

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 16, 2022

NEW ISSUE/ RENEWALS

TAX ANTICIPATION NOTES AND BOND ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

RIVERHEAD CENTRAL SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

\$10,000,000* TAX ANTICIPATION NOTES 2022 – 2023 TAXES SERIES A
(the "SERIES A TANs")

Date of Issue: September 8, 2022

Maturity Date: February 23, 2023

\$18,000,000* TAX ANTICIPATION NOTES 2022 – 2023 TAXES SERIES B
(the "SERIES A TANs and together with the SERIES B TANs, the "TANs")

Date of Issue: September 8, 2022

Maturity Date: June 28, 2023

\$2,381,390 BOND ANTICIPATION NOTES - 2022
(the "BANs")

Date of Issue: September 8, 2022

Maturity Date: September 8, 2023

[The Series A TANs, Series B TANs and the BANs are collectively referred to herein as the "Notes"]

The TANs are general obligations of the Riverhead Central School District, in Suffolk County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the TANs and, unless paid from other sources, the TANs are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations. (See "The Tax Levy Limit Law" herein).

The BANs are general obligations of the District, and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the BANs and, unless paid from other sources, the BANs are payable from ad valorem taxes which may be levied upon all the taxable real property within the District without limitation as to rate or amount.

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in registered form and, at the option of the purchaser, the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC"), as book-entry notes.

If the Notes are registered in the name of the successful bidder, a single note certificate will be issued for those Notes of an issue bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof, except for one necessary odd denomination for the BANs. A single note certificate will be issued for those Notes of an issue 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. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See "Book-Entry-Only System" herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on August 25, 2022 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the respective final approving opinions of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about September 8, 2022.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.



**RIVERHEAD CENTRAL SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

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Dr. Rodney Asse, Assistant Superintendent for Business
Lisa Rheame, District Clerk
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* * *

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* * *

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No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information 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

**RIVERHEAD CENTRAL SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK**

Relating To

\$10,000,000* TAX ANTICIPATION NOTES FOR 2022 – 2023 TAXES SERIES A

\$18,000,000* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES SERIES B

\$2,381,390 BOND ANTICIPATION NOTES – 2022

This Official Statement, including the cover page and appendices hereto, presents certain information relating to the Riverhead Central School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of \$10,000,000 Tax Anticipation Notes for 2022-2023 Taxes Series A (the "Series A TANs"), \$18,000,000 Tax Anticipation Notes for 2022-2023 Taxes Series B (the "Series A TANs and together with the Series B TANs, the "TANs") and \$2,381,390 Bond Anticipation Notes – 2022 (the "BANs") (the Series A TANs, Series B TANs and BANs are collectively referred to hereafter as the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has affected education, travel, commerce, financial markets globally and economic growth worldwide. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this world-wide event. (See "RISK FACTORS" and "IMPACT OF COVID-19" herein.)

THE NOTES

Description

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Dr. Rodney Asse, Assistant Superintendent for Business, Riverhead Central School District, 814 Harrison Avenue, Riverhead, New York, 11901 telephone number (631) 369-6700 and email: rodney.asse@g.riverhead.net.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

*Preliminary, subject to change.

Description of Book-entry System

In the event that the Notes are issued in book-entry form, DTC will act as securities depository for the Notes and such 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 of an issue 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 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 note ("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 Securities 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 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, note 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, note 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

Authorization for and Purpose of Notes

The TANs

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2022-2023 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2022-2023 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

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 2022-2023 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, 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.

The BANs

The BANs are being issued in accordance with the Constitution and statutes of the State of New York, including the Education Law and the Local Finance Law and pursuant to various bond resolutions duly adopted by the Board of Education of the District on their respective dates for the purposes listed below:

<u>Bond Resolution Date</u>	<u>Purpose</u>	<u>Amount Outstanding</u>	<u>Amount to be Paid</u>	<u>Additional Amount to be Issued</u>	<u>Amount to be Issued</u>
06/11/19	Acquisition of Buses	\$ 1,936,164	\$ 491,164	\$781,390	\$ 2,226,390
05/27/14	Acquisition of Buses	<u>470,000</u>	<u>215,000</u>	<u>0</u>	<u>155,000</u>
	Totals:	<u>\$ 2,406,164</u>	<u>\$806,164</u>	<u>\$781,390</u>	<u>\$2,381,390</u>

Security and Source of Payment

Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof.

The TANs will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the TANs, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District, subject to certain statutory limitations, (see "*Tax Levy Limitation Law*" herein).

The BANs will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the BANs, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District without limitation as to rate or amount.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded 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 limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such year to year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes, including the BANs, issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes, including the TANs, revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See "*The Tax Levy Limit Law*," herein.)

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owner of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including

financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

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 obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond or note. Such investigation by the State Comptroller shall set forth a description of all such bonds and notes of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State Teachers' Retirement System, and (b) the principal of and interest on such bonds and notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof

as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to said section of the SFL.

NO PAST DUE DEBT

No principal or interest payment on District indebtedness is past due. The District has never defaulted in the payment of the principal of and/or interest on any indebtedness.

BANKRUPTCY

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

THE DISTRICT

Description

The District is located in Suffolk County approximately 70 miles east of New York City on the eastern end of Long Island where the island branches to form the North and South Forks. The District's boundaries include most of the Town of Riverhead and areas within the Towns of Southampton and Brookhaven, covering 100 square miles.

The District is residential and agricultural in nature, with some commercial land and minor industrial development. The County Center provides government services to the area.

