Total Direct & Applicable Total Overlapping Debt | 112,227,060 | 9,247 | 5.35 |
| Net Direct & Applicable Net Overlapping Debt | 74,334,839 | 6,125 | 3.55 |

a. The current estimated population of the District is 12,137.
b. The full valuation of taxable real property in the District for 2020-21 is $2,096,153,243.

## FINANCES OF THE DISTRICT

**Due to the COVID-19 pandemic, the historical revenue and tax information set forth in this Official Statement may not be indicative of future results. See "Market Matters Affecting Financings of the Municipalities and School Districts of the State" herein.**

### Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2021. A copy of such report is included herein as Appendix E.

### Investment Policy

Pursuant to State law, including Sections 10 and 11 of the GML, the District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Education of the District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

### Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund and school lunch fund. In addition, a capital projects fund is used to record capital facility projects, while a trust and agency fund accounts for assets received by the District in a fiduciary capacity.

### Basis of Accounting

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

Source: Audited Financials of the District.

## Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See *"The Levy Limit Law"* herein).

On May 17, 2022, a majority of the voters of the District approved the District's budget for the 2022-2023 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2021-2022 and 2022-2023 may be found in Appendix A herein.

## Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

*Real Property Taxes*

See *"Tax Information"* herein.

*State Aid*

In addition to the amount of State aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See "*STAR – School Tax Exemption*" herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. During the 2012 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 fiscal year, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2022-2023 Enacted Budget continues authorization for a process by which the State would manage significant reductions in federal aid during Federal fiscal year 2023 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by $850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by $850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which were effective in the 2018 tax year. The new federal tax law made extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State's 2018-2019 Enacted Budget included legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State's 2018-2019 Enacted Budget included legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. In response to various state initiatives following changes to federal taxes and deductibility, the Department of Treasury (Treasury Department) and the Internal Revenue Service (the "IRS") have provided guidance regarding state initiatives that would seek to circumvent the new statutory limitation on state and local tax deductions and characterization of payments for federal income tax purposes. The final regulation prohibits the use of programs implemented in some states in which taxpayers receive a credit against their state income taxes for donations made to charitable funds set up by the state in an attempt to reduce the impact of the federal cap on state and local tax deductions. The District has not exercised this option and has no plans to do so in the foreseeable future.

Reductions in federal funding levels could have a materially adverse impact on the State budget. In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

<u>*Litigation regarding apportionment of State aid.*</u> In January 2001, the State Supreme Court issued a decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York* mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation in 2006, the Court of Appeals held that $1.93 billion of additional funds for the New York City schools - as initially proposed by the Governor and presented to the State Legislature as an amount sufficient to provide a sound basic education - was reasonably determined. State legislative reforms enacted in the wake of the decision in *Campaign for Fiscal Equity* ("CFE") v. *State of New York*, included increasing accountability for expenditure of State funds and collapsing over 30 categories of school aid into one classroom operating formula referred to as Foundation Aid. Foundation Aid prioritizes funding distribution based upon student need.

Litigation is continuing however as a statewide lawsuit entitled *New Yorkers For Students' Educ. Rights (NYSER)* v. *State of New York* was filed on behalf of the State's public-school students. The lawsuit asserts that the State has failed to comply with the decision of the New York State Court of Appeals in *CFE* v. *State of New York*. The complaint asks the court for an order requiring the State to immediately discontinue the cap on State aid increases and the supermajority requirements regarding increases in local property tax levies. The complaint also asks the court to order the State to develop a new methodology for determining the actual costs of providing all students the opportunity for a sound basic education, revise the State funding formulas to ensure that all schools receive sufficient resources, and ensure a system of accountability that measures whether every school has sufficient resources and that all students are, in fact, receiving the opportunity to obtain a sound basic education. On June 27, 2017, the Court of Appeals ruled that NYSER's claims that students in New York City and Syracuse are being denied the opportunity for a sound basic education could go to trial and that NYSER could rely upon the CFE decision in its arguments. It is not possible to predict the outcome of this litigation.

**Recent Events Affecting State Aid to New York School Districts**

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 pandemic has affected and is expected to continue to affect State aid to school districts.

*School district fiscal year (2016-2017):* The State's 2016-2017 Budget included a school aid increase of $991 million over 2015-2016, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the State's 2016-2017 Budget included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment (the "GEA"). The majority of the remaining increase ($100 million) related to Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. Such funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

*School district fiscal year (2017-2018)*: The State's 2017-2018 Budget provided for school aid of approximately $25.8 billion, an increase of $1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State's 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans.

*School district fiscal year (2018-2019):* The State's 2018-2019 Budget provided for school aid of approximately $26.7 billion, an increase of approximately $1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018¬2019 Budget continued to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

*School district fiscal year (2019-2020):* The State's 2019-2020 Budget included a total of $27.9 billion for School Aid, a year-to-year funding increase of approximately $1.2 billion. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by approximately 4.5% and building aid increased by approximately 3.7%. The State 2019¬2020 Enacted Budget continued to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans in compliance with Education Law Section 3012-d.

*School district fiscal year (2020-2021):* Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased Federal support. This reduction in State Operating Funds support was offset by approximately $1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 was approximately $27.9 billion, an annual increase of approximately $100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over $200 million in support for competitive grant programs, including $1 million for development of a new Civics Education curriculum and $10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid were continued under existing aid formulas. Out-year growth in School Aid reflected current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State aid, in the event that actual State revenues came in below 99% percent of estimates or if actual disbursements exceeded 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget and recent releases by the State regarding the projected revenue shortfalls in such budget.

*School district fiscal year (2021-2022):* For the 2021-2022 school year, the State's Enacted budget provided $29.5 billion in State funding to school districts for the 2021-2022 school year through School Aid, the highest level of State aid ever, supporting the operational costs of school districts that educate 2.5 million students statewide. This investment represents an increase of 11.3% ($3.0 billion) compared to the 2020-2021 school year, including a $1.4 billion (7.6%) Foundation Aid increase. The Enacted budget would allocate $13 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, will help schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The Budget allocates $629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the Budget used $105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-2022 school year.

*School district fiscal year (2022-2023):* For the 2022-2023 school year, the State's Enacted provides $31.3 billion in State funding to school districts for the 2022-23 school year the highest level of State aid ever. This represents a year-to-year funding increase of $2.1 billion or 7.07%. and includes $21.4 billion of Foundation Aid which increased 8.1% from 2021-22. The 2022-23 school year increase in Foundation Aid primarily reflects the second year of the three-year phase-in of full funding of the current Foundation Aid formula. The Enacted Budget also increases the State's annual investment in prekindergarten to $1.1 billion, an increase of $125 million, or 13%. The Budget also includes a total of $100 million of matching funds over two years to be provided to school districts and BOCES with the highest needs to address student wellbeing and learning loss in response to the trauma brought about by the COVID-19 pandemic. This includes support for extended school day or school year programs, afterschool programs, mental health professionals and other locally determined initiatives.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State. The District's allocation of funds is $3.5 million. The District has spent approximately $266,000 of such amount.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Risk Factors*" herein).

The following table sets forth the percentage of the District's General Fund revenue comprised of State aid for each of the fiscal years 2017 through 2021, and the 2022 budget.

| Fiscal Year Ending June 30: | General Fund Total Revenue | State Aid | State Aid to Revenues (%) |
|---|---|---|---|
| 2017 | $56,693,898 | $17,534,296 | 30.93 |
| 2018 | 57,737,692 | 17,849,594 | 30.91 |
| 2019 | 59,177,464 | 18,319,021 | 30.96 |
| 2020 | 59,675,894 | 18,095,198 | 30.32 |
| 2021 | 60,048,999 | 17,534,879 | 29.20 |
| 2022 (Budgeted)[a] | 62,581,830 | 18,000,000 | 28.76 |

a. Budgeted revenues include the application of reserves and fund balance.
b. The District's 2021-2022 proposed budget was approved by the voters on May 17, 2022.

## Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

## The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that the State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 10.0%, Environmental Score: 5.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released June 1, 2018. The purpose of such audit was to determine whether the Board and District officials effectively managed general fund balance for the period July 1, 2014 – October 31, 2017. The complete report, along with the District's response, may be found on the OSC's official website. Reference to this website implies no warranty of accuracy of information therein.

## Employee Pension System

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. ERS employees contribute 3% of their salaries and TRS employees contribute 3.5% of their salaries. There is no provision for these employee contributions to cease after a certain period of service.

On March 16, 2012, then Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. This new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; As of April 9, 2022, Tier 5 and 6 members only need five years of service credit to be vested. This affects members of both ERS and PFRS. Previously, Tier 5 and 6 members needed ten years of service to be eligible for a service retirement benefit; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at $15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of $75,000 or more.

vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at $15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of $75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, various forms of legislation have been enacted that permitted school districts to amortize a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the budgeted contributions for the current fiscal years and budgeted contributions for the current fiscal year.

| Fiscal Year Ending June 30: | TRS | ERS |
|---|---|---|
| 2017 | $2,911,730 | $489,046 |
| 2018 | 2,483,394 | 511,419 |
| 2019 | 2,665,519 | 521,399 |
| 2020 | 2,350,000 | 578,599 |
| 2021 | 2,474,557 | 540,317 |
| 2022 (Budgeted) | 2,832,100 | 605,000 |

Source: Audited Financial Statements.

## Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School Districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The District's total OPEB liability as of June 30, 2021 is as follows:

| Changes in the Total OPEB Liability | Fiscal Year Ending June 30, 2021: |
|---|---|
| Balance as of June 30, 2020 | $119,952,065 |
| Changes for the year: | |
| Service Cost | 4,968,188 |
| Interest | 2,735,529 |
| Changes of Benefit Terms | -877,805 |
| Differences Between Actual and Expected Experience | (6,536,959) |
| Changes in assumptions or other inputs | (2,665,933) |
| Benefit payments | (2,293,856) |
| Total Changes | ($4,670,836) |
| Total OPEB liability as of June 30, 2021 | $115,281,229 |

The OSC has recently proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The District cannot predict at this time whether such proposed legislation will be enacted into law. At this time, the State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

## TAX INFORMATION

### Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town. Assessment valuations are determined by the Town assessor and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations. (However, see "*The Tax Levy Limit Law*" herein).

The following table sets forth real property taxes as a percentage of the District's General Fund revenue (excluding other financing sources) for each of the fiscal years 2017 through 2021 inclusive and for the 2022 fiscal year, based upon the District's adopted or proposed budget for each year.

| Fiscal Year Ending June 30: | Total Revenue | Real Property Taxes | Real Property Taxes to Revenues (%) |
|---|---|---|---|
| 2017 | $56,693,898 | $33,656,867 | 59.37 |
| 2018 | 57,737,692 | 34,426,359 | 59.63 |
| 2019 | 59,177,464 | 35,448,601 | 59.90 |
| 2020 | 59,675,894 | 36,970,332 | 61.95 |
| 2021 | 60,048,999 | 37,737,429 | 62.84 |
| 2022 (Budgeted)[a] | 62,581,830 | 42,198,635 | 67.43 |

a. Budgeted revenues include the application of reserves and fund balance.

### Tax Collection Procedure

Property taxes for the District, together with County, Town and fire District taxes, are collected by the Town Tax Receivers. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and 10% after May 31.

The Town Tax Receivers distribute the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receiver and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

### The Tax Levy Limit Law

Chapter 97 of the Laws of 2011, as amended, (herein referred to as the "Tax Levy Limit Law" or "Law") modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusions do NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

**STAR - School Tax Exemption**

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts are reimbursed in full by the State for real property taxes exempted pursuant to the STAR program on or before the first business day of January in each year.

Approximately 9% of the District's 2020-2021 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Based on information furnished to the District, approximately 9% of the District's 2021-2022 and 2022-2023 school tax levy is expected to be exempted by the STAR program. (See "*State Aid*" herein).

**Valuations, Rates Levies and Collections**

| Fiscal Year Ending June 30: | Assessed Valuation | State Equal. Rate (%) | Full Valuation | Tax Rate Per $1,000 Assessed Valuation | Tax Levy |
|---|---|---|---|---|---|
| 2018 | $15,413,649 | 0.86 | $1,792,284,767 | $2,602.70 | $34,426,359 |
| 2019 | 15,468,595 | 0.79 | 1,958,050,000 | 2,642.28 | 35,448,601 |
| 2020 | 15,442,384 | 0.77 | 1,954,732,152 | 2,677.13 | 36,970,332 |
| 2021 | 15,474,721 | 0.74 | 2,091,178,514 | 2,723.88 | 37,737,429 |
| 2022 | 15,511,534 | 0.74 | 2,096,153,243 | 2,668.76 | 41,396,602 |

**Selected Listing of Large Taxable Properties**
2020-2021 Assessment Roll

| Name | Type | Assessed Valuation |
|---|---|---|
| Long Island Power Authority | Utility | $253,339 |
| Sinai Properties LLC | Commercial | 190,000 |
| Crystal Brook Park Association | Community | 124,488 |
| Keyspan | Utility | 55,325 |
| PSAC Development Partners | Commercial | 44,000 |
| Club Corp Willow Creek LLC | Commercial | 39,990 |
| JAJ 25A LLC | Commercial | 39,105 |
| Aldrich Management Co LLC | Commercial | 24,000 |
| Chung Wo Properties Co. | Commercial | 23,000 |
| Mt. Sinai Commercial LLC | Commercial | 22,590 |
| Verizon, New York Inc. | Utility | 20,987 |
| Dandey Real Estate Corp. | Commercial | 20,300 |
| Raymond & Victoria Menna | Residential | 15,710 |
| Min-Al Properties Inc. | Commercial | 15,200 |
| Oakwood Family Partners, LLC. | Commercial | 13,850 |
| | Total | $901,884 |

a. Represents 5.83% of the total assessed valuation of the District for 2020-2021.
Source: Town Assessment Rolls.

## LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

There is no action suit, proceeding or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the District, threatened against or affecting the District to restrain or enjoin the issuance, sale or delivery of the Notes or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Notes or any proceedings or authority of the District taken with respect to the authorization, issuance or sale of the Notes or contesting the corporate existence or boundaries of the District.

## CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

On September 24, 2019, the District experienced a cyber incident as a result of a ransomware attack in which the attackers encrypted and locked data. The District engaged a data attorney to help manage the forensic analysis and implications of the findings. Based upon the District's review, no personal or financing information was breached; however, data stored on the affected server was lost but was restored by backup system that were in place. The attack did not impact the District's financial software or banking information. The District undertook a comprehensive "wiping" of all systems and put in three additional security systems and strengthened its security design by partitioning the network to only allow necessary data between the partitions.

In addition, the District hired a prominent engineering firm to more effectively manage the District's network and technology infrastructure. The District did not pay ransom; however, it did incur approximately $32,000 in out-of-pocket costs related to the foregoing.

## MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES AND SCHOOL DISTRICTS OF THE STATE

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The District's credit rating could be affected by circumstances beyond the District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell all or a part of the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of a holder to potentially incur a capital loss if such Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received. The District's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State aid to municipalities and school districts. Should the District fail to receive all or a portion of the amounts of State aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State aid or its elimination, the District is authorized pursuant to the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of such uncollected State aid, however, there can be no assurance that, in such event, the District will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State aid would likely have a materially adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" under "FINANCIAL INFORMATION" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (See "*TAX MATTERS*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Notes. (See "*The Tax Levy Limit Law*" under "TAX INFORMATION" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the District could impair the financial condition of such entities, including the District and the ability of such entities, including the District to pay debt service on the Notes.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 outbreak and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein).

## TAX MATTERS

### Tax Exemption

The delivery of the Notes is subject to the opinion of Bond Counsel to the effect that interest on the Notes for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate (the "Tax Certificate") dated the date of delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance by the District with the provisions of the Tax Certificate subsequent to the issuance of the Notes. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the IRS with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Notes is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the District may have different or conflicting interests from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

In the opinion of Bond Counsel, under existing law interest on the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof (including The City of New York).

Except as described above, Bond Counsel expresses no opinion with respect to any federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change so as to reduce or eliminate the benefit to holders of the Notes of the exclusion of interest thereon from gross income for federal income tax purposes. Proposed legislative or administrative action, whether or not taken, could also affect the value and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed changes in tax law.

### Tax Accounting Treatment of Discount and Premium on Certain Notes

The initial public offering price of certain Notes (the "Discount Notes") may be less than the amount payable on such Notes at maturity. An amount equal to the difference between the initial public offering price of a Discount Note (assuming that a substantial amount of the Discount Notes of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Note. A portion of such original issue discount allocable to the holding period of such Discount Note by the initial purchaser will, upon the disposition of such Discount Note (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Notes described above under "Tax Exemption". Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Note, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Note and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income. Owners of Discount Notes should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Notes.

The purchase price of certain Notes (the "Premium Notes") paid by an owner may be greater than the amount payable on such Notes at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Note over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Note in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Note. The amount of premium which is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity. Purchasers of the Premium Notes should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Notes for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Notes.

Notice 94-84, 1994-2 C.B. 559, states that the IRS is studying whether the stated interest portion of the payment at maturity on a short-term debt obligation (such as the Notes), that matures not more than one year from the date of issue, bears a stated fixed rate of interest and is described in section 103(a) of the Code, is (i) qualified stated interest that is excluded from the stated redemption price at maturity of the obligation (within the meaning of section 1273 of the Code) but is excluded from gross income pursuant to section 103(a) of the Code, or (ii) is not qualified stated interest and, therefore, is included by the taxpayer in the stated redemption price at maturity of the obligation, creating or increasing (as to that taxpayer) original issue discount on the obligation that is excluded from gross income pursuant to section 103(a) of the Code. Notice 94-84 states that until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, a taxpayer holding such obligations may treat the stated interest payable at maturity either as qualified stated interest or as included in the stated redemption price at maturity of the obligation. However, the taxpayer must treat the amounts to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Notice 94-84 does not address various aspects necessary to the application of the latter method (including, for example, the treatment of a holder acquiring its Note other than in the original public offering or at a price other than the original offering price). Each person considering acquiring the Notes should consult its own tax advisor with respect to the tax consequences of ownership of and of the election between the choices of treatment of the stated interest payable at maturity on the Notes.

## LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the unqualified legal opinion of Norton Rose Fulbright US LLP, New York, New York, Bond Counsel. Such legal opinion will be delivered in substantially the form attached hereto as Appendix D.

## MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Financial Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor serves as independent financial advisor to the District on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

## OTHER MATTERS

The statutory authority for the District to borrow money in anticipation of the receipt of real property taxes and to issue tax anticipation notes is Section 24.00 of the Local Finance Law.

There is no bond or note principal or interest past due.

The fiscal year of the District is July 1 to June 30.

This Official Statement does not include the financial data of any political subdivision of the State having power to levy taxes within the District, except as expressed in the "Calculation of Estimated Overlapping and Underlying Indebtedness."

## ADDITIONAL INFORMATION

Additional information may be obtained from the office of Linda Jensen, the Assistant Superintendent for Business of the Mount Sinai Union Free School District, P.O. Box 397, North Country Road, Mount Sinai, New York 11766, telephone number 631/870-2561, email: Ljensen@Mtsinai.k12.ny.us or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing with regard to the Notes is to be construed as a contract with the holders of the Notes.

Except for its review of the descriptions of the terms of the Notes and its approving legal opinion to be rendered on the Notes as Bond Counsel to the District, Norton Rose Fulbright US LLP has not participated in the preparation of this Official Statement, nor verified the accuracy, completeness or fairness of the information contained herein, and accordingly, expresses no opinion with respect thereto.

The preparation and distribution of this Official Statement has been approved by the President of the Board of Education of the District pursuant to the power delegated to him by the authorizing Bond resolution to sell and deliver the Notes.

This Official Statement has been duly executed and delivered by the President of the Board of Education of the Mount Sinai Union Free School District.

________________________________
President of the Board of Education
Mount Sinai Union Free School District
Mount Sinai, New York

July , 2022

# APPENDIX A

# FINANCIAL INFORMATION

## Balance Sheet
### General Fund

| | Fiscal Year Ended June 30: | | |
|---|---|---|---|
| | 2019 | 2020 | 2021 |
| Assets: | | | |
| Unrestricted | $ 6,205,070 | $ 18,591,148 | $ 3,326,631 |
| Restricted | 7,966,380 | 9,007,269 | 12,945,453 |
| Accounts Receivable | 21,446 | 9,217 | 9,708 |
| Due From Other Funds | 1,702,134 | 833,177 | 4,151,884 |
| Due from State and Federal | 1,864,844 | 1,911,243 | 2,223,135 |
| Due Other Governments | 147,106 | 131,271 | 13,657 |
| Total Assets | $ 17,906,980 | $ 30,483,325 | $ 22,670,468 |
| Liabilities: | | | |
| Accounts Payable | 749,734 | 905,084 | 509,619 |
| Accrued Liabilities | 406,366 | 534,005 | 833,730 |
| Due to Other Funds | | 394,932 | |
| Due to Other Governments | 1,916 | 3,486 | 355,572 |
| Due to Teachers' Retirement System | 2,762,595 | 2,346,706 | 2,608,197 |
| Due to Employees' Retirement System | 145,878 | 132,325 | 147,700 |
| Compensated Absences Payable | 724,041 | 588,659 | 809,015 |
| Other Liabilities | | | 36,753 |
| Collections in Advance | 17,076 | | |
| Notes Payable | | 10,700,000 | |
| Deferred Revenues | 109,038 | 354,779 | 100,712 |
| Total Liabilities | 4,916,644 | 15,959,976 | 5,401,298 |
| Fund Balance: | | | |
| Restricted | | | |
| Workers Compensation | 203,615 | 204,329 | 204,378 |
| Retirement Contribution | 1,802,498 | 1,815,361 | 1,815,585 |
| Employee Benefits Accrued Liability | 3,509,329 | 3,540,744 | 3,541,213 |
| Capital | 2,450,938 | 2,548,366 | 7,384,277 |
| Assigned: | | | |
| Appropriated Fund Balance | 1,511,035 | 1,868,268 | 1,778,195 |
| Unappropriated Fund Balance | 48,338 | 191,421 | 42,248 |
| Unassigned: Fund Balance | 3,464,583 | 4,354,860 | 2,503,274 |
| Total Fund Balances | 12,990,336 | 14,523,349 | 17,269,170 |
| Total Liabilities, Deferred Inflows of Resources & Fund Balances | $ 17,906,980 | $ 30,483,325 | $ 22,670,468 |

Source: Audited Annual Financial Reports of the District (2019-2021)

**Statement of Revenues, Expenditures and Fund Balances**
**General Fund**

| | Fiscal Year End June 30: 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Real Property Taxes | $ 33,656,867 | $ 34,426,359 | $ 35,448,601 | $ 36,970,332 | $ 37,737,429 |
| Other Tax Items | 5,035,828 | 4,926,721 | 4,670,956 | 4,052,219 | 3,695,433 |
| Charges for Services | 175,490 | 127,550 | 259,928 | 176,652 | 46,949 |
| Use of Money and Property | 56,488 | 127,151 | 179,658 | 138,229 | 8,209 |
| Forfeitures | 1,714 | 3,223 | 11,075 | 100 | 1,883 |
| Sale of Property & Compensation for Loss | 3,813 | 1,898 | 2,764 | 1,310 | 1,272 |
| Miscellaneous | 225,289 | 264,400 | 283,807 | 237,660 | 802,858 |
| State Sources | 17,534,296 | 17,849,594 | 18,319,021 | 18,095,198 | 17,534,879 |
| Medicaid Reimbursement | 4,113 | 10,796 | 1,654 | 4,194 | 1,343 |
| Federal Sources | | | | | 218,744 |
| Total Revenues | 56,693,898 | 57,737,692 | 59,177,464 | 59,675,894 | 60,048,999 |
| Expenditures: | | | | | |
| General Support | 4,940,010 | 5,348,189 | 5,897,519 | 5,566,099 | 5,989,986 |
| Instruction | 33,477,296 | 34,775,182 | 34,261,866 | 34,646,588 | 35,487,085 |
| Pupil Transportation | 3,531,582 | 3,911,427 | 4,098,367 | 3,701,495 | 3,666,638 |
| Community Services | 3,039 | 3,349 | 2,904 | 13,820 | 170 |
| Employee Benefits | 10,381,729 | 10,455,838 | 11,010,268 | 10,861,425 | 11,022,437 |
| Debt Service | 2,499,274 | 2,463,391 | 2,421,894 | 1,372,473 | 1,357,846 |
| Total Expenditures | 54,832,930 | 56,957,376 | 57,692,818 | 56,161,900 | 57,524,162 |
| Other Financing Sources (Uses): | | | | | |
| Interfund Transfers In | | | | 49,806 | 277,151 |
| Interfund Transfers Out | (77,303) | (5,078,458) | (829,487) | (2,030,787) | (56,167) |
| Total Other Financing Sources (Uses) | (77,303) | (5,078,458) | (829,487) | (1,980,981) | 220,984 |
| Net Change In Fund Balances | 1,783,665 | (4,298,142) | 655,159 | 1,533,013 | 2,745,821 |
| Other Changes In Fund Balances: | | | | | |
| Decrease: Prior Period Adjustment | | | | | |
| Fund Balance Beg. of Fiscal Year | 14,849,654 | 16,633,319 | 12,335,177 | 12,990,336 | 14,523,349 |
| Fund Balance End of Fiscal Year | $ 16,633,319 | $ 12,335,177 | $ 12,990,336 | $ 14,523,349 | $ 17,269,170 |

Sources: Audited Annual Financial Reports of the District (2017-2021)
Note: This Schedule NOT audited.

**Budget Summaries**

| | Fiscal Year End June 30: 2021-22[2] | 2022-23[1] |
|---|---|---|
| Revenues: | | |
| Real Property Taxes | $ 42,198,635 | $ 43,049,288 |
| State Aid | 18,000,000 | 18,300,000 |
| Appropriation of Fund Balance from Prior Fiscal Year | 1,778,195 | 1,879,182 |
| Appropriate Reserve ERS | 205,000 | 205,000 |
| Miscellaneous Items | 400,000 | 400,000 |
| Total Revenues | $ 62,581,830 | $ 63,833,470 |
| Expenditures: | | |
| General Support | $ 3,211,030 | $ 3,528,150 |
| Instruction | 41,162,460 | 41,483,542 |
| Pupil Transportation | 4,091,255 | 4,521,165 |
| Community Services | 81,500 | 81,500 |
| Interfund Transfers | 120,000 | 105,000 |
| Employee Benefits | 12,433,345 | 12,814,075 |
| Debt Service | 1,482,240 | 1,300,038 |
| Total Expenditures | $ 62,581,830 | $ 63,833,470 |

1. Approved by the voters of the District on May 17, 2022.
2. Approved by the voters of the District on May 18, 2021.

# APPENDIX B

# CASH FLOW SUMMARY

# MOUNT SINAI UNION FREE SCHOOL DISTRICT

## CASH FLOW ACTUAL 2021-2022 (000's)
## (ACTUAL THROUGH MAY 2022)

| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance | 8,209 | 18,868 | 16,890 | 15,388 | 12,864 | 10,441 | 9,858 | 25,606 | 24,862 | 21,665 | 23,076 | 21,120 | 8,209 |
| Receipts | | | | | | | | | | | | | |
| Property Taxes | 0 | 0 | 0 | 0 | 0 | 1,679 | 18,785 | 3,410 | 656 | 472 | 3,070 | 12,485 | 40,557 |
| STAR Payment | 0 | 0 | 0 | 0 | 0 | 0 | 3,443 | 0 | 0 | 0 | 0 | 0 | 3,443 |
| State Aid | 1,539 | 0 | 1,623 | 2,640 | 316 | 1,249 | 142 | 78 | 1,062 | 5,986 | 0 | 1,082 | 15,717 |
| Other Receipts | 742 | 38 | 129 | 142 | 2,090 | 554 | 332 | 72 | 272 | 37 | 246 | 761 | 5,415 |
| TAN Proceeds | 11,900 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,900 |
| Total Receipts | 14,181 | 38 | 1,752 | 2,782 | 2,406 | 3,482 | 22,702 | 3,560 | 1,990 | 6,495 | 3,316 | 14,328 | 77,032 |
| Disbursements | | | | | | | | | | | | | |
| Debt Service | 38 | 8 | 157 | 0 | 0 | 0 | 529 | 88 | 332 | 0 | 0 | 0 | 1,152 |
| Expenditures | 3,484 | 2,008 | 3,097 | 5,306 | 4,829 | 4,065 | 6,425 | 4,216 | 4,855 | 5,084 | 5,272 | 17,136 | 65,777 |
| TAN Repayment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,900 | 11,900 |
| Total Disbursements | 3,522 | 2,016 | 3,254 | 5,306 | 4,829 | 4,065 | 6,954 | 4,304 | 5,187 | 5,084 | 5,272 | 29,036 | 78,829 |
| Balance | 18,868 | 16,890 | 15,388 | 12,864 | 10,441 | 9,858 | 25,606 | 24,862 | 21,665 | 23,076 | 21,120 | 6,412 | 6,412 |
| Note Repayment Account | | | | | | | | | | | | | |
| Opening Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receipts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,900 | 11,900 |
| Disbursements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11,900 | 11,900 |
| Closing Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## MOUNT SINAI UNION FREE SCHOOL DISTRICT