Local bus transportation is available as well as direct bus service to New York City provided by area-owned companies. Rail passenger service provided by the Long Island Railroad is available from the easternmost tips of Long Island to New York City with a station located in the District. Private air carriers are available at nearby Gabreski Airport, with access to major airline service at Long Island MacArthur Airport. Limousine service is readily available to all points east and west. The Long Island Expressway (I-495) terminates at Riverhead where well maintained county/town roads then provide easy access to and from as well as within the District.

The Tanger Outlet Center, a significant shopping outlet complex located within the District, has more than doubled its size in recent years which makes it one of the largest outlet malls in the United States.

Commercial banking facilities are provided by banks with multiple branches located within the District.

Electricity is provided throughout the District by PSEG Long Island. Natural Gas is provided by National Grid. The District's water supply and distribution system is administered by the Riverhead Water District and the Suffolk County Water Authority. Fire protection is furnished by local volunteer fire districts and police protection is provided by the State, Suffolk County and Riverhead and Southampton Town Police Departments.

District Organization

The Board of Education, 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 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 of Education and who are appointed by the Board, include the Superintendent, Assistant Superintendent for Finance and Operations, Assistant Superintendent for Curriculum & Instruction, District Clerk, and the District Treasurer.

Charter School

There is one locally-operated charter school (the "Charter School") open to residents residing in the District. The Charter School is separately chartered by the Board of Regents of the State and is not subject to the control or supervision of the District.

Under the Charter School Act, Article 56 of the New York Education Law, the District is required to pay a State-set tuition rate to the Charter School for students residing in the District who are enrolled in the Charter School. The amount to be paid to charter schools by a district is based on various regulations, enrollment levels, and economic information related to the home school district of the children enrolled in charter schools. Currently, school districts in the State, including the District, are required to pay an amount to charter schools for each resident pupil so enrolled that is equal to the approved operating expense per pupil of the school district. The exact amount payable for each pupil equals the product of the approved operating expense per pupil and the full-time-equivalent enrollment of the students in the charter school

There are a total of approximately 479 students residing in the District enrolled in the Charter School. Charter school tuition payments are a significant expense to the District and no assurance can be given that additional charter schools will not be established for District residents or that enrollment levels and resulting tuition paid by the District to the Charter School will not increase in the future. In the event the District fails to make any required payment to the Charter School, the State Comptroller may deduct delinquent amounts from State Aid otherwise payable to the District and pay such amounts to the Charter School. Other State programs incorporate similar procedures for the withholding or deduction of State Aid. The Following table represents tuition payments for the last five fiscal years and budgeted for the current fiscal year.

<u>Fiscal Year Ending June 30:</u>	<u>Tuition Payments</u>
2018	\$ 5,038,720
2019	6,076,913
2020	7,134,969
2021	8,120,246
2022	8,987,090
2023 (Budgeted)	10,255,938

Source: District Officials.

Enrollment History

The following table presents the past school enrollment for the District.

<u>School Year</u>	<u>School Enrollment</u>
2017-2018	5,560
2018-2019	5,642
2019-2020	5,778
2020-2021	5,426
2021-2022	5,513

Source: District Officials.

Projected Future Enrollment

The following table presents the projected future school enrollment for the District.

<u>School Year</u>	<u>School Enrollment</u>
2022-2023	5,447
2023-2024	5,425
2024-2025	5,422

Source: District Officials.

District Facilities

<u>Name of School</u>	<u>Grades</u>	<u>Date of Construction</u>	<u>Capacity</u>
Phillips Avenue School	K-4	1959	450
Roanoke Avenue School	K-4	1922	350
Riley Avenue School	K-4	1965	450
Aquebogue School	K-4	1929	320
Pulaski Street School	5-6	1937	700
Middle School	7-8	1961	850
High School	9-12	1972	1,250

Employees

The collective bargaining units, if any, which represent employees and the dates of expiration of the various collective bargaining agreements are as follows:

<u>Name of Union</u>	<u>Expiration Date of Contract</u>	<u>Approx. No. of Members</u>
Riverhead Administrators Association	6/30/2025	31
Riverhead Central Faculty Association (incl. 11 nurses)	6/30/2026	512
Riverhead School Aides of Suffolk Educational Local 870, CSEA	6/30/2025	82
Riverhead School Teaching Assistants Association	6/30/2025	48
Riverhead Central School District Unit of Suffolk County Educational Local 870 of the CSEA, Inc. (Comprised of Clerical, bus drivers and custodial)	6/30/2024	404

Source: District Officials.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics.

<u>Year</u>	<u>Town of Riverhead</u>	<u>Suffolk County</u>
2004	30,909	1,467,425
2006	33,098	1,495,697
2008	33,864	1,508,602
2010	34,185	1,492,450
2020	33,524	1,481,364

Source: U.S. Bureau of the Census.

Income Data

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020^a</u>
Town of Riverhead	\$15,643	\$24,647	\$33,089	\$41,022
County of Suffolk	18,481	26,577	35,755	46,466
State of New York	16,501	23,389	30,948	40,898

	Median Household Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2020^a</u>
Town of Riverhead	\$32,655	\$46,195	\$66,000	\$72,134
County of Suffolk	49,128	65,288	84,235	105,362
State of New York	32,965	43,393	54,148	71,117

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimate (2016-2020)

Major Employers in the District

<u>Name</u>	<u>Type</u>	<u>Estimated Number of Employees</u>
Tanger Factory Outlet ^a	Retail	1,600
Peconic Bay Medical Center	Hospital	1,200
Splish Splash Water Park ^a	Amusement Park	1,000
Riverhead Central School District ^a	Public Schools	950
Town of Riverhead	Government	304
East Wind Caters & Inn	Catering, Restaurant	225
Atlantis Marine World	Aquarium	250
Home Depot	Retail	215
Suffolk County National Bank	Bank	180
Island International	Manufacturing	145
Riverhead Building Supply	Manufacturing	140

a. Includes seasonal employees.

Source: Town of Riverhead Community Development Department.

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 Riverhead. The information set forth below with respect to such Town and the County of Suffolk is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the District is necessarily representative of the Town or the County, or vice versa.

<u>Annual Averages:</u>	<u>Town of Riverhead (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2017	4.8	4.5	4.6
2018	4.5	3.8	4.1
2019	4.0	3.5	3.8
2020	8.5	8.5	10.0
2021	5.4	4.9	7.2
2022 (5 Month Average)	4.4	3.3	4.6

Source: Department of Labor, State of New York.

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory 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 TAN) or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, 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 period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which such indebtedness is to be contracted; 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 amortization and redemption of its serial bonds, bond anticipation notes and capital 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 and contracting indebtedness to prevent abuses in the exercise of such power; however, 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. 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 of 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. (See “*The Tax Levy Limit Law*” herein).

Statutory Procedure

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

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds and notes in anticipation or the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 for construction costs until the plans and specification for such project have been approved by the Commissioner of Education of the State.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution, together with a statutory form of notice which, in effect, stops legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations.

The Board of Education, as the finance board of the District, also has the power to authorize the sale and issuance of bonds and notes, including the Notes. However, such finance board may delegate the power to sell the Notes to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

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The following table sets forth the computation of the debt limit of the District and its debt contracting margin:

Computation of Debt Limit and Debt Contracting Margin
(As of August 16, 2022)

<u>In Town of: (2021-2022)</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Full Valuation</u>
Southampton	\$1,021,167,665	100.00%	\$1,021,167,665
Riverhead	752,353,691	11.80	6,375,878,737
Brookhaven	952,297	0.74	128,688,784
	<u>\$1,774,473,653</u>		<u>7,525,735,186</u>
Debt Limit - 10% of Average Full Valuation			\$752,573,518
Inclusions: ^a			
Outstanding Bonds			\$50,635,000
Bond Anticipation Notes			<u>2,406,164</u>
Total Indebtedness			<u>53,041,164</u>
Exclusions (Estimated Building Aid) ^b			15,912,349
Total Net Indebtedness Before Issuing the BANs			<u>37,128,815</u>
The BANs			2,381,380
Less: Bond Anticipation Notes Being Redeemed by the BANs			<u>1,599,990</u>
Net Effect of Issuing the BANs			<u>781,390</u>
Total Net Indebtedness After Issuing the Notes			<u>37,910,205</u>
Net Debt Contracting Margin			<u>\$714,663,313</u>
Per Cent of Debt Contracting Margin Exhausted			5.04%

- a. The latest completed assessment roll for which a State Equalization Rate has been established.
- b. Tax Anticipation Notes are not included in computation of the debt contracting margin of the District.
- c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the 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. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefor may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the District has bond anticipation notes outstanding in the amount of \$2,406,164 that mature on September 9, 2022. The BANs, together with available funds, will redeem the outstanding Bond Anticipation notes.

Trend of Outstanding Indebtedness
As at June 30:

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Bonds	\$70,205,000	\$66,185,000	\$62,070,000	\$57,025,000	\$50,635,000
BANs	3,390,000	3,128,000	2,919,688	2,674,827	2,406,164
Other	4,967,078	4,492,125	4,006,521	3,510,028	3,302,401
Totals:	\$78,562,078	\$73,805,125	\$68,996,209	\$63,209,855	\$56,343,565

Source: Audited Financial Statements.

Debt Service Requirements - Outstanding Bonds ^a

Fiscal Year <u>Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,085,000	\$ 1,646,702	\$ 5,731,702
2024	4,170,000	1,564,425	5,734,425
2025	4,315,000	1,422,525	5,737,525
2026	4,465,000	1,271,731	5,736,731
2027	4,630,000	1,111,806	5,741,806
2028	4,805,000	941,938	5,746,938
2029	4,995,000	759,025	5,754,025
2030	5,195,000	572,825	5,767,825
2031	5,360,000	404,750	5,764,750
2032	2,775,000	275,944	3,050,944
2033	2,870,000	186,538	3,056,538
2034	2,970,000	92,631	3,062,631
Totals ^a	\$50,635,000	\$10,250,839	\$60,885,839

a. Does not reflect payments made to date during the current fiscal year.

Debt Service Requirements – 2015 Energy Performance Contract

Fiscal Year Ending <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 519,010	\$ 64,076	\$ 583,086
2024	530,648	52,438	583,086
2025	542,548	40,538	583,086
2026	554,714	28,372	583,086
2027	567,153	15,933	583,086
2028	<u>288,328</u>	<u>3,215</u>	<u>291,543</u>
Totals	<u>\$3,002,401</u>	<u>\$204,572</u>	<u>\$3,206,973</u>

a. Does not reflect payments made to date during the current fiscal year.