## CASH FLOW PROJECTION 2022-2023 (000's)

| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance | 6,412 | 19,207 | 16,634 | 11,996 | 10,026 | 5,339 | 1,079 | 17,714 | 18,624 | 14,193 | 16,036 | 14,056 | 6,412 |
| Receipts | | | | | | | | | | | | | |
| Property Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 17,823 | 4,753 | 792 | 396 | 3,168 | 12,674 | 39,606 |
| STAR Payment | 0 | 0 | 0 | 0 | 0 | 0 | 3,443 | 0 | 0 | 0 | 0 | 0 | 3,443 |
| State Aid | 2,425 | 0 | 435 | 2,485 | 79 | 79 | 1,458 | 158 | 934 | 5,478 | 80 | 4,400 | 18,011 |
| Other Receipts | 57 | 38 | 126 | 42 | 41 | 229 | 284 | 914 | 218 | 37 | 246 | 379 | 2,611 |
| TAN Proceeds | 13,200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,200 |
| Total Receipts | 15,682 | 38 | 561 | 2,527 | 120 | 308 | 23,008 | 5,825 | 1,944 | 5,911 | 3,494 | 17,453 | 76,871 |
| Disbursements | | | | | | | | | | | | | |
| Debt Service | 26 | 7 | 154 | 0 | 0 | 0 | 536 | 87 | 154 | 0 | 0 | 0 | 964 |
| Expenditures | 2,861 | 2,604 | 5,045 | 4,497 | 4,807 | 4,568 | 5,837 | 4,828 | 6,221 | 4,068 | 5,474 | 11,628 | 62,438 |
| TAN Repayment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,200 | 13,200 |
| Total Disbursements | 2,887 | 2,611 | 5,199 | 4,497 | 4,807 | 4,568 | 6,373 | 4,915 | 6,375 | 4,068 | 5,474 | 24,828 | 76,602 |
| Balance | 19,207 | 16,634 | 11,996 | 10,026 | 5,339 | 1,079 | 17,714 | 18,624 | 14,193 | 16,036 | 14,056 | 6,681 | 6,681 |
| Note Repayment Account | | | | | | | | | | | | | |
| Opening Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receipts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,200 | 13,200 |
| Disbursements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,200 | 13,200 |
| Closing Balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

# APPENDIX C

# FORM OF UNDERTAKING TO DISCLOSE CERTAIN EVENTS

**EVENTS NOTICE CERTIFICATE**
**PURSUANT TO RULE 15c2-12 OF THE**
**SECURITIES AND EXCHANGE COMMISSION**

On the date hereof, the Mount Sinai Union Free School District, Suffolk County, New York (the "Issuer") is issuing its Notes (as defined herein). To facilitate compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "SEC") promulgated under the Securities Exchange Act of 1934, as amended by the underwriter (as defined in the Rule), the Issuer hereby undertakes for the benefit of the record and beneficial owners from time to time of the Notes (the "Holders") to provide:

**A.** ***Definitions.*** As used in this Undertaking, the following terms have the meanings ascribed to such terms below:

> *"Financial Obligation"* means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii); provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.
>
> "*Notes*" means the Issuer's $13,200,000 Tax Anticipation Note, 2022, dated July 20, 2022.
>
> "*Issuer*" means the Mount Sinai Union Free School District, Suffolk County, New York.
>
> "*MSRB*" means the Municipal Securities Rulemaking Board.
>
> "*Rule*" means SEC Rule 15c2-12, as amended from time to time.
>
> "*SEC*" means the United States Securities and Exchange Commission.
>
> "*Undertaking*" means this Events Notice Certificate.

**B.** ***Event Notices***. The Issuer shall provide notice of any of the following events with respect to the Notes to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes;

(7) Modifications to rights of holders of the Notes, if material;

(8) Bond or Note calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Notes, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below;

(13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

The Issuer shall electronically file with the MSRB, in a timely manner, notice of any failure by the Issuer to provide a notice described in "B", above, by the time required by this Undertaking.

**C.** ***Filings with the MSRB***. All notices and other documents provided to the MSRB in accordance with this Undertaking shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

**D.** ***Limitations, Disclaimers, and Amendments***. The Issuer shall be obligated to observe and perform the covenants specified in this Undertaking for so long as, but only for so long as, the Issuer remains an "obligated person" with respect to the Notes within the meaning of the Rule.

The provisions of this Undertaking are for the sole benefit of the holders and beneficial owners of the Notes, and nothing in this Undertaking, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Issuer undertakes to provide only the notices which it has expressly agreed to provide pursuant to this Undertaking and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Issuer's financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Undertaking or otherwise, except as expressly provided herein. The Issuer does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Notes at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY NOTE OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE ISSUER, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS UNDERTAKING, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Issuer in observing or performing its obligations under this Undertaking shall constitute a breach of or default on the Notes.

Nothing in this Undertaking is intended or shall act to disclaim, waive, or otherwise limit the duties of the Issuer under federal and state securities laws.

The provisions of this Undertaking may be amended by the Issuer from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Undertaking, as so amended, would have permitted an underwriter to purchase or sell Notes in the primary offering of the Notes in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Notes consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Notes. The Issuer may also repeal or amend the provisions of this Undertaking if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the Issuer also may amend the provisions of this Undertaking in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule.

IN WITNESS WHEREOF, I have hereunto set my hand this July 20, 2022.

____________________________________

President, Board of Education

# APPENDIX D

# FORM OF LEGAL OPINION

NORTON ROSE FULBRIGHT

July 20, 2022

Norton Rose Fulbright US LLP
1301 Avenue of the Americas
New York, New York 10019-6022
United States

Tel +1 212 318 3000
Fax +1 212 318 3400
nortonrosefulbright.com

Mount Sinai Union Free School District,
County of Suffolk,
State of New York

Re: Mount Sinai Union Free School District, Suffolk County, New York
$13,200,000 Tax Anticipation Notes, 2022

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of an issue of $13,200,000 Tax Anticipation Notes, 2022 (the “Obligation”), of the Mount Sinai Union Free School District, Suffolk County, New York (the “Obligor”), dated July 20, 2022, payable June 27, 2023, at maturity.

We have examined:

(1) the Constitution and statutes of the State of New York;

(2) the Internal Revenue Code of 1986 (the “Code”), including particularly Sections 103 and 141 through 150 thereof, and the applicable regulations of the United States Treasury Department promulgated thereunder;

(3) a tax certificate (the “Tax Certificate”) executed on behalf of the Obligor which includes, among other things, covenants, relating to compliance with the Code, with the owners of the Obligation that the Obligor will, among other things, (i) take all actions on its part necessary to cause interest on the Obligation not to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, restricting, to the extent necessary, the yield on investments made with the proceeds of the Obligation and investment earnings thereon, making required payments to the federal government, if any, and maintaining books and records in a specified manner, where appropriate, and (ii) refrain from taking any action which would cause interest on the Obligation to be includable in the gross income of the owners thereof for federal income tax purposes, including, without limitation, refraining from spending the proceeds of the Obligation and investment earnings thereon on certain specified purposes; and

(4) a certificate executed on behalf of the Obligor which includes, among other things, a statement that compliance with such covenants is not prohibited by, or violative of, any provision of local or special law, regulation or ordinance applicable to the Obligor.

We also have examined a certified copy of proceedings of the finance board of the Obligor and other proofs authorizing and relating to the issuance of the Obligation, including the form of the Obligation. In rendering the opinions expressed herein we have assumed (i) the accuracy and truthfulness of all public records, documents and proceedings, including factual information, expectations and statements contained therein, examined by us which have been executed or certified by public officials acting within the scope of their official capacities, and have not verified the accuracy or truthfulness thereof, and (ii) compliance by the Obligor with the covenants contained in the Tax Certificate. We also have assumed the genuineness of the signatures appearing upon such public records, documents and proceedings and the certifications thereof.

In our opinion:

(a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, without limitation as to rate or amount, except as to certain statutory limitations which may result from the application of Chapter 97 of the Laws of 2011 of the State of New York, as amended, provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights; and (ii) may be subject to the exercise of judicial discretion.

(b) The Obligor has the power to comply with its covenants with respect to compliance with the Code as such covenants relate to the Obligation; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said state or the federal government affecting the enforcement of creditors' rights.

(c) Under existing law, interest on the Obligation (1) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof for Federal income tax purposes, pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, assuming continuing compliance after the date hereof by the Obligor with the provisions of the Tax Certificate, and (2) will not be included in computing the Federal alternative minimum taxable income of the owners thereof. Under existing law, interest on the Obligation is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York).

We express no opinion with respect to any other federal, state or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Obligation. Ownership of tax-exempt obligations such as the Obligation may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law

NORTON ROSE FULBRIGHT

that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The scope of our engagement in relation to the issuance of the Obligation has extended solely to the examination of the facts and law incident to rendering the opinion expressed herein. Such opinion is not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Obligor, together with other legally available sources of revenue, if any, will be sufficient to enable the Obligor to pay the principal of or interest on the Obligation as the same respectively become due and payable. Reference should be made to the Official Statement prepared by the Obligor in relation to the Obligation for factual information which, in the judgment of the Obligor, could materially affect the ability of the Obligor to pay such principal and interest. While we have participated in the preparation of such Official Statement, we have not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, we express no opinion as to whether the Obligor, in connection with the sale of the Obligation, has made any untrue statement of a material fact or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Very truly yours,

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**

**APPENDIX E**

**AUDITED FINANCIAL STATEMENTS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORTS

June 30, 2021

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**

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VINCENT D. CULLEN, CPA
*(1950 – 2013)*

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

# INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Mount Sinai Union Free School District
Mount Sinai, New York

## Report on the Financial Statements

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

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

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

### *Auditor's Responsibility*

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

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

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

1650 ROUTE 112, PORT JEFFERSON STATION, NEW YORK 11776-3060

PHONE: 631-473-3400 FAX: 631-473-4863 WWW.CDLLP.NET

***Summary of Opinions***

| Opinion Unit | Type of Opinion |
|---|---|
| Governmental Activities | Unmodified |
| General Fund | Unmodified |
| Special Aid Fund | Unmodified |
| School Food Service Fund | Unmodified |
| Debt Service Fund | Unmodified |
| Capital Projects Fund | Unmodified |
| Extraclassroom Activities Fund | Qualified |
| Scholarships Fund | Unmodified |
| Fiduciary Fund | Unmodified |

***Basis for Qualified Opinion on the Extraclassroom Activities Fund***

The records of the extraclassroom activities fund of the Mount Sinai Union Free School District were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

***Qualified Opinion***

In our opinion, except for the effect of any adjustments that might have been necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the "Basis for Qualified Opinion on the Extraclassroom Activities Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the extraclassroom activities fund of the Mount Sinai Union Free School District, as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, other than the extraclassroom activities fund, and the fiduciary fund of the Mount Sinai Union Free School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Changes in Accounting Principles***

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as of June 30, 2021. Our opinion is not modified with respect to this matter.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 4 through 18 and 55 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mount Sinai Union Free School District's basic financial statements. The other supplementary information on pages 60 through 62 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021 on our consideration of the Mount Sinai Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Mount Sinai Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Mount Sinai Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

September 22, 2021

The Mount Sinai Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021 in comparison with the year ended June 30, 2020, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to the financial statements, which immediately follow this section.

## 1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by $9,461,660. This was due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.

- The District's expenses for the year, as reflected in the district-wide financial statements, totaled $71,221,608. Of this amount, $2,230,657 was offset by program charges for services, operating grants and contributions, and capital grants. General revenues of $59,529,291 amount to 96.4% of total revenues.

- The District's total net position at June 30, 2020 was restated and increased by $156,240, which is due to the required implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year.

- The District's general fund fund balance, as reflected in the fund financial statements was $17,269,170 at June 30, 2021. This balance represents a $2,745,821 increase (18.91%) over the prior year, due to an excess of revenues and other financing sources over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting. This enabled the District to increase restricted fund balances by $4,836,653. Unassigned fund balance decreased by $1,851,586 to $2,503,274 due to funding the capital reserve and COVID-19 related expenditures.

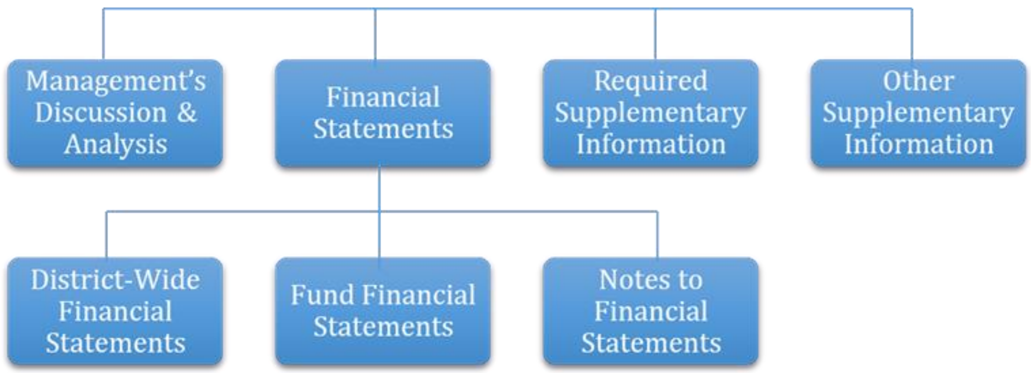
- The District was awarded funding under the Coronavirus Aid Relief and Economic Security (CARES) Act through the Elementary and Secondary School Emergency Relief (ESSER) Program and the Governor's Emergency Education Relief (GEER) Program in the amount of $218,744. The Districted applied for additional funding in the amount of $2,013,951 allocated under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, which awards were granted in August 2021.

- The District's 2021 property tax levy of $41,396,602 was a 1.0% increase over the 2020 tax levy, and was less than the District's property tax cap of 2.43%.

- On May 18, 2021, the proposed 2021-2022 budget in the amount of $62,581,830 was approved by the District's voters.