Revenue and Tax Anticipation Notes

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

Fiscal Year Ending <u>June 30:</u>	<u>Amount</u>	<u>Type</u>	<u>Issue</u>	<u>Maturity</u>
2020	\$18,000,000	TAN	09/12/2019	02/27/2020
2020	10,000,000	TAN	09/12/2019	06/25/2020
2021	10,000,000	TAN	09/10/2020	02/26/2021
2021	18,000,000	TAN	09/10/2020	06/25/2021
2022	10,000,000	TAN	09/09/2021	02/25/2022
2022	18,000,000	TAN	09/09/2021	06/24/2022

Authorized but Unissued Debt

As of the date of this Official Statement, the District has authorized but unissued debt in the amount of \$1,557,321 for the acquisition of buses. The BANs will finance \$781,390 of such authorized amount.

Future Capital Projects

The District's Five-Year Capital Facilities Plan is updated annually and provides a systematic approach to establishing the capital needs of the District. The plan is developed in conjunction with the District's comprehensive long-range plan which considers educational philosophy, present and projected pupil enrollments and space use in District facilities. Such improvements are funded with either bonds, capital reserve funds, or budgetary appropriations.

In February, 2020, the voters of the District rejected a referendum for approximately \$97 million for District-wide improvements. The District does not intend to put another referendum out to the community for the foreseeable future.

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Suffolk	08/02/2021	2.34	\$46,344,560	\$29,416,561
Town of Riverhead	08/02/2021	90.72	49,814,352	28,280,493
Town of Southampton	07/30/2021	3.12	2,810,613	2,452,238
Town of Brookhaven	06/25/2022	0.24	1,291,248	1,260,480
Flanders Fire District	12/31/2020	100.00	0	0
Hampton Bays Fire District	12/31/2020	10.00	0	0
Jamesport Fire District	12/31/2020	97.00	80,770	80,770
Manorville Fire District	12/31/2020	40.00	203,239	203,239
Riverhead Fire District	12/31/2020	97.00	5,509,600	5,509,600
Wading River Fire District	12/31/2020	30.00	0	0
Westhampton Beach Fire District	12/31/2020	10.00	1,266,000	1,266,000
Totals			<u>\$107,320,381</u>	<u>\$68,469,381</u>

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 August 16, 2022)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)^b</u>
Total Direct Debt	\$53,041,164	\$1,326	0.705
Net Direct Debt	37,128,815	928	0.493
Total Direct & Applicable Total Overlapping Debt	160,361,545	4,009	2.131
Net Direct & Applicable Net Overlapping Debt	105,598,195	2,640	1.403

a. The current estimated population of the District is 40,000.

b. The 2021-2022 full valuation of taxable property of the District is \$7,525,735,186.

FINANCES OF THE DISTRICT

Impact of COVID-19

In December of 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act was enacted as the second act of federal relief in response to COVID-19. The CRRSA Act provides approximately \$4.3 billion to support schools in the State, with the funds available to be spent through September 2023. This is in addition to the \$1.2 billion in Federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding, which can be spent through September 2022. The CRRSA Act provides the State with \$4.0 billion through the Elementary and Secondary School Emergency Relief (ESSER) Fund and \$323 million through the Governor's Emergency Education Relief (GEER) Fund. Districts may generally use these funds for broad purposes, including general operating and pandemic-related costs such as purchasing personal protective equipment. Additionally, the State has been allocated approximately \$9.0 billion under the American Rescue Plan (ARP) Act's Elementary and Secondary School Emergency Relief Fund (ESSER).

The District has received \$6,448,518 of a total of \$16,003,741 in CRRSA and ARP funding. See also "*State Aid*" 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 C.

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, school lunch fund and special purpose fund. In addition, a capital projects fund is used to record capital facility projects, while an 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 transaction, 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

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, 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 school districts can be paid only if the State has such monies available for such payment.

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 amounts budgeted for 2022 and 2023.

Fiscal Year Ending <u>June 30:</u>	<u>General Fund Total Revenue</u>	<u>State Aid</u>	<u>State Aid to Revenues (%)</u>
2017	\$128,947,911	\$27,269,343	21.15
2018	135,469,941	30,000,056	22.15
2019	138,750,802	31,921,678	23.01
2020	141,757,050	32,949,355	23.24
2021	144,767,792	33,469,899	23.12
2022 (Budgeted) ^a	159,407,613	46,845,549	29.39
2023 (Budgeted) ^a	169,750,296	54,530,029	32.12

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

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

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. Due to the outbreak of COVID-19 the State initially declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19 including closing schools and non-essential businesses for an extended period. The use of federal stimulus funds has allowed the State to avoid gap closing measurements; however, the State may be required to implement gap closing measurements in the future. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State’s 2021-22 Enacted Budget provided \$29.5 billion in State funding to school districts for the 2021-22 school year the highest level of State aid ever. This represented an increase of \$3.0 billion or 11.3 percent compared to the 2020-21 school year, and included a \$41.4 billion or 7.6 percent Foundation Aid increase. Approximately 75 percent of this increase was targeted to high-need school districts.

The State’s 2021-22 Enacted Budget also provided \$13 billion of federal Elementary and Secondary School Emergency Relief Fund and the Governor’s Emergency Education Relief Fund to public schools. This funding available for use over multiple years, was designed to assist schools to 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 State’s 2021-22 Enacted budget allocated \$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 State’s 2021-22 Enacted 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 2021-22 school year.

The State’s 2022-23 Enacted Budget 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 State’s 2022-23 Enacted Budget also increases the State’s annual investment in prekindergarten to \$1.1 billion, an increase of \$125 million, or 13%. The Enacted 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 amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, 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 adoption of the State budget, which is due at the start of the State's fiscal year of April 1. The State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State's 2022-23 Enacted Budget was adopted on April 9, 2022. 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, the COVID-19 pandemic, 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 Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revisions. 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; 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.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity v. 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, on appeal 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 Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The Campaign for Fiscal Equity decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as Foundation Aid. The stated purpose of Foundation Aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a “gap elimination adjustment” as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date. (See also “*School district fiscal year (2021-2022)*” under the subheading “*Events Affecting State Aid to New York School Districts*” herein.)