## 2. OVERVIEW OF THE FINANCIAL STATEMENTS

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




### A. District-Wide Financial Statements

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

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

<u>The Statement of Net Position</u>

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

<u>The Statement of Activities</u>

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

### B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

### A. Net Position

Certain balances at June 30, 2020 were adjusted as a result of the implementation of GASB Statement No. 84, *Fiduciary Activities*, which required the District to record activities in the Governmental Funds that had previously been recorded in the Fiduciary Funds. Consequently, the District now includes the agency fund activities in the general fund, the extraclassroom activities, and scholarships funds as separate governmental funds. The changes resulted in an increase to total net position. The following is a summary of these changes:

| | As Restated June 30, 2020 | As Reported June 30, 2020 | Increase (Decrease) |
|---|---|---|---|
| Current and Other Assets | $ 32,379,496 | $ 32,184,926 | $ 194,570 |
| Current and Other Liabilities | 15,607,906 | 15,569,576 | 38,330 |
| Restricted Net Position | 9,885,549 | 9,878,121 | 7,428 |
| Unrestricted Net Position (Deficit) | (77,281,350) | (77,430,162) | 148,812 |
| Total Net Position (Deficit) | (43,714,999) | (43,871,239) | 156,240 |

The District's total net position decreased by $9,461,660 between fiscal year 2020 and 2021. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

| | June 30, 2021 | As Restated June 30, 2020 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| **Assets** | | | | |
| Current and Other Assets | $ 22,853,574 | $ 32,379,496 | $ (9,525,922) | (29.42)% |
| Capital Assets, Net | 28,045,234 | 28,925,607 | (880,373) | (3.04)% |
| Net Pension Asset - Proportionate Share | | 3,906,600 | (3,906,600) | (100.00)% |
| Total Assets | 50,898,808 | 65,211,703 | (14,312,895) | (21.95)% |
| **Deferred Outflows of Resource** | 56,359,872 | 60,491,659 | (4,131,787) | (6.83)% |
| **Liabilities** | | | | |
| Current and Other Liabilities | 5,438,978 | 15,607,906 | (10,168,928) | (65.15)% |
| Long-Term Liabilities | 9,489,425 | 10,503,732 | (1,014,307) | (9.66)% |
| Net Pension Liabilities - Proportionate Share | 4,126,346 | 2,768,381 | 1,357,965 | 49.05 % |
| Total OPEB Liability | 115,281,229 | 119,952,065 | (4,670,836) | (3.89)% |
| Total Liabilities | 134,335,978 | 148,832,084 | (14,496,106) | (9.74)% |
| **Deferred Inflows of Resources** | 26,099,361 | 20,586,277 | 5,513,084 | 26.78 % |
| **Net Position (Deficit)** | | | | |
| Net Investment in Capital Assets | 23,790,220 | 23,680,802 | 109,418 | 0.46 % |
| Restricted | 14,352,263 | 9,885,549 | 4,466,714 | 45.18 % |
| Unrestricted (Deficit) | (91,319,142) | (77,281,350) | (14,037,792) | 18.16 % |
| Total Net Position (Deficit) | $ (53,176,659) | $ (43,714,999) | $ (9,461,660) | 21.64 % |

The decrease in current and other assets is primarily related to a decrease in cash. In the prior year the District received the proceeds of tax anticipation notes ($10,700,000) prior to year-end.

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

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. In the current year, the District's proportionate share shifted from an asset to a liability. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

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

The decrease in current and other liabilities is primarily the result of tax anticipation notes payable issued in the prior year before year-end.

The decrease in long-term liabilities is primarily related to the repayment of the current maturity of the bond and installment purchase indebtedness.

Net pension liabilities – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The District's share of the New York State Teachers' Retirement System's collective net pension liability is also included in the current year balance. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) liability decreased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

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

The restricted amount relates to the District's reserves. This number increased over the prior year principally due to the transfer into the reserves, offset by the use of reserves to fund operations and capital improvements.

The unrestricted deficit amount relates to the balance of the District's net position. Certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability.

## B. Changes in Net Position

The June 30, 2020 revenues for charges for services, operating grants and contributions, and instruction expenses were increased, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities,* as follows:

| | As Restated June 30, 2020 | As Reported June 30, 2020 | Increase (Decrease) |
|---|---|---|---|
| Charges for Services | $ 667,151 | $ 527,662 | $ 139,489 |
| Operating Grants & Contributions | 1,157,603 | 1,156,195 | 1,408 |
| Instruction Expenses | 59,394,299 | 59,224,119 | 170,180 |

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements School Tax Relief (STAR) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2021 and 2020 is as follows:

| | June 30, 2021 | As Restated June 30, 2020 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| **Revenues** | | | | |
| Program Revenues | | | | |
| Charges for Services | $ 425,673 | $ 667,151 | $ (241,478) | (36.20)% |
| Operating Grants & Contributions | 1,247,051 | 1,157,603 | 89,448 | 7.73 % |
| Capital Grants | 557,933 | 911,562 | (353,629) | (38.79)% |
| General Revenues | | | | |
| Property Taxes and STAR | 41,396,656 | 40,986,761 | 409,895 | 1.00 % |
| State Sources | 17,401,508 | 18,340,939 | (939,431) | (5.12)% |
| Other | 731,127 | 430,654 | 300,473 | 69.77 % |
| Total Revenues | 61,759,948 | 62,494,670 | (734,722) | (1.18)% |
| **Expenses** | | | | |
| General Support | 7,469,077 | 7,237,174 | 231,903 | 3.20 % |
| Instruction | 59,300,986 | 59,394,299 | (93,313) | (0.16)% |
| Pupil Transportation | 3,762,488 | 3,848,985 | (86,497) | (2.25)% |
| Community Service | 170 | 13,820 | (13,650) | (98.77)% |
| Debt Service - Interest | 294,825 | 332,284 | (37,459) | (11.27)% |
| Food Service Program | 394,062 | 534,045 | (139,983) | (26.21)% |
| Total Expenses | 71,221,608 | 71,360,607 | (138,999) | (0.19)% |
| Decrease in Net Position | $ (9,461,660) | $ (8,865,937) | $ (595,723) | 6.72 % |

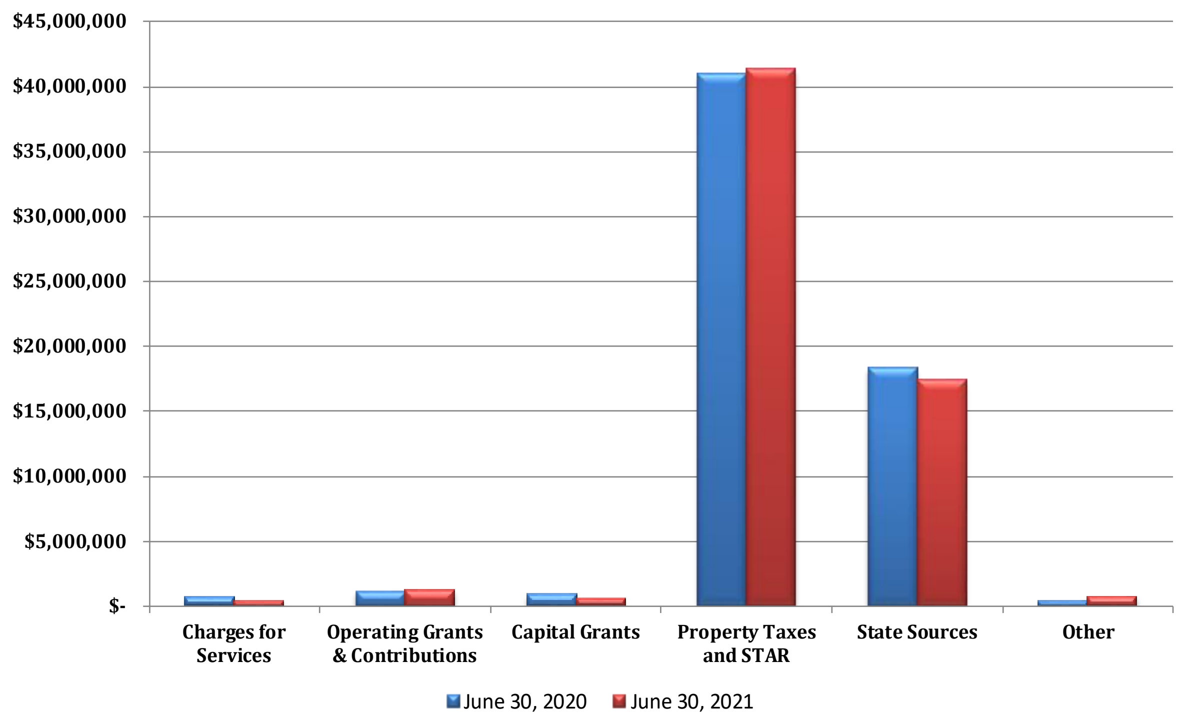
The District's net position decreased by $9,461,660 and $8,865,937 for the years ended June 30, 2021 and 2020, respectively.

The District's total revenues decreased by $734,722 or 1.18%. The main areas of decreases were charges for services, capital grants, and state sources, offset by an increase in property taxes and STAR.

The District's total expenses for the year decreased by $138,999 or 0.19%. The decrease in expenses is primarily due to the decreases in instruction, pupil transportation, and food service program costs, which is the result of the impact of the net change in pension and other postemployment benefits costs allocated, offset in part by expenses related to COVID-19.

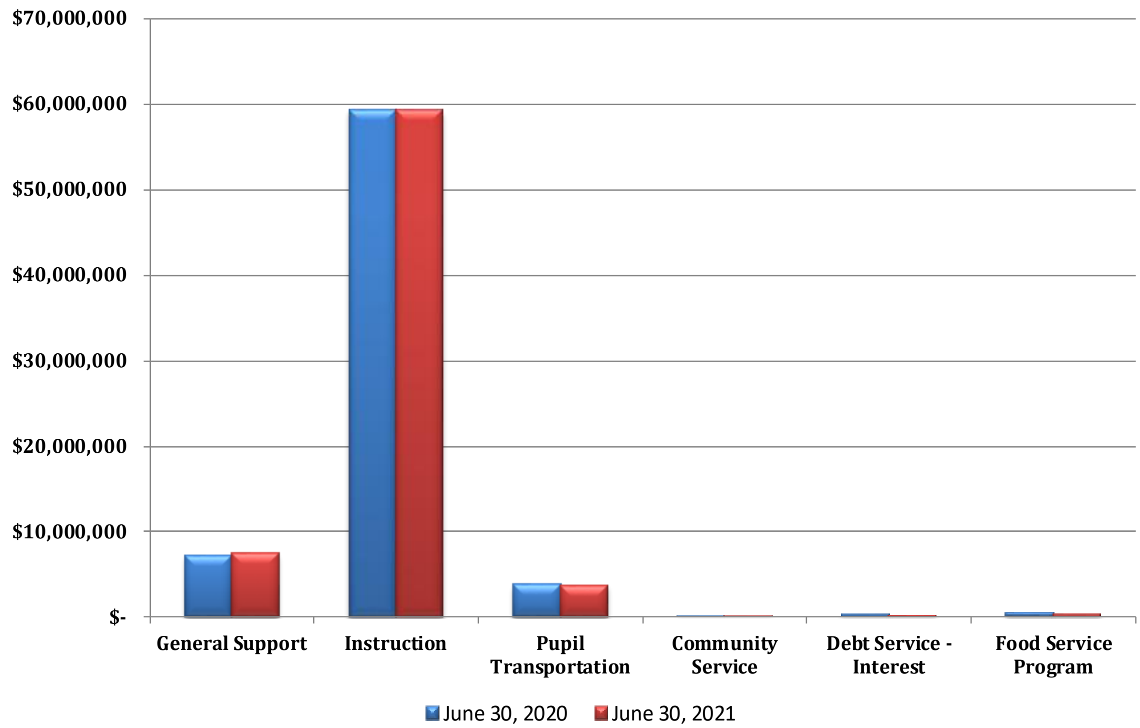
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 67.0% and 65.6% of the total for the years 2021 and 2020, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 83.2% of the total for the years 2021 and 2020, respectively).

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




| | Charges for Services | Operating Grants & Contributions | Capital Grants | Property Taxes and STAR | State Sources | Other |
|---|---|---|---|---|---|---|
| **June 30, 2020** | 1.1% | 1.9% | 1.5% | 65.6% | 29.3% | 0.6% |
| **June 30, 2021** | 0.7% | 2.0% | 0.9% | 67.0% | 28.2% | 1.2% |

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




| | General Support | Instruction | Pupil Transportation | Community Service | Debt Service - Interest | Food Service Program |
|---|---|---|---|---|---|---|
| **June 30, 2020** | 10.1% | 83.3% | 5.4% | 0.0% | 0.5% | 0.7% |
| **June 30, 2021** | 10.5% | 83.2% | 5.3% | 0.0% | 0.4% | 0.6% |

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

At June 30, 2021, the District's governmental funds reported a combined fund balance of $17,370,010, which is an increase of $1,577,495 over the prior year. This increase is due to an excess of revenues and other sources over expenditures and other uses using the current financial resources measurement focus and the modified accrual basis of accounting. The June 30, 2020 amounts were restated to include the extraclassroom activities and scholarships funds, as a result of the implementation of GASB Statement No. 84. A summary of the change in the components of fund balance by fund is as follows:

| | June 30, 2021 | As Restated June 30, 2020 | Increase (Decrease) | Percentage Change |
|---|---|---|---|---|
| **General Fund** | | | | |
| Restricted: | | | | |
| Workers' compensation | $ 204,378 | $ 204,329 | $ 49 | 0.02 % |
| Retirement contribution | | | | |
| Employees' retirement system | 1,815,585 | 1,815,361 | 224 | 0.01 % |
| Employee benefits accrued liability | 3,541,213 | 3,540,744 | 469 | 0.01 % |
| Capital | 7,384,277 | 2,548,366 | 4,835,911 | 189.77 % |
| Assigned: | | | | |
| Appropriated fund balance | 1,778,195 | 1,868,268 | (90,073) | (4.82)% |
| Unappropriated fund balance | 42,248 | 191,421 | (149,173) | (77.93)% |
| Unassigned: Fund balance | 2,503,274 | 4,354,860 | (1,851,586) | (42.52)% |
| | 17,269,170 | 14,523,349 | 2,745,821 | 18.91 % |
| **Special Aid Fund** | | | | |
| Unassigned: Fund balance (deficit) | (1,464,935) | | (1,464,935) | 100.00 % |
| **School Food Service Fund** | | | | |
| Nonspendable: Inventory | 22,477 | 17,041 | 5,436 | 31.90 % |
| Assigned: Unappropriated fund balance | 10,563 | 22,012 | (11,449) | (52.01)% |
| | 33,040 | 39,053 | (6,013) | (15.40)% |
| **Debt Service Fund** | | | | |
| Restricted: Debt | 291,515 | 291,477 | 38 | 0.01 % |
| **Capital Project Fund** | | | | |
| Restricted: Capital | 1,107,165 | 1,477,844 | (370,679) | (25.08)% |
| Unassigned: Fund balance (deficit) | | (695,448) | 695,448 | (100.00)% |
| | 1,107,165 | 782,396 | 324,769 | 41.51 % |
| **Extraclassroom Activities Fund** | | | | |
| Assigned: Unappropriated fund balance | 125,925 | 148,812 | (22,887) | (15.38)% |
| **Scholarships Fund** | | | | |
| Restricted: Scholarships | 8,130 | 7,428 | 702 | 9.45 % |
| Total Fund Balances | $ 17,370,010 | $ 15,792,515 | $ 1,577,495 | 9.99 % |

## A. General Fund

The net change in the general fund – fund balance is an increase of $2,745,821, compared to an increase of $1,533,013 in 2020. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

The District's revenues and other financing sources increased by $600,450 or 1.01%, as compared to the prior year. This increase is primarily attributable to the increase in property taxes, miscellaneous income and other financing sources, offset by decreases in STAR and state sources. The increase in property taxes is due to an increase in the tax levy in accordance with the 2020-2021 budget. The increase in miscellaneous income was primarily in refunds of prior year expenses and the TAN premium. The increase in federal sources was the result of grants under the CARES Act. The decrease in STAR is the result of eligibility requirements for the tax credit. The decrease in state sources is in part primarily related to a reduction in transportation aid for standby costs incurred during the period of May 8 through June 30, 2020.