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students' Educational Rights v. State of New York (“NYSER”) and a consolidated case on the right to a sound basic education. The NYSE lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and

sufficient State funding for a “sound basic education” as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent “gross education inadequacies”, claims regarding State funding for a “sound basic education” must be made on a district-by-district basis based on the specific facts therein. On October 14, 2021 Governor Kathy Hochul announced that New York State has reached an agreement to settle and discontinue the New Yorkers for Students' Educational Rights v. New York State case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years and ending the State's prior opposition to providing this much-needed funding to our students. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the historic Campaign for Fiscal Equity cases, and had been previously opposed by the State. Foundation Aid was created in 2007 and takes school district wealth and student need into account to create an equitable distribution of state funding to schools, however, New York State has never fully funded Foundation Aid. The new settlement requires New York State to phase-in full funding of Foundation Aid by the FY 2024 budget. In the FY 2022 Enacted State Budget approved in April 2021, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 budget and enshrined this commitment into law. A breakdown of Foundation Aid funding is set forth below:

- FY 2022: \$19.8 billion, covering 30% of the existing shortfall
- FY 2023: Approximately \$21.3 billion, covering 50% of the anticipated shortfall
- FY 2024: Approximately \$23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school districts

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 district.

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 school year, the State's Enacted 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 will continue 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 approved by September 1 of the current year 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 expected to total \$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 was continued under existing aid formulas. Out-year growth in School Aid reflect 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 exceed 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 represented 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 allocated \$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 allocated \$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 Enacted Budget provides \$31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of \$2.1 billion or 7.2% compared to the 2021-2022 school year and includes a \$1.5 billion or 7.7 percent Foundation Aid increase. The State’s 2022-2023 Enacted Budget also programs \$14 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, is designed to assist schools to 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 State’s 2022-23 Enacted Budget allocates \$100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State’s 2022-23 Enacted Budget increases federal funds by \$125 million to expand access to full-day prekindergarten programs for four-year old children in school districts statewide in the 2022-23 school year.

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 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*”).

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 New York 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: 0.0%; Environmental Score: 33.3%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps school districts and local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of school districts and 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 July 27, 2018. The purpose of such audit was to examine the school's control over debit card use for the period July 1, 2015 through February 28, 2017. The complete report, together with the District's response, may be found on the OSC's official website.

References to websites and/or website addresses presented herein are for informational purposes only and implies no warranty of accuracy of information therein. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Statement.

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 new 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, 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 is 1.75% for the first 20 years of service and 2% thereafter; 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 District established a TRS reserve fund in the 2018-2019 fiscal year.

The following chart represents the TRS and ERS required contributions for each of the last five completed fiscal years and the amounts budgeted for the 2023 fiscal year.

Fiscal Year Ending <u>June 30:</u>	<u>TRS</u>	<u>ERS</u>
2018	\$2,103,452	\$4,855,889
2019	2,074,877	5,261,019
2020	2,191,583	4,491,995
2021	2,130,889	4,711,773
2022	3,292,553	5,603,297
2023 (Budgeted)	2,587,924	6,143,536

Source: Audited Financial Statements and District Officials.

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 at June 30, 2021 is as follows:

<u>Changes in the Total OPEB Liability</u>	<u>Fiscal Year Ending June 30, 2021:</u>
Total OPEB Liability at June 30, 2020	\$152,372,085
Charges for the Year:	
Service Cost	8,183,420
Interest	3,512,585
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	0
Changes in Assumptions or Other Inputs	1,323,977
Benefit Payments	(3,247,812)
Net Changes	<u>9,772,170</u>
Total OPEB Liability at June 30, 2021	<u>\$162,144,255</u>

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, New York 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 Towns of Riverhead, Brookhaven and Southampton. Assessment valuations are determined by the Town assessors 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 for a discussion of certain statutory limitation that have been imposed.

The following table sets forth the amount of the District’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2017 through 2021, inclusive and for the amounts budgeted for the 2022 and 2023 fiscal years.

<u>Fiscal Year Ending June 30:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2017	\$128,947,911	\$89,283,589	69.24
2018	135,469,941	93,204,366	68.80
2019	138,750,802	94,573,752	68.16
2020	141,757,050	97,573,913	68.83
2021	144,767,792	98,109,230	67.77
2022 (Budgeted)	159,407,613	104,541,349	65.58
2023 (Budgeted)	169,750,296	105,586,808	62.20

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted estimates for total revenues include appropriations of fund balance. Budgeted estimates for real property taxes include STAR.

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 Towns, 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 (such as the BANs) 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 exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the TANs), 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. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$86,000 or less, increased annually according to a cost of living adjustment, are eligible for a “full value” exemption of the first \$66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of \$500,000 are eligible for a \$30,000 “full value” exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year’s amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year’s STAR credit check or taxpayers also may account for those changes in their State income taxes.

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared with a \$500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

The State’s 2020-21 Enacted Budget withholds STAR benefits to taxpayers who are delinquent in the payment of their school taxes and maintains the income limit for the exemption to \$250,000, compared with a \$500,000 limit for the credit.