Expenditures and other financing uses decreased by $612,358 or 1.05% from the prior year. This decrease was primarily due to a decrease in the transfer out to the capital projects fund, offset by increases in central services and instructional media. In the prior year, the District transferred $1,200,000 to the capital projects fund to fund voter-approved capital projects, which included the high school roof and the middle school HVAC.

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

| | Balance @ June 30, 2020 | (Use)/Return of Reserves | Interest | Funding | Balance @ June 30, 2021 | Appropriated for June 30, 2022 |
|---|---|---|---|---|---|---|
| Workers' compensation | $ 204,329 | $ | $ 49 | $ | $ 204,378 | $ |
| Retirement contribution | | | | | | |
| ERS | 1,815,361 | (205,000) | 224 | 205,000 | 1,815,585 | 205,000 |
| EBALR | 3,540,744 | (500,000) | 469 | 500,000 | 3,541,213 | |
| Capital | 2,548,366 | 277,151 | 291 | 4,558,469 | 7,384,277 | |
| | $ 8,108,800 | $ (427,849) | $ 1,033 | $ 5,263,469 | $ 12,945,453 | $ 205,000 |

Additional detail regarding capital reserves can be found in Note 20 "Restricted for Capital Reserve".

## B. Special Aid Fund

The net change in the special aid fund – fund balance is a decrease of $1,464,935, arising from the CARES Act Relief Program expenditures incurred. This deficit will be eliminated with the funding awarded by New York State under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act in August 2021.

## C. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of $6,013, which was the operating loss of the food service program.

## D. Debt Service Fund

The net change in the debt service fund – fund balance is an increase of $38 over the prior year, which represents interest earned on the fund balance.

### E. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of $324,769 over the prior year, due to state aid of $1,253,380 in excess of project expenditures of $651,460. In addition, $277,151 of unexpended capital reserve funds on completed projects was transferred back to the general fund - capital reserve.

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

| | Balance @ June 30, 2020 | Transfer of Reserves | Return of Unspent to General Fund | Use of Reserves | Balance @ June 30, 2021 |
|---|---|---|---|---|---|
| May 2018 | $ 1,477,844 | | $ (277,151) | $ (93,528) | $ 1,107,165 |

### F. Extraclassroom Activities Fund

The net change in the extraclassroom activities fund – fund balance is a decrease of $22,887, as a result of expenditures of $134,795 in excess of revenues of $111,908.

### G. Scholarships Fund

The net change in the scholarships fund – fund balance is an increase of $702, representing donations and interest income of $1,302 less scholarships awarded of $600.

## 5. <u>GENERAL FUND BUDGETARY HIGHLIGHTS</u>

### A. 2020-2021 Budget

The District's general fund adopted budget for the year ended June 30, 2021 was $61,769,870. This amount was increased by encumbrances carried forward from the prior year in the amount of $191,421 and budget revisions in the amount of $2,500,000, for a total final budget of $64,461,291.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $41,396,602 in estimated property taxes and STAR.

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

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

| | |
|---|---|
| Opening, Unassigned Fund Balance | $ 4,354,860 |
| Fund Balance Appropriated for Budget Revision | (2,000,000) |
| Revenues Over Budget | 629,548 |
| Expenditures and Encumbrances Under Budget | 6,838,714 |
| Allocation to Reserves | (5,264,502) |
| Appropriated to Fund the June 30, 2022 Budget | (1,778,195) |
| Closing, Unassigned Fund Balance | $ 2,503,274 |

Opening, Unassigned Fund Balance

The $4,354,860 shown in the table is the portion of the District's June 30, 2020 fund balance that was retained as unassigned.

Fund Balance Appropriated for Budget Revision

The District increased appropriations by $2,000,000, funded by unassigned fund balance. The increase was needed for contingent COVID related expenditures.

Revenues Over Budget

The 2020-2021 final budget for revenues and other sources was $59,696,602. Actual revenues and other sources recognized for the year were $60,326,150. The surplus of actual revenues over estimated or budgeted revenues was $629,548, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2020-2021 final budget for expenditures and other uses was $64,461,291. Actual expenditures and other uses as of June 30, 2021 were $57,580,329 and outstanding encumbrances were $42,248. Combined, the expenditures plus encumbrances for 2020-2021 were $57,622,577. The final budget variance was $6,838,174, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Allocation to Reserves

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

Appropriated Fund Balance

The District has chosen to use $1,778,195 of the available June 30, 2021 fund balance to partially fund the 2021-2022 approved operating budget. As such, the June 30, 2021 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2021 was $2,503,274. This amount equals 4% of the 2021-2022 budget and is the statutory limit.

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

### A. Capital Assets

At June 30, 2021, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of $1,607,998 in excess of capital additions of $727,625 recorded for the year ended June 30, 2021. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2021 and 2020 is as follows:

| | June 30, 2021 | June 30, 2020 | Increase (Decrease) |
|---|---|---|---|
| Land | $ 162,000 | $ 162,000 | $ - |
| Construction in progress | 1,562,330 | 1,283,718 | 278,612 |
| Buildings and improvements | 25,918,930 | 27,046,981 | (1,128,051) |
| Furniture and equipment | 401,974 | 432,908 | (30,934) |
| Capital assets, net | $ 28,045,234 | $ 28,925,607 | $ (880,373) |

### B. Debt Administration

At June 30, 2021, the District had total bonds payable of $2,415,000. The bonds were issued for school building improvements and included the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments made during the year. A summary of the outstanding debt at June 30, 2021 and 2020 is as follows:

| Issue Date | Interest Rate | June 30, 2021 | June 30, 2020 | Increase (Decrease) |
|---|---|---|---|---|
| 2007 | 3.50-4.00% | $ 175,000 | $ 350,000 | $ (175,000) |
| 2013 | 2.00-5.00% | 1,540,000 | 2,000,000 | (460,000) |
| 2019 | 2.125-2.625% | 700,000 | 780,000 | (80,000) |
| | | $ 2,415,000 | $ 3,130,000 | $ (715,000) |

The District also had installment purchase debt outstanding of $1,840,014. The decrease in outstanding debt represents the principal payments made during the year. A summary of the outstanding debt at June 30, 2021 and 2020 is as follows:

| Issue Date | Interest Rate | June 30, 2021 | June 30, 2020 | Increase (Decrease) |
|---|---|---|---|---|
| 2012 | 2.39% | $ 1,840,014 | $ 2,098,711 | $ (258,697) |

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa3. The District's outstanding serial bonds at June 30, 2021 are approximately 0.26% of the District's debt limit.

### C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences payable, which are based on employment contracts, and workers' compensation liabilities, net pension liabilities – proportionate share and total other postemployment benefits liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2021 and 2020 is as follows:

| | June 30, 2021 | June 30, 2020 | Increase (Decrease) |
|---|---|---|---|
| Compensated absences payable | $ 4,998,268 | $ 4,917,109 | $ 81,159 |
| Workers' compensation liabilities | 139,134 | 186,604 | (47,470) |
| Net pension liabilities - proportionate share | 4,126,346 | 2,768,381 | 1,357,965 |
| Total OPEB liability | 115,281,229 | 119,952,065 | (4,670,836) |
| | $ 124,544,977 | $ 127,824,159 | $ (3,279,182) |

## 7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

### A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 18, 2021, for the year ending June 30, 2022, is $62,581,830. This is an increase of $811,960 or 1.31% over the previous year's budget.

The District budgeted revenues other than property taxes at a $100,000 increase over the prior year's estimate. Additionally, the assigned, appropriated fund balance of $1,778,195 is a $90,073 decrease from the previous year's balance. The District has also appropriated $205,000 of the retirement contribution reserve – employees' retirement system, which is unchanged from the prior year. A property tax increase of $802,033 or 1.94%, levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

### B. Future Budgets

The property tax cap, uncertainty in state aid and federal funding, as well as the continuing effect of the COVID-19 pandemic, will impact the District's future budgets.

### C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2021-2022 is 1.94%. The District's 2021-2022 property tax increase of 1.94% was equal to the tax cap and did not require an override vote.

## 8. CONTACTING THE DISTRICT

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

Ms. Linda Jensen
Assistant Superintendent for Business
Mount Sinai Union Free School District
118 North Country Road
Mount Sinai, New York 11766

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Statement of Net Position**
June 30, 2021

| | |
|---|---|
| **ASSETS** | |
| Cash | |
| Unrestricted | $ 5,289,669 |
| Restricted | 14,352,263 |
| Receivables | |
| Accounts receivable | 9,708 |
| Due from state and federal | 3,165,800 |
| Due from other governments | 13,657 |
| Inventory | 22,477 |
| Capital assets: | |
| Not being depreciated | 1,724,330 |
| Being depreciated, net of accumulated depreciation | 26,320,904 |
| Total Assets | 50,898,808 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Pensions | 16,745,105 |
| Other postemployment benefits | 39,614,767 |
| Total Deferred Outflows of Resources | 56,359,872 |
| **LIABILITIES** | |
| Payables | |
| Accounts payable | 551,496 |
| Accrued liabilities | 903,735 |
| Due to other governments | 355,581 |
| Due to teachers' retirement system | 2,608,197 |
| Due to employees' retirement system | 147,700 |
| Compensated absences | 809,015 |
| Other liabilities | 36,753 |
| Unearned credits | |
| Collections in advance | 26,501 |
| Long-term liabilities | |
| Due and payable within one year | |
| Bonds payable, net | 803,205 |
| Installment purchase debt payable | 264,919 |
| Compensated absences payable | 500,000 |
| Due and payable after one year | |
| Bonds payable, net | 1,708,804 |
| Installment purchase debt payable | 1,575,095 |
| Compensated absences payable | 4,498,268 |
| Workers' compensation liabilities | 139,134 |
| Net pension liabilities - proportionate share | 4,126,346 |
| Total other postemployment benefits liability | 115,281,229 |
| Total Liabilities | 134,335,978 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Pensions | 4,998,017 |
| Other postemployment benefits | 21,101,344 |
| Total Deferred Inflows of Resources | 26,099,361 |
| **NET POSITION (DEFICIT)** | |
| Net investment in capital assets | 23,790,220 |
| Restricted | |
| Workers' compensation | 204,378 |
| Retirement contribution | |
| Employees' retirement system | 1,815,585 |
| Employee benefit accrued liability | 3,541,213 |
| Capital | 8,491,442 |
| Debt | 291,515 |
| Scholarships | 8,130 |
| | 14,352,263 |
| Unrestricted (Deficit) | (91,319,142) |
| Total Net Position (Deficit) | $ (53,176,659) |

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Statement of Activities**
For the Year Ended June 30, 2021

| | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants & Contributions | Program Revenues: Capital Grants | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|---|
| **FUNCTIONS/PROGRAMS** | | | | | |
| General support | $ 7,469,077 | $ | $ | $ | $ (7,469,077) |
| Instruction | 59,300,986 | 158,857 | 1,132,748 | 557,933 | (57,451,448) |
| Pupil transportation | 3,762,488 | | | | (3,762,488) |
| Community service | 170 | | | | (170) |
| Debt service - interest | 294,825 | | | | (294,825) |
| Food service program | 394,062 | 266,816 | 114,303 | | (12,943) |
| Total Functions and Programs | $ 71,221,608 | $ 425,673 | $ 1,247,051 | $ 557,933 | (68,990,951) |
| **GENERAL REVENUES** | | | | | |
| Real property taxes | | | | | 37,737,429 |
| Other tax items | | | | | 3,695,433 |
| Use of money and property | | | | | 8,261 |
| Forfeitures | | | | | 1,883 |
| Sale of property and compensation for loss | | | | | 1,272 |
| Miscellaneous | | | | | 682,162 |
| State sources | | | | | 17,401,508 |
| Medicaid reimbursement | | | | | 1,343 |
| Total General Revenues | | | | | 59,529,291 |
| Change in Net Position | | | | | (9,461,660) |
| Total Net Position (Deficit) - Beginning of Year, as Restated | | | | | (43,714,999) |
| Total Net Position (Deficit) - End of Year | | | | | $ (53,176,659) |

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Balance Sheet - Governmental Funds**
June 30, 2021

| | General | Special Aid | School Food Service | Debt Service | Capital Projects | Extraclassroom Activities | Scholarships | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Cash | | | | | | | | |
| Unrestricted | $ 3,326,631 | $ 195,160 | $ 92,553 | $ | $ 1,549,400 | $ 125,925 | $ | $ 5,289,669 |
| Restricted | 12,945,453 | | | 291,515 | 1,107,165 | | 8,130 | 14,352,263 |
| Receivables | | | | | | | | |
| Accounts receivable | 9,708 | | | | | | | 9,708 |
| Due from other funds | 4,151,884 | | | | | | | 4,151,884 |
| Due from state and federal | 2,223,135 | 729,750 | 6,947 | | 205,968 | | | 3,165,800 |
| Due from other governments | 13,657 | | | | | | | 13,657 |
| Inventory | | | 22,477 | | | | | 22,477 |
| Total Assets | $ 22,670,468 | $ 924,910 | $ 121,977 | $ 291,515 | $ 2,862,533 | $ 125,925 | $ 8,130 | $ 27,005,458 |
| **LIABILITIES** | | | | | | | | |
| Payables | | | | | | | | |
| Accounts payable | $ 509,619 | $ | $ 33,714 | $ | $ 8,163 | | | $ 551,496 |
| Accrued liabilities | 833,730 | 13,879 | | | | | | 847,609 |
| Due to other funds | | 2,375,966 | 28,713 | | 1,747,205 | | | 4,151,884 |
| Due to other governments | 355,572 | | 9 | | | | | 355,581 |
| Due to teachers' retirement system | 2,608,197 | | | | | | | 2,608,197 |
| Due to employees' retirement system | 147,700 | | | | | | | 147,700 |
| Compensated absences payable | 809,015 | | | | | | | 809,015 |
| Other liabilities | 36,753 | | | | | | | 36,753 |
| Unearned credits | | | | | | | | |
| Collections in advance | | | 26,501 | | | | | 26,501 |
| Total Liabilities | 5,300,586 | 2,389,845 | 88,937 | - | 1,755,368 | - | - | 9,534,736 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | | | | | |
| Unavailable revenues | 100,712 | | | | | | | 100,712 |
| **FUND BALANCES** | | | | | | | | |
| Nonspendable: Inventory | | | 22,477 | | | | | 22,477 |
| Restricted | | | | | | | | |
| Workers' compensation | 204,378 | | | | | | | 204,378 |
| Retirement contribution | | | | | | | | |
| Employees' retirement system | 1,815,585 | | | | | | | 1,815,585 |
| Employee benefit accrued liability | 3,541,213 | | | | | | | 3,541,213 |
| Capital | 7,384,277 | | | | 1,107,165 | | | 8,491,442 |
| Debt | | | | 291,515 | | | | 291,515 |
| Scholarships | | | | | | | 8,130 | 8,130 |
| Assigned: | | | | | | | | |
| Appropriated fund balance | 1,778,195 | | | | | | | 1,778,195 |
| Unappropriated fund balance | 42,248 | | 10,563 | | | 125,925 | | 178,736 |
| Unassigned: Fund balance (deficit) | 2,503,274 | (1,464,935) | | | | | | 1,038,339 |
| Total Fund Balances (Deficit) | 17,269,170 | (1,464,935) | 33,040 | 291,515 | 1,107,165 | 125,925 | 8,130 | 17,370,010 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | $ 22,670,468 | $ 924,910 | $ 121,977 | $ 291,515 | $ 2,862,533 | $ 125,925 | $ 8,130 | $ 27,005,458 |