Approximately 10% of the District’s 2021-2022 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 10% of the District’s 2022-2023 school tax levy exempted by the STAR program and the District received full reimbursement of such exempt taxes from the State in January 2023. (See “*State Aid*” herein).

Valuations, Rates, Levies and Collections

A summary of Valuations, Rates and Levies is contained in Appendix A.

Selected Listing of Large Taxable Properties
2020-2021 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Full Valuation</u>
Tanger Properties	Retail Outlet	\$130,094,680
Long Island Lighting Company	Utility	123,691,614
Howard T. Hogan Jr.	Shopping Center	91,825,146
Riverhead Centre LLC	Shopping Center	77,330,929
TOSCO Corp.	Oil Distribution	49,371,506
Long Island Power Authority	Utility	40,946,005
Traditional Link LLC	Golf Course	37,817,854
Verizon New York Inc.	Utility	36,696,763
Keyspan Energy Corp	Utility	35,294,725
Douglas J. Stark	Mobile Home Park	34,463,481
East End Commons Associates	Shopping Center	33,955,816
Riverhead PGC LLC	Shopping Center	31,042,020
Serota Wading River LLC	Commercial	30,422,904
Realty Income Corp	Recreational	29,231,740
	Total ^a	<u><u>\$782,185,183</u></u>

a. Represents 10.55% of the total full valuation of the District for 2020-2021.
Source: Town Assessment Rolls

Tax Certiorari Claims

In common with other Districts, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. A refund of excess taxes is also generally requested. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claimed. Many settlements provide for future adjustments with no direct outlay of money.

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, after consultation with its 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.

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 December 3, 2021 the District was a victim of a cybersecurity attack. A data breach response firm was hired by the District to contact individuals to offer identity protection services. The District was advised that personal information was potentially exposed but found no evidence that such information was misused as a result of the incident. The District has taken steps to strengthen the security posture to prevent a similar event from occurring again in the future. The District did not incur any material expenses as a result of the situation.

RISK FACTORS

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 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 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 pandemic 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 COVID-19 outbreak 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 continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also initially declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for extended periods. The spread of the outbreak or resurgence 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).

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.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the District (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes and provides the payor with, a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner’s federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Notes.

The Inflation Reduction Act, H.R. 5376 (the “IRA”), has been passed by both houses of Congress and is expected to be signed by the President; as passed, the IRA includes a 15 percent alternative minimum tax to be imposed on the “adjusted financial statement income,” as defined in the IRA, of certain corporations for tax years beginning after December 31, 2022. If the IRA is enacted as passed, interest on the Notes will be included in the “adjusted financial statement income” of such corporations for purposes of computing such alternative minimum tax.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix D hereto.

DISCLOSURE UNDERTAKING

In order to assist the purchasers of the Notes in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), the District will execute an “Undertaking to Provide Notices of Events”, substantially in the form of which is attached hereto as Appendix E.

RATING

The Notes are not rated. Moody’s Investors Service (“Moody’s”) has assigned a rating of “Aa2” to the outstanding bonds of the District. This rating will reflect only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody’s, 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the bonds or the availability of a secondary market for such bonds.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the “Municipal Advisor”), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal 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 Municipal 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 Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the business office of the District: Dr. Rodney Asse, Assistant Superintendent for Business, Riverhead Central School District, 814 Harrison Avenue, Riverhead, New York, 11901 telephone number (631) 369-6700 and email: rodney.asse@g.riverhead.net or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District’s management’s beliefs as well as assumptions made by, and information currently available to, the District’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District’s files with the repositories. When used in District’s documents or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases are intended to identify forward-looking statements.

To the extent 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 the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the District also assume no liability or responsibility for any errors or omissions or unauthorized editing or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the District and the original purchasers or owners of any of the Notes.

By: s/s BRIAN P. CONNELLY
President of the Board of Education
Riverhead Central School District
Riverhead, New York

August , 2022

APPENDIX A

FINANCIAL INFORMATION

Balance Sheet
General Fund

	Fiscal Year Ending June 30:		
	2019	2020	2021
Assets:			
Cash	\$ 26,370,239	\$ 28,796,527	\$ 36,101,295
Accounts Receivable	696,045	622,250	591,503
Taxes Receivable	5,770,845	4,529,041	1,225,678
Due from Other Funds	974,942	1,639,282	1,528,636
State and Federal Aid	1,019,882	1,099,604	1,977,742
Due from Other Governments	1,677,737	2,527,346	2,012,054
Prepaid Expenditures	1,511,000	1,479,260	1,529,066
Total Assets	\$ 38,020,690	\$ 40,693,310	\$ 44,965,974
 Liabilities:			
Accounts Payable	\$ 2,022,409	\$ 3,846,465	\$ 2,662,163
Accrued Liabilities	7,067,282	8,018,598	7,309,335
Due to Other Funds		93,690	7,019
Due to Other Governments		62,011	62,011
Due to Teachers Retirement System	6,264,771	5,517,448	5,906,339
Due to Employees Retirement Systems	673,801	686,316	653,854
Other Liabilities			76,095
Collections in Advance	145,600	162,792	154,849
Deferred Revenues	491,454	969,433	465,129
Total Liabilities	16,665,317	19,356,753	17,296,794
 Fund Balances:			
Nonspendable	1,511,000	1,479,260	1,529,066
Restricted	10,313,169	10,151,917	17,086,218
Assigned	3,753,995	3,912,815	2,677,591
Unassigned	5,777,209	5,792,565	6,376,305
Total Fund Equity	21,355,373	21,336,557	27,669,180
Total Liabilities and Fund Equity	\$ 38,020,690	\$ 40,693,310	\$ 44,965,974

NOTE: This schedule itself is NOT audited.