See Notes to Financial Statements

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Reconciliation of the Governmental Funds Balance Sheet**
**to the Statement of Net Position**
June 30, 2021

| | | |
|---|---|---|
| Total Governmental Fund Balances | | $ 17,370,010 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| The costs of building and acquiring capital assets (land, construction in progress, buildings and improvements, furniture and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives. | | |
| Original cost of capital assets | $ 58,360,508 | |
| Less: Accumulated depreciation | (30,315,274) | |
| | | 28,045,234 |
| Proportionate share of long-term liabilities and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or liabilities and are not reported in the funds. | | |
| Deferred outflows of resources | 16,745,105 | |
| Net pension liability - teachers' retirement system | (4,116,726) | |
| Net pension liability - employees' retirement system | (9,620) | |
| Deferred inflows of resources | (4,998,017) | |
| | | 7,620,742 |
| Total other postemployment benefits liability and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds. | | |
| Deferred outflows of resources | 39,614,767 | |
| Total other postemployment benefits liability | (115,281,229) | |
| Deferred inflows of resources | (21,101,344) | |
| | | (96,767,806) |
| Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures, and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. | | 100,712 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of: | | |
| Accrued interest on bonds payable | (56,126) | |
| Bonds payable, net | (2,512,009) | |
| Installment purchase debt payable | (1,840,014) | |
| Compensated absences payable | (4,998,268) | |
| Workers' compensation liabilities | (139,134) | |
| | | (9,545,551) |
| Total Net Position (Deficit) | | $ (53,176,659) |

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Statement of Revenues, Expenditures**
**and Changes in Fund Balances - Governmental Funds**
For the Year Ended June 30, 2021

| | General | Special Aid | School Food Service | Debt Service | Capital Projects | Extraclassroom Activities | Scholarships | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| **REVENUES** | | | | | | | | |
| Real property taxes | $ 37,737,429 | $ | $ | $ | $ | $ | $ | $ 37,737,429 |
| Other tax items | 3,695,433 | | | | | | | 3,695,433 |
| Charges for services | 46,949 | | | | | | | 46,949 |
| Use of money and property | 8,209 | | 14 | 38 | | | 2 | 8,263 |
| Forfeitures | 1,883 | | | | | | | 1,883 |
| Sale of property and compensation for loss | 1,272 | | | | | | | 1,272 |
| Miscellaneous | 802,858 | | | | | 111,908 | 1,300 | 916,066 |
| State sources | 17,534,879 | 162,287 | 4,051 | | 1,253,380 | | | 18,954,597 |
| Medicaid reimbursement | 1,343 | | | | | | | 1,343 |
| Federal sources | 218,744 | 750,415 | 110,252 | | | | | 1,079,411 |
| Sales | | | 266,816 | | | | | 266,816 |
| Total Revenues | 60,048,999 | 912,702 | 381,133 | 38 | 1,253,380 | 111,908 | 1,302 | 62,709,462 |
| **EXPENDITURES** | | | | | | | | |
| General support | 5,989,986 | | | | | | | 5,989,986 |
| Instruction | 35,487,085 | 2,396,542 | | | | 134,795 | 600 | 38,019,022 |
| Pupil transportation | 3,666,638 | 36,965 | | | | | | 3,703,603 |
| Community service | 170 | | | | | | | 170 |
| Employee benefits | 11,022,437 | | | | | | | 11,022,437 |
| Debt service | | | | | | | | |
| Principal | 989,791 | | | | | | | 989,791 |
| Interest | 368,055 | | | | | | | 368,055 |
| Food service program | | | 387,443 | | | | | 387,443 |
| Capital outlay | | | | | 651,460 | | | 651,460 |
| Total Expenditures | 57,524,162 | 2,433,507 | 387,443 | - | 651,460 | 134,795 | 600 | 61,131,967 |
| Excess (Deficiency) of Revenues Over Expenditures | 2,524,837 | (1,520,805) | (6,310) | 38 | 601,920 | (22,887) | 702 | 1,577,495 |
| **OTHER FINANCING SOURCES AND (USES)** | | | | | | | | |
| Operating transfers in | 277,151 | 55,870 | 297 | | | | | 333,318 |
| Operating transfers (out) | (56,167) | | | | (277,151) | | | (333,318) |
| Total Other Financing Sources and (Uses) | 220,984 | 55,870 | 297 | - | (277,151) | - | - | - |
| Net Change in Fund Balances | 2,745,821 | (1,464,935) | (6,013) | 38 | 324,769 | (22,887) | 702 | 1,577,495 |
| Fund Balances - Beginning of Year, as Restated | 14,523,349 | | 39,053 | 291,477 | 782,396 | 148,812 | 7,428 | 15,792,515 |
| Fund Balances (Deficit) - End of Year | $ 17,269,170 | $ (1,464,935) | $ 33,040 | $ 291,515 | $ 1,107,165 | $ 125,925 | $ 8,130 | $ 17,370,010 |

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities**
For the Year Ended June 30, 2021

| | | |
|---|---|---|
| Net Change in Fund Balances | | $ 1,577,495 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | | |
| Long-Term Revenue and Expense Differences | | |
| Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned. | $ (949,514) | |
| Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position. | | |
| Decrease in workers' compensation liabilities | 47,470 | |
| Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities. | | |
| Increase in compensated absences payable | (81,159) | |
| | | (983,203) |
| Capital Related Differences | | |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which depreciation exceeded capital outlays and other additions in the period. | | |
| Capital outlays and other additions | 727,625 | |
| Depreciation expense | (1,607,998) | |
| | | (880,373) |
| Long-Term Debt Transaction Differences | | |
| Amortization of bond premiums on advance refunding of bonds does not affect the governmental funds, but decreases interest expense in the Statement of Activities. | 58,205 | |
| Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. | | |
| Repayment of bond principal | 715,000 | |
| Repayment of installment purchase debt | 274,791 | |
| Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest interest decreased from June 30, 2020 to June 30, 2021. | 15,025 | |
| | | 1,063,021 |
| Pension and Other Postemployment Benefits Differences | | |
| The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds. | | |
| Teachers' retirement system | (3,170,670) | |
| Employees' retirement system | 238,735 | |
| Other postemployment benefits | (7,306,665) | |
| | | (10,238,600) |
| Change in Net Position (Deficit) of Governmental Activities | | $ (9,461,660) |

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Statement of Fiduciary Net Position - Fiduciary Fund**
June 30, 2021

| | Custodial |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $ - |
| | |
| **NET POSITION** | |
| Restricted for individuals, organizations, and other governments | $ - |

**Statement of Changes in Fiduciary Net Position - Fiduciary Fund**
For the Year Ended June 30, 2021

| | Custodial |
|---|---|
| **ADDITIONS** | |
| Real property taxes collections for the Library | $ 1,762,292 |
| | |
| **DEDUCTIONS** | |
| Real property taxes payments to the Library | 1,762,292 |
| Change in Net Position | - |
| Net Position - Beginning of Year | |
| Net Position - End of Year | $ - |

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### A. Reporting Entity

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

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the District's reporting entity.

### B. Joint Venture

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk, (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

**C. Basis of Presentation**

District-Wide Financial Statements

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

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

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

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

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

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

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

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

***Extraclassroom Activities Fund*** – is used to account for the funds operated by and for the students of the District.

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

***Fiduciary Funds*** – are used to account for activities in which the District acts as trustee or custodian for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following is the District's fiduciary fund:

***Custodial Fund*** – is used to account for real property taxes collected on behalf of other governments and disbursed to those governments.

**D. Measurement Focus and Basis of Accounting**

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

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

## E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board of Education no later than November 1st and become a lien on December 1st. Taxes are collected by the Town of Brookhaven and remitted to the District from December to June.

Enforcement

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

## F. Payments in Lieu of Taxes (PILOT)

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

## G. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

## H. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, eliminations have been made for all interfund receivables and payables between the funds.

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

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

**I. Use of Estimates**

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

**J. Cash and Cash Equivalents**

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

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

**K. Receivables**

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

**L. Inventory**

Inventory of food in the school food service fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

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

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

**M. Capital Assets**

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

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

| | Capitalization Threshold | Estimated Useful Life |
|---|---|---|
| Buildings and improvements | $ 5,000 | 50 years |
| Furniture and equipment | 5,000 | 5-20 years |

**N. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The second item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

**O. Short-Term Debt**

The District may issue tax anticipation notes (TAN), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund.

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

**P. Collections in Advance**

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**Q. Employee Benefits – Compensated Absences**

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

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination, or death.

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

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

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

**R. Other Benefits**

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

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

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

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employee. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

**S. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total other postemployment benefits liability not included in OPEB expense.

**T. Equity Classifications**

District-Wide Statements

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

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

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

*Unrestricted* – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

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

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

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

*Workers' Compensation Reserve*

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

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. This reserve is accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

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

*Capital Reserve*

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount; its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the general fund and capital projects fund.

*Restricted for Debt*

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

*Restricted for Scholarships*

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

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

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

Fund Balance Classification

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

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

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

## 2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities.* This statement provides guidance for identifying fiduciary activities, primarily based on whether the assets associated with the activities are controlled by the government and the government does not have administrative involvement with the assets. As a result, agency and private purpose trust activities previously reported within the fiduciary funds are now reported within the governmental funds.

## 3. FUTURE ACCOUNTING STANDARDS

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

| **Statement** | **Effective for the Year Ending** |
|---|---|
| GASB No. 87 - *Leases* | June 30, 2022 |

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

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

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

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

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

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

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

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

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

## 5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriations occurred during the year.

| | |
|---|---|
| Contingent COVID-19 related expenses funded by unassigned fund balance | $ 2,000,000 |
| Compensated absences payments for retiring District employees funded by employee benefit accrued liability reserve | 500,000 |
| | $ 2,500,000 |

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**B. Encumbrances**

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**C. Special Aid Fund**

The special aid fund has an unassigned fund balance deficit of $1,464,935, arising from expenditures incurred. The deficit will be eliminated with the recognition of revenue from the funding awarded by New York State under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act in August 2021.

## 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

## 7. PARTICIPATION IN BOCES

During the year ended June 30, 2021, the District was billed $2,994,362 for BOCES administrative and program costs. The District's share of BOCES aid amounted to $466,907. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

## 8. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2021 consisted of:

| | |
|---|---|
| General Fund | |
| New York State - General aid | $ 1,529,596 |
| New York State - Excess Cost aid | 327,610 |
| BOCES aid | 191,150 |
| Federal - CARES Act: GEER | 25,189 |
| Federal - CARES Act: ESSER | 149,590 |
| | 2,223,135 |
| Special Aid Fund | |
| Federal and state grants | 729,750 |
| School Food Service Fund | |
| Federal and state food service program reimbursements | 6,947 |
| Capital Project Fund | |
| Smart Schools Bond Act | 205,968 |
| | $ 3,165,800 |

District management expects these amounts to be fully collectible.

## 9. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2021 consisted of general fund – charges for services due from other school districts in the amount of $13,657. District management expects these amounts to be fully collectible.

## 10. CAPITAL ASSETS

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

| | Balance June 30, 2020 | Additions | Reductions | Balance June 30, 2021 |
|---|---|---|---|---|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | $ 162,000 | $ | $ | $ 162,000 |
| Construction in progress | 1,283,718 | 650,768 | (372,156) | 1,562,330 |
| Total capital assets not being depreciated | 1,445,718 | 650,768 | (372,156) | 1,724,330 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 54,023,924 | 401,941 | | 54,425,865 |
| Furniture and equipment | 2,163,241 | 47,072 | | 2,210,313 |
| Total capital assets being depreciated | 56,187,165 | 449,013 | - | 56,636,178 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 26,976,943 | 1,529,992 | | 28,506,935 |
| Furniture and equipment | 1,730,333 | 78,006 | | 1,808,339 |
| Total accumulated depreciation | 28,707,276 | 1,607,998 | - | 30,315,274 |
| Total capital assets, being depreciated, net | 27,479,889 | (1,158,985) | - | 26,320,904 |
| Capital assets, net | $ 28,925,607 | $ (508,217) | $ (372,156) | $ 28,045,234 |

Depreciation expense was charged to governmental functions as follows:

| | |
|---|---|
| General support | $ 27,750 |
| Instruction | 1,573,629 |
| Food Service Program | 6,619 |
| Total depreciation expense | $ 1,607,998 |

## 11. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2021 are as follows:

| | Interfund Receivable | Interfund Payable | Transfers In | Transfers Out |
|---|---|---|---|---|
| General Fund | $ 4,151,884 | $ | $ 277,151 | $ 56,167 |
| Special Aid Fund | | 2,375,966 | 55,870 | |
| School Food Service Fund | | 28,713 | 297 | |
| Capital Projects Fund | | 1,747,205 | | 277,151 |
| Total Governmental Funds | $ 4,151,884 | $ 4,151,884 | $ 333,318 | $ 333,318 |

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities. The transfer from the general fund to the food service fund was for uncollectible meal sales. The transfer from the capital projects fund to the general fund was to return unexpended capital projects fund - capital reserve funds to the general fund - capital reserve fund.

## 12. SHORT-TERM DEBT

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

| | Maturity | Stated Interest Rate | Balance June 30, 2020 | Issued | Redeemed | Balance June 30, 2021 |
|---|---|---|---|---|---|---|
| TAN | 6/24/2021 | 1.75% | $ 10,700,000 | $ | $ (10,700,000) | $ |

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

Interest expense on the TAN for the year was $187,250. The District had received a premium of $120,696, resulting in a net effective interest rate of 0.622%.

## 13. LONG-TERM LIABILITIES

### A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits liabilities, for the year are summarized below:

| | Balance June 30, 2020 | Additions | Reductions | Balance June 30, 2021 | Amounts Due Within One Year |
|---|---|---|---|---|---|
| Long-term debt: | | | | | |
| Bonds payable | $ 3,130,000 | $ | $ (715,000) | $ 2,415,000 | $ 745,000 |
| Add: Premium on | | | | | |
| Advance Refunding | 155,214 | | (58,205) | 97,009 | 58,205 |
| | 3,285,214 | - | (773,205) | 2,512,009 | 803,205 |
| Installment purchase debt payable | 2,114,805 | | (274,791) | 1,840,014 | 264,919 |
| | 5,400,019 | - | (1,047,996) | 4,352,023 | 1,068,124 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 4,917,109 | 81,159 | | 4,998,268 | 500,000 |
| Workers' compensation | 186,604 | 43,166 | (90,636) | 139,134 | |
| | 5,103,713 | 124,325 | (90,636) | 5,137,402 | 500,000 |
| | $ 10,503,732 | $ 124,325 | $ (1,138,632) | $ 9,489,425 | $ 1,568,124 |

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

## B. Bonds Payable

Bonds payable is comprised of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at June 30, 2021 |
|---|---|---|---|---|
| Construction Bond | 2007 | 3/15/2022 | 3.50-4.00% | $ 175,000 |
| Refunding Bond | 2013 | 1/15/2024 | 2.00-5.00% | 1,540,000 |
| Refunding Bond | 2019 | 2/15/2030 | 2.125-2.625% | 700,000 |
| | | | | $ 2,415,000 |

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

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 745,000 | $ 99,913 | $ 844,913 |
| 2023 | 590,000 | 66,713 | 656,713 |
| 2024 | 620,000 | 39,513 | 659,513 |
| 2025 | 80,000 | 10,813 | 90,813 |
| 2026 | 80,000 | 9,113 | 89,113 |
| 2027-2030 | 300,000 | 18,750 | 318,750 |
| Total | $ 2,415,000 | $ 244,815 | $ 2,659,815 |

In the district-wide statements, the District is amortizing the refunding bond premium as a component of interest expense through fiscal year June 30, 2023.

### C. Installment Purchase Debt Payable

Installment purchase debt payable is comprised of the following:

| Description | Issue Date | Final Maturity | Interest Rate | Outstanding at June 30, 2021 |
|---|---|---|---|---|
| Installment purchase debt payable | 2012 | 9/2027 | 2.39% | $ 1,840,014 |

The following is a summary of maturing amounts due for installment purchase debt payable:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 264,918 | $ 42,403 | $ 307,321 |
| 2023 | 271,287 | 36,033 | 307,320 |
| 2024 | 277,810 | 29,511 | 307,321 |
| 2025 | 284,489 | 22,832 | 307,321 |
| 2026 | 291,329 | 15,992 | 307,321 |
| 2027-2028 | 450,181 | 10,802 | 460,983 |
| Total | $ 1,840,014 | $ 157,573 | $ 1,997,587 |

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

### D. Interest Expense

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

| | |
|---|---|
| Interest paid | $ 180,805 |
| Less interest accrued in the prior year | (71,151) |
| Plus interest accrued in the current year | 56,126 |
| Less: amortization of bond premium | (58,205) |
| Total interest expense on long-term debt | $ 107,575 |

## 14. PENSION PLANS –NEW YORK STATE

### A. General Information

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

## B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

## C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30$^{th}$, and employer contributions are deducted from state aid in the subsequent months of September, October, and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31$^{st}$, and employer contributions are either paid by the prior December 15$^{th}$ less a 1% discount or by the prior February 1$^{st}$. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 8.86% of covered payroll for the TRS' fiscal year ended June 30, 2020. The District's average contribution rate was 14.02% of covered payroll for the ERS' fiscal year ended March 31, 2021.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2021 was $2,474,557 for TRS at the contribution rate of 9.53% and $540,317 for ERS at an average contribution rate of 13.51%.

**D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2021, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2018, for TRS and March 31, 2021 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

| | TRS | ERS |
|---|---|---|
| Measurement date | June 30, 2020 | March 31, 2021 |
| District's proportionate share of the net pension asset/(liability) | $ (4,116,726) | $ (9,620) |
| District's portion of the Plan's total net pension asset/(liability) | 0.148980% | 0.0096613% |
| Change in proportion since the prior measurement date | (0.001389) | (0.0007927) |

For the year ended June 30, 2021, the District recognized a pension expense of $5,645,227 for TRS and $301,580 for ERS. At June 30, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| | TRS | ERS | TRS | ERS |
| Differences between expected and actual experience | $ 3,607,075 | $ 117,488 | $ 210,974 | $ |
| Changes of assumptions | 5,206,700 | 1,768,834 | 1,855,916 | 33,361 |
| Net difference between projected and actual earnings on pension plan investments | 2,688,583 | | | 2,763,471 |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 476,969 | 257,199 | 48,509 | 85,786 |
| District contributions subsequent to the measurement date | 2,474,557 | 147,700 | | |
| Total | $ 14,453,884 | $ 2,291,221 | $ 2,115,399 | $ 2,882,618 |

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

| Year Ending June 30, | TRS | ERS |
|---|---|---|
| 2022 | $ 1,707,645 | $ (95,581) |
| 2023 | 3,341,264 | (6,254) |
| 2024 | 2,762,563 | (112,550) |
| 2025 | 1,720,569 | (524,712) |
| 2026 | 124,776 | |
| Thereafter | 207,111 | |
| | $ 9,863,928 | $ (739,097) |

Actuarial Assumptions

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

| | TRS | ERS |
|---|---|---|
| Measurement date | June 30, 2020 | March 31, 2021 |
| Actuarial valuation date | June 30, 2019 | April 1, 2020 |
| Inflation | 2.20% | 2.70% |
| Salary increases | 1.90-4.72% | 4.40% |
| Investment rate of return (net of investment expense, including inflation) | 7.10% | 5.90% |
| Cost of living adjustments | 1.30% | 1.40% |

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2019, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020.

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

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

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

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

| | TRS | | ERS | |
|---|---|---|---|---|
| | Target Allocation | Long-term Expected Rate of Return | Target Allocation | Long-term Expected Rate of Return |
| Measurement date | | June 30, 2020 | | March 31, 2021 |
| Asset type | | | | |
| Domestic equity | 33.0% | 7.10% | 32.0% | 4.05% |
| International equity | 16.0% | 7.70% | 15.0% | 6.30% |
| Global equity | 4.0% | 7.40% | | |
| Real estate | 11.0% | 6.80% | 9.0% | 4.95% |
| Private equities | 8.0% | 10.40% | 10.0% | 6.75% |
| Alternatives investments | | | 10.0% | 3.63-5.95% |
| Domestic fixed income securities | 16.0% | 1.80% | | |
| Global fixed income securities | 2.0% | 1.00% | | |
| High-yield fixed income securities | 1.0% | 3.90% | | |
| Bonds and mortgages | | | 23.0% | 0.00% |
| Private debt | 1.0% | 5.20% | | |
| Real estate debt | 7.0% | 3.60% | | |
| Cash and equivalents | 1.0% | 0.70% | | |
| Cash | | | 1.0% | 0.50% |
| | 100.0% | | 100.0% | |

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.0% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.10% for TRS and 5.90% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2020, was 6.80%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.10% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.10% for TRS and 4.90% for ERS) or 1 percentage point higher (8.10% for TRS and 6.90% for ERS) than the current rate:

| TRS | 1% Decrease 6.10% | Current Assumption 7.10% | 1% Increase 8.10% |
|---|---|---|---|
| District's proportionate share of the net pension asset (liability) | $ (26,003,937) | $ (4,116,726) | $ 14,252,192 |

| ERS | 1% Decrease 4.90% | Current Assumption 5.90% | 1% Increase 6.90% |
|---|---|---|---|
| District's proportionate share of the net pension asset (liability) | $ (2,670,179) | $ (9,620) | $ 2,444,038 |

Pension Plan Fiduciary Net Position

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

| | TRS | ERS |
|---|---|---|
| | ***(Dollars in Thousands)*** | |
| Measurement date | June 30, 2020 | March 31, 2021 |
| Employers' total pension liability | $ (123,242,776) | $ (220,680,157) |
| Plan fiduciary net position | 120,479,505 | 220,580,583 |
| Employers' net pension liability | $ (2,763,271) | $ (99,574) |
| Ratio of plan fiduciary net position to the employers' total pension liability | 97.76% | 99.95% |

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021, are paid to the system in September, October, and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021, represent employer and employee contributions for the fiscal year ended June 30, 2021, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2021 amounted to $2,474,557 of employer contributions and $133,640 of employee contributions.

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, 2021, represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to $147,700 of employer contributions. Employee contributions are remitted monthly.

## 15. PENSION PLANS - OTHER

### A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2021, totaled $413,190 and $1,286,218, respectively.

### B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2021 totaled $61,700.

## 16. POSTEMPLOYMENT HEALTHCARE BENEFITS

### A. General Information about the OPEB Plan

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

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

*Employees Covered by Benefit Terms* – At June 30, 2021, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive employees or beneficiaries currently receiving benefit payments | 141 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Active employees | 231 |
| | 372 |

### B. Total OPEB Liability

The District's total OPEB liability of $115,281,229 was measured as of June 30, 2021, and was determined by an actuarial valuation dated June 30, 2020. Updated procedures were used to roll forward the total OPEB liability to the measurement date.

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

| | | |
|---|---|---|
| Inflation | 2.50% | |
| Discount rate | 2.16% | |
| Healthcare cost trend rates | 5.40% | for 2021, decreasing to an ultimate rate of 4.04% by 2075 |
| Retirees' share of benefit-related costs | 15 - 50% | of projected health insurance premiums for retirees |

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

Mortality rates were based on the Pub-2010 Headcount Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2020.

## C. Changes in the Total OPEB Liability

| | |
|---|---|
| Balance at June 30, 2020 | $ 119,952,065 |
| Changes for the year | |
| Service cost | 4,968,188 |
| Interest | 2,735,529 |
| Changes of benefit terms | (877,805) |
| Differences between expected and actual experience | (6,536,959) |
| Changes in assumptions or other inputs | (2,665,933) |
| Benefit payments | (2,293,856) |
| | (4,670,836) |
| Balance at June 30, 2021 | $ 115,281,229 |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2021.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.16%) or 1 percentage point higher (3.16%) than the current discount rate:

| OPEB | 1% Decrease 1.16% | Discount Rate 2.16% | 1% Increase 3.16% |
|---|---|---|---|
| Total OPEB Liability | $ (139,661,254) | $ (115,281,229) | $ (96,239,596) |

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.40%) or 1 percentage point higher (6.40%) than the current healthcare cost trend rate:

| OPEB | 1% Decrease 4.40% decreasing to 3.04% | Healthcare Cost Trend Rates 5.40% decreasing to 4.04% | 1% Increase 6.40% decreasing to 5.04% |
|---|---|---|---|
| Total OPEB liability | $ (92,610,293) | $ (115,281,229) | $ (145,752,006) |

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

For the year ended June 30, 2021, the District recognized OPEB expense of $9,600,521. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred | |
|---|---|---|
| | Outflows of Resources | Inflows of Resources |
| Differences between expected and actual experience | $ 1,048,643 | $ 16,618,874 |
| Changes of assumptions or other inputs | 38,566,124 | 4,482,470 |
| Total | $ 39,614,767 | $ 21,101,344 |

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

| Year Ending June 30, | Amount |
|---|---|
| 2022 | $ 2,774,609 |
| 2023 | 2,774,609 |
| 2024 | 2,774,609 |
| 2025 | 2,774,609 |
| 2026 | 2,774,609 |
| Thereafter | 4,640,378 |
| | $ 18,513,423 |

## 17. RISK MANAGEMENT

### A. General Information

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

### B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims, incurred on or before year-end, but not reported (IBNR). The actuarial assumptions utilized a 3.0% discount rate. Claims activity is summarized below:

| | 2020 | 2021 |
|---|---|---|
| Unpaid claims at beginning of year | $ 253,022 | $ 186,604 |
| Incurred claims and claim adjustment expenses | 184,974 | 43,166 |
| Claim payments | (251,392) | (90,636) |
| Unpaid claims at year end | $ 186,604 | $ 139,134 |

At June 30, 2021, the District had $204,378 of funds in the workers' compensation reserve.

## 18. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate $205,000 from the retirement contribution reserve – employees' retirement system, which is reported in the June 30, 2021 restricted fund balance, to fund the budget for the year ending June 30, 2022.

## 19. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of $1,778,195 has been appropriated to reduce taxes for the year ending June 30, 2022.

## 20. RESTRICTED FOR CAPITAL RESERVE

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

| | |
|---|---|
| Date Created | May 2018 |
| Number of Years to Fund | 15 |
| Maximum Funding | $ 10,000,000 |
| **General Fund** | |
| Funding Provided Since Inception | $ 9,758,469 |
| Interest Earnings Since Inception | 1,430 |
| Return of Unspent Project Funding | 277,151 |
| Use of Reserve Since Inception | (2,652,773) |
| Total General Fund | 7,384,277 |
| **Capital Projects Fund** | |
| Transfer from General Fund | 2,652,773 |
| Return of Unspent Project Funding | (277,151) |
| Use of Reserve Since Inception | (1,268,457) |
| Total Capital Projects Fund | 1,107,165 |
| Balance as of June 30, 2021 | $ 8,491,442 |

## 21. COMMITMENTS AND CONTINGENCIES

### A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2021, the District encumbered the following amounts:

| | |
|---|---|
| Restricted Fund Balance | |
| Capital Projects Fund | |
| Capital projects | $ 624,574 |
| Assigned: Unappropriated Fund Balance | |
| General Fund | |
| General support | 32,109 |
| Instruction | 10,139 |
| | 42,248 |
| Capital Projects Fund | |
| Capital projects | 23,565 |
| | $ 690,387 |

### B. Grants

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

### C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on these financial statements.

### D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was $74,470. The minimum remaining operating lease payments are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2022 | $ 57,607 |
| 2023 | 9,670 |
| 2024 | 3,490 |
| 2025 | 873 |
| | $ 71,640 |

## 22. RESTATEMENT OF FUND BALANCE AND NET POSITION

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, which resulted in an increase of $156,240 in fund balance of the governmental funds, as well as the net position. The District's fund balance and total net position (deficit) have been restated as follows:

| | General Fund | Extraclassroom Activity Fund | Scholarship Fund | Statement of Net Position |
|---|---|---|---|---|
| Fund Balance/Net Position (Deficit) Beginning of Year, as Reported | $ 14,523,349 | $ | $ | $ (43,871,239) |
| *Assets* | | | | |
| Cash | 39,260 | 148,812 | 7,428 | 195,500 |
| Due from fiduciary fund | (930) | | | (930) |
| | 38,330 | 148,812 | 7,428 | 194,570 |
| *Liabilities* | | | | |
| Other liabilities | 38,330 | | - | 38,330 |
| *Fund Balance/Net Position* | | | | |
| Restricted | | | 7,428 | 7,428 |
| Assigned, unappropriated | | 148,812 | | |
| Unrestricted | | | | 148,812 |
| | - | 148,812 | 7,428 | 156,240 |
| Fund Balance/Net Position (Deficit) Beginning of Year, as Restated | $ 14,523,349 | $ 148,812 | $ 7,428 | $ (43,714,999) |

## 23. TAX ABATEMENTS

The Town of Brookhaven Industrial Development Agency periodically enters into various property tax abatement programs for the purpose of economic development. In total, the District received payment in lieu of taxes (PILOT) payments of $34,706. The amount of taxes abated could not be determined at the time of the audit.

## 24. SUBSEQUENT EVENTS

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

### A. Issuance of TANs

On July 15, 2021, the District issued tax anticipation notes in the amount of $11,900,000, which are due June 24, 2022 and bear interest at a stated rate of 1.25%. The District received a premium of $119,714 with the borrowing to yield an effective interest rate of 0.1817%.