Source: Audited Annual Financial Reports of the School District.

Statement of Revenues, Expenditures and Changes in Fund Equity
General Fund

	Fiscal Year Ending June 30:				
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Revenues:					
Real Property Taxes	\$ 89,283,589	\$ 93,204,366	\$ 94,573,752	\$ 97,573,913	\$ 98,109,230
Other Real Property Tax Items	9,364,847	9,309,735	9,139,806	8,676,250	8,161,944
Charges for Services	1,307,768	1,384,352	1,207,277	928,983	1,031,445
Use of Money and Property	75,389	201,601	431,242	378,357	57,296
Sale of Property & Comp. for Loss	177,625	197,001	328,173	119,449	367,241
Miscellaneous	1,251,403	1,082,784	919,692	820,245	2,380,387
Interfund Revenues	3,355	3,096	2,098	1,247	2,731
State Sources	27,269,343	30,000,056	31,921,678	32,949,355	33,469,899
Medicaid Reimbursement				213,771	100,060
Federal Sources	214,592	86,950	227,084	95,480	1,087,559
Total Revenues	<u>128,947,911</u>	<u>135,469,941</u>	<u>138,750,802</u>	<u>141,757,050</u>	<u>144,767,792</u>
Expenditures:					
General Support	13,984,608	13,051,399	14,052,163	13,033,901	11,996,248
Instruction	75,465,747	78,130,397	79,081,671	84,815,036	82,211,243
Pupil Transportation	5,869,243	6,774,767	6,693,801	6,481,532	6,502,785
Employee Benefits	27,067,700	27,811,021	29,348,948	29,201,991	29,603,184
Debt Service	7,218,191	9,339,419	8,388,902	7,979,783	7,849,791
Total Expenditures	<u>129,605,489</u>	<u>135,107,003</u>	<u>137,565,485</u>	<u>141,512,243</u>	<u>138,163,251</u>
Excess (Deficiency) Revenues Over Expenditures	(657,578)	362,938	1,185,317	244,807	6,604,541
Other Financing Sources (Uses):					
Premium on Obligation				151,518	
Interfund Transfers In	340,262	573,437	391,482	11,707	
Interfund Transfers (Out)	(320,970)	(307,264)	(502,029)	(427,848)	(271,918)
Total Other Financing Sources	<u>19,292</u>	<u>266,173</u>	<u>(110,547)</u>	<u>(264,623)</u>	<u>(271,918)</u>
Net Change in Fund Equity	(638,286)	629,111	1,074,770	(19,816)	6,332,623
Other Changes in Fund Balance					
Fund Balance Beginning of Year	<u>20,289,778</u>	<u>19,651,492</u>	<u>20,280,603</u>	<u>21,355,373</u>	<u>21,335,557</u>
Fund Balance End of Year	<u>\$ 19,651,492</u>	<u>\$ 20,280,603</u>	<u>\$ 21,355,373</u>	<u>\$ 21,335,557</u>	<u>\$ 27,668,180</u>

Source: Audited Annual Financial Reports of the School District (2017-2021)

Note: This schedule itself is not audited.

Budget Summaries
General Fund

	Fiscal Year Ending June 30:	
	2022-2023 ^a	2021-2022 ^b
Revenues:		
Real Property Taxes with STAR Payments	\$ 105,586,808	\$ 104,541,394
PILOT Payments	1,850,000	1,739,975
Miscellaneous	2,724,300	2,720,000
State Sources	54,530,029	46,845,549
Appropriated Fund Balance	5,059,159	3,560,695
Total Revenues	169,750,296	159,407,613
Expenditures:		
General Support	14,969,988	14,405,888
Instruction	99,865,110	93,694,851
Pupil Transportation	7,762,767	7,382,294
Undistributed (Includes Benefits, Debt Service, Transfers)	47,152,431	43,924,580
Total Expenditures	\$ 169,750,296	\$ 159,407,613

a. Approved by the voters of the District on May 17, 2022.

b. Approved by the voters of the District on May 18, 2021.

Source: Adopted Budgets of the School District

**Financial Information
Assessed and Full Valuations**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Assessed Valuation:					
Town of:					
Brookhaven	\$ 946,152	\$ 948,276	\$ 954,558	\$ 949,479	\$ 952,297
Riverhead	756,363,615	761,482,064	767,464,008	767,092,438	752,353,691
Southampton	930,746,079	991,902,021	1,079,273,067	1,086,922,312	1,021,167,665
Total Assessed Valuation	<u>\$ 1,688,055,846</u>	<u>\$ 1,754,332,361</u>	<u>\$ 1,847,691,633</u>	<u>\$ 1,854,964,229</u>	<u>\$ 1,774,473,653</u>

Equalization Rates:					
Town of:					
Brookhaven	0.90%	0.86%	0.79%	0.77%	0.74%
Riverhead	13.87%	13.52%	12.35%	12.30%	11.80%
Southampton	100.00%	100.00%	100.00%	100.00%	100.00%

Full Valuation:					
Town of:					
Brookhaven	\$ 105,128,000	\$ 110,264,651	\$ 120,830,127	\$ 123,308,961	\$ 128,688,784
Riverhead	5,453,234,427	5,632,263,787	6,214,283,466	6,236,523,886	6,375,878,737
Southampton	930,746,079	991,902,021	1,079,273,067	1,086,922,312	1,021,167,665
Total Full Valuation	<u>\$ 6,489,108,506</u>	<u>\$ 6,734,430,459</u>	<u>\$ 7,414,386,659</u>	<u>\$ 7,446,755,159</u>	<u>\$ 7,525,735,186</u>