### B. Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

In August 2021, the District was awarded CRRSA funding of $1,803,243 through the Elementary and Secondary School Emergency Relief (ESSER) Program and $210,708 through the Governor's Emergency Education Relief (GEER) Program. These funds are to be used for eligible expenditures which support the District's ability to continue to provide educational services. The revenues, once the award takes place, are to be recognized in the special aid fund as expended, and the fund balance deficit at June 30, 2021 was eliminated.

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Schedule of Revenues, Expenditures and Changes in Fund Balance**
**Budget and Actual - General Fund**
For the Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual | Final Budget Variance with Actual |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Local Sources | | | | |
| Real property taxes | $ 37,380,173 | $ 37,737,429 | $ 37,737,429 | $ - |
| Other tax items | 4,016,429 | 3,659,173 | 3,695,433 | 36,260 |
| Charges for services | 80,000 | 80,000 | 46,949 | (33,051) |
| Use of money and property | 170,000 | 170,000 | 8,209 | (161,791) |
| Forfeitures | | | 1,883 | 1,883 |
| Sale of property and compensation for loss | | | 1,272 | 1,272 |
| Miscellaneous | 200,000 | 200,000 | 802,858 | 602,858 |
| Total Local Sources | 41,846,602 | 41,846,602 | 42,294,033 | 447,431 |
| State Sources | 17,850,000 | 17,850,000 | 17,534,879 | (315,121) |
| Medicaid Reimbursement | | | 1,343 | 1,343 |
| Federal Sources | | | 218,744 | 218,744 |
| Total Revenues | 59,696,602 | 59,696,602 | 60,048,999 | 352,397 |
| **OTHER FINANCING SOURCES** | | | | |
| Operating Transfers In | | | 277,151 | 277,151 |
| Total Revenues and Other Sources | 59,696,602 | 59,696,602 | 60,326,150 | $ 629,548 |
| **APPROPRIATED FUND BALANCE** | | | | |
| Prior Years' Surplus | 1,868,268 | 3,868,268 | | |
| Prior Year's Encumbrances | 191,421 | 191,421 | | |
| Appropriated Reserves | 205,000 | 705,000 | | |
| Total Appropriated Fund Balance | 2,264,689 | 4,764,689 | | |
| Total Revenues, Other Sources and Appropriated Fund Balance | $ 61,961,291 | $ 64,461,291 | | |

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Schedule of Revenues, Expenditures and Changes in Fund Balance**
**Budget and Actual - General Fund (Continued)**
For the Year Ended June 30, 2021

| | Original Budget | Final Budget | Actual | Year End Encumbrances | Final Budget Variance with Actual & Encumbrances |
|---|---|---|---|---|---|
| **EXPENDITURES** | | | | | |
| General Support | | | | | |
| Board of education | $ 52,300 | $ 52,300 | $ 39,169 | $ | $ 13,131 |
| Central administration | 330,395 | 331,385 | 329,681 | 605 | 1,099 |
| Finance | 709,735 | 718,566 | 680,288 | 15,366 | 22,912 |
| Staff | 383,555 | 387,488 | 340,193 | 901 | 46,394 |
| Central services | 4,402,037 | 4,719,950 | 3,981,976 | 15,237 | 722,737 |
| Special items | 645,000 | 645,000 | 618,679 | | 26,321 |
| Total General Support | 6,523,022 | 6,854,689 | 5,989,986 | 32,109 | 832,594 |
| Instruction | | | | | |
| Administration & improvement | 1,790,979 | 2,503,082 | 1,950,303 | | 552,779 |
| Teaching - regular school | 21,783,908 | 22,749,237 | 20,499,611 | 1,560 | 2,248,066 |
| Programs for students with disabilities | 8,221,440 | 8,293,540 | 7,347,599 | | 945,941 |
| Occupational education | 211,830 | 211,830 | 197,655 | | 14,175 |
| Teaching - special schools | 132,987 | 132,987 | 42,934 | | 90,053 |
| Instructional media | 1,685,358 | 1,870,887 | 1,727,867 | 2,166 | 140,854 |
| Pupil services | 4,245,592 | 4,419,864 | 3,721,116 | 6,413 | 692,335 |
| Total Instruction | 38,072,094 | 40,181,427 | 35,487,085 | 10,139 | 4,684,203 |
| Pupil Transportation | 4,204,825 | 4,204,825 | 3,666,638 | | 538,187 |
| Community Services | 3,575 | 13,575 | 170 | | 13,405 |
| Employee Benefits | 11,579,023 | 11,628,023 | 11,022,437 | | 605,586 |
| Debt Service | | | | | |
| Principal | 989,795 | 989,795 | 989,791 | | 4 |
| Interest | 478,957 | 478,957 | 368,055 | | 110,902 |
| Total Debt Service | 1,468,752 | 1,468,752 | 1,357,846 | - | 110,906 |
| Total Expenditures | 61,851,291 | 64,351,291 | 57,524,162 | 42,248 | 6,784,881 |
| **OTHER FINANCING USES** | | | | | |
| Operating Transfers Out | 110,000 | 110,000 | 56,167 | | 53,833 |
| Total Expenditures and Other Uses | $ 61,961,291 | $ 64,461,291 | 57,580,329 | $ 42,248 | $ 6,838,714 |
| Net Change in Fund Balance | | | 2,745,821 | | |
| Fund Balance - Beginning of Year | | | 14,523,349 | | |
| Fund Balance - End of Year | | | $ 17,269,170 | | |

**Note to Required Supplementary Information**

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)**
Last Seven Fiscal Years

***Teachers' Retirement System***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| District's proportion of the net pension asset/(liability) | 0.148980% | 0.150369% | 0.154219% | 0.156776% | 0.159991% | 0.159201% | 0.156665% |
| District's proportionate share of the net pension asset/(liability) | $ (4,116,726) | $ 3,906,600 | $ 2,788,691 | $ 1,191,656 | $ (1,713,567) | $ 16,535,915 | $ 17,451,486 |
| District's covered payroll | $ 25,286,659 | $ 25,499,753 | $ 25,136,441 | $ 25,771,837 | $ 25,145,033 | $ 24,166,422 | $ 24,276,858 |
| District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll | (16.28)% | 15.32 % | 11.09 % | 4.62 % | (6.81)% | 68.43 % | 71.89 % |
| Plan fiduciary net position as a percentage of the total pension liability | 97.76% | 102.17% | 101.53% | 100.60% | 99.01% | 110.46% | 111.48% |
| Discount rate | 7.10% | 7.10% | 7.25% | 7.25% | 7.50% | 8.00% | 8.00% |

***Employees' Retirement System***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| District's proportion of the net pension liability | 0.0096613% | 0.0104540% | 0.0107706% | 0.0109159% | 0.0109445% | 0.0112480% | 0.0112043% |
| District's proportionate share of the net pension liability | $ (9,620) | $ (2,768,381) | $ (758,533) | $ (352,305) | $ (1,028,373) | $ (1,805,339) | $ (378,510) |
| District's covered payroll | $ 3,743,577 | $ 3,749,788 | $ 3,746,025 | $ 3,475,729 | $ 3,398,402 | $ 3,476,612 | $ 3,543,110 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | (0.26)% | (73.83)% | (20.25)% | (10.14)% | (30.26)% | (51.93)% | (10.68)% |
| Plan fiduciary net position as a percentage of the total pension liability | 99.95% | 86.39% | 96.27% | 98.24% | 94.70% | 90.68% | 97.95% |
| Discount rate | 5.90% | 6.80% | 7.00% | 7.00% | 7.00% | 7.00% | 7.50% |

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

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Schedule of District Pension Contributions**
Last Ten Fiscal Years

***Teachers' Retirement System***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 2,474,557 | $ 2,240,398 | $ 2,665,519 | $ 2,466,355 | $ 2,911,730 | $ 3,277,940 | $ 4,191,677 | $ 3,754,700 | $ 2,747,372 | $ 2,650,812 |
| Contributions in relation to the contractually required contribution | 2,474,557 | 2,240,398 | 2,665,519 | 2,466,355 | 2,911,730 | 3,277,940 | 4,191,677 | 3,754,700 | 2,747,372 | 2,650,812 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 25,965,971 | $ 25,286,659 | $ 25,499,753 | $ 25,136,441 | $ 25,771,837 | $ 25,145,033 | $ 24,166,422 | $ 24,276,858 | $ 24,647,316 | $ 23,699,903 |
| Contributions as a percentage of covered payroll | 10% | 9% | 10% | 12% | 11% | 13% | 16% | 15% | 11% | 11% |

***Employees' Retirement System***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually required contribution | $ 540,317 | $ 565,046 | $ 521,399 | $ 511,593 | $ 489,046 | $ 519,364 | $ 568,148 | $ 632,328 | $ 655,879 | $ 551,155 |
| Contributions in relation to the contractually required contribution | 540,317 | 565,046 | 521,399 | 511,593 | 489,046 | 519,364 | 568,148 | 632,328 | 655,879 | 551,155 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | $ 4,000,069 | $ 3,809,594 | $ 3,768,608 | $ 3,542,916 | $ 3,369,093 | $ 3,506,952 | $ 3,487,139 | $ 3,501,807 | $ 3,522,376 | $ 3,519,854 |
| Contributions as a percentage of covered payroll | 14% | 15% | 14% | 14% | 15% | 15% | 16% | 18% | 19% | 16% |

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**
Last Four Fiscal Years

| | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Total OPEB liability | | | | |
| Service cost | $ 4,968,188 | $ 3,692,239 | $ 1,811,571 | $ 1,893,752 |
| Interest | 2,735,529 | 3,755,219 | 2,780,279 | 2,544,272 |
| Changes in benefit terms | (877,805) | - | 861,744 | - |
| Differences between expected and actual experience | (6,536,959) | (14,532,047) | 1,498,061 | - |
| Changes of assumptions or other inputs | (2,665,933) | 24,881,761 | 28,435,435 | (3,598,151) |
| Benefit payments | (2,293,856) | (2,258,866) | (1,988,294) | (1,787,936) |
| Net change in total OPEB liability | (4,670,836) | 15,538,306 | 33,398,796 | (948,063) |
| Total OPEB liability, beginning | 119,952,065 | 104,413,759 | 71,014,963 | 71,963,026 |
| Total OPEB liability, ending | $ 115,281,229 | $ 119,952,065 | $ 104,413,759 | $ 71,014,963 |
| Covered employee payroll | $ 25,865,479 | $ 31,449,005 | $ 27,245,135 | $ 28,281,085 |
| Total OPEB liability as a percentage of covered employee payroll | 445.70% | 381.42% | 383.24% | 251.10% |
| Discount rate | 2.16% | 2.21% | 3.51% | 3.87% |
| Healthcare trend rates | 5.40% to 4.04% by 2075 | 5.40% to 3.84% by 2075 | 5.50% to 3.84% by 2075 | 5.50% to 3.84% by 2078 |

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

**Note to Required Supplementary Information**

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

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Schedules of Change from Adopted Budget to Final Budget**
**and the Real Property Tax Limit - General Fund**
For the Year Ended June 30, 2021

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

| | | |
|---|---|---|
| Adopted Budget | | $ 61,769,870 |
| Additions: | | |
| Prior year's encumbrances | | 191,421 |
| Original Budget | | 61,961,291 |
| Budget revision | | 2,500,000 |
| Final Budget | | $ 64,461,291 |

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

| | | |
|---|---|---|
| 2021-2022 voter-approved expenditure budget | | $ 62,581,830 |
| Maximum allowed (4% of 2021-2022 budget) | | $ 2,503,274 |
| General Fund Fund Balance Subject to § 1318 of Real Property Tax Law: | | |
| Unrestricted fund balance: | | |
| Assigned fund balance | $ 1,820,443 | |
| Unassigned fund balance | 2,503,274 | |
| | | $ 4,323,717 |
| Less: | | |
| Appropriated fund balance | 1,778,195 | |
| Encumbrances | 42,248 | |
| Total adjustments | | 1,820,443 |
| General Fund Fund Balance Subject to § 1318 of Real Property Tax Law: | | $ 2,503,274 |
| Actual Percentage | | 4.00% |

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**
For the Year Ended June 30, 2021

| | | | Expenditures | | | | Methods of Financing | | | | Fund |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **PROJECT TITLE** | Budget June 30, 2020 | Budget June 30, 2021 | Prior Years | Current Year | Total | Unexpended Balance | Proceeds of Obligations | State Aid | Local Sources | Total | Balance June 30, 2021 |
| MS HVAC | $ 650,000 | $ 650,000 | $ 372,157 | $ 692 | $ 372,849 | $ 277,151 | $ | $ | $ 650,000 | $ 650,000 | $ 277,151 |
| Smart Schools Bond Act | 1,617,432 | 1,617,432 | 911,562 | 557,933 | 1,469,495 | 147,937 | | 1,617,432 | | 1,617,432 | 147,937 |
| ES Water Heater/Bathroom Renovation | 135,000 | 135,000 | - | 8,415 | 8,415 | 126,585 | | | 135,000 | 135,000 | 126,585 |
| MS Water Heater/Bathroom Renovation | 140,000 | 140,000 | - | 5,868 | 5,868 | 134,132 | | | 140,000 | 140,000 | 134,132 |
| HS Roof 3rd Phase | 925,000 | 925,000 | - | 78,552 | 78,552 | 846,448 | | | 925,000 | 925,000 | 846,448 |
| Totals | $ 3,467,432 | $ 3,467,432 | $ 1,283,719 | $ 651,460 | $ 1,935,179 | $ 1,532,253 | $ - | $ 1,617,432 | $ 1,850,000 | $ 3,467,432 | $ 1,532,253 |
| | | | | | | | | | | Less: unexpended balances transferred to general fund | (277,151) |
| | | | | | | | | | | Less: State aid not yet realized | (147,937) |
| | | | | | | | | | | | $ 1,107,165 |

**MOUNT SINAI UNION FREE SCHOOL DISTRICT**
**Schedule of Net Investment in Capital Assets**
June 30, 2021

| | |
|---|---|
| Capital assets, net | $ 28,045,234 |
| Deduct: | |
| Short-term portion of bonds payable | (745,000) |
| Long-term portion of bonds payable | (1,670,000) |
| Short-term portion of installment purchase debt payable | (264,919) |
| Long-term portion of installment purchase debt payable | (1,575,095) |
| | (4,255,014) |
| Net investment in capital assets | $ 23,790,220 |

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
*(1950 – 2013)*

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

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

To the Board of Education
Mount Sinai Union Free School District
Mount Sinai, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Mount Sinai Union Free School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 22, 2021. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mount Sinai Union Free School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mount Sinai Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mount Sinai Union Free School District's internal control.

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

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

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## Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee, and management of the Mount Sinai Union Free School District in a separate letter dated September 22, 2021.

## Purpose of this Report

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

Cullen & Danowski, LLP

September 22, 2021