Real Property Taxes

Total Tax Levy	\$ 97,982,843	\$ 99,067,846	\$ 102,280,638	\$ 101,692,119	\$ 101,733,594
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Tax Rate per \$1,000 of Assessed Valuation

Town of:					
Brookhaven	\$ 1,719.76	\$ 1,714.42	\$ 1,762.80	\$ 1,806.49	\$ 1,860.85
Riverhead	106.61	111.02	111.85	112.92	116.55
Southampton	13.66	13.52	12.43	12.44	12.18

APPENDIX B

CASH FLOW SUMMARIES

CASH FLOW SUMMARY 2021-22 (Actual) (000)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	34,497	25,649	20,260	44,233	32,493	24,767	11,575	56,140	43,923	49,733	40,150	52,106	34,497
Receipts													
Tax Levy (Includes Library)			1,226				53,099	2,658	903	1,430	15,435	21,716	96,467
STAR & PILOT			1				6,612				244	1,054	7,911
State & Federal Aid	1,772	1,471	8,859	3,409	4,042	6,005	1,445	1,290	23,645	438	9,420	5,658	67,454
TAN Proceeds			28,329										28,329
Other	280	187	587	753	448	391	625	521	661	513	481	770	6,217
Total Receipts	2,052	1,658	39,002	4,162	4,490	6,396	61,781	4,469	25,209	2,381	25,580	29,198	206,378
Disbursements													
Payroll	5,826	4,333	6,232	6,217	6,452	9,627	6,435	6,613	8,664	6,678	6,568	10,957	84,602
Accounts Payable	5,049	2,429	4,541	4,058	2,740	6,380	3,041	6,569	6,545	4,077	4,616	10,052	60,097
Debt Service Bonds & EPC			399	2,753	659				1,924	561	136		6,432
TAN Repayment							7,342	2,658				18,000	28,000
TAN Interest								69				400	469
State Retirement			1,789	1,789	1,789	2,462							7,829
Library			981			999			981		981		3,942
Other	25	285	1,087	1,085	576	120	398	777	1,285	648	1,323	183	7,792
Total Disbursements	10,900	7,047	15,029	15,902	12,216	19,588	17,216	16,686	19,399	11,964	13,624	39,592	199,163
Balance	25,649	20,260	44,233	32,493	24,767	11,575	56,140	43,923	49,733	40,150	52,106	41,712	41,712
Note Payment Account													
Opening Balance	0	0	0	0	0	0	0	7,342	0	0	0	0	0
Receipts	0	0	0	0	0	0	7,342	2,658	0	0	0	18,000	28,000
Disbursements	0	0	0	0	0	0	0	10,000	0	0	0	18,000	28,000
Closing Balance	0	0	0	0	0	0	7,342	0	0	0	0	0	0

Note: Opening Balance includes certain restricted reserves in the approximate amount of \$15.5 million, does not include Non-Spendable Fund Balance

Property Tax Receipts Include Library

Property Tax Receipts in September represent 2020-21 tax receipts. In recent years, the District has experienced delays in the the collection of property taxes from the Town of Riverhead

CASH FLOW SUMMARY 2022-23 (Estimated) (000)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance	41,712	31,186	23,671	44,994	31,145	21,059	4,546	49,448	37,052	43,849	35,223	48,417	
Receipts													
Tax Levy (Includes Library)			1,537				55,260	2,970	1,215	1,742	15,747	22,652	101,123
STAR & Pilot							6,642				259	1,069	7,970
State & Federal Aid	2,282	2,150	9,533	4,093	4,726	6,734	2,083	2,019	24,373	1,111	10,149	6,387	75,640
TAN Proceeds			28,000										28,000
BAN Proceeds													0
Other	378	317	718	853	578	491	756	652	792	612	611	870	7,628
Total Receipts	2,660	2,467	39,788	4,946	5,304	7,225	64,741	5,641	26,380	3,465	26,766	30,978	220,361
Disbursements													
Payroll	5,843	4,999	6,899	6,883	7,119	11,274	7,101	7,280	9,331	6,850	7,234	10,624	91,437
Accounts Payable	6,902	4,282	6,395	5,911	4,593	8,233	4,894	6,422	6,398	3,930	4,469	9,905	72,334
Debt Service Bonds & EPC			645	2,485	671				2,144	247	122		6,314
TAN Repayment							7,030	2,970				18,000	28,000
TAN Interest								172				503	675
State Retirement			2,015	2,015	2,015	2,687							8,732
Library			1,008			1,008			1,008		1,008		4,032
Other	441	701	1,503	1,501	992	536	814	1,193	702	1,064	739	600	10,786
Total Disbursements	13,186	9,982	18,465	18,795	15,390	23,738	19,839	18,037	19,583	12,091	13,572	39,632	222,310
Balance	31,186	23,671	44,994	31,145	21,059	4,546	49,448	37,052	43,849	35,223	48,417	39,763	39,763
Note Payment Account													
Opening Balance	0	0	0	0	0	0	0	7,030	0	0	0	0	0
Receipts	0	0	0	0	0	0	7,030	2,970	0	0	0	18,000	28,000
Disbursements	0	0	0	0	0	0	0	10,000	0	0	0	18,000	28,000
Closing Balance	0	0	0	0	0	0	7,030	0	0	0	0	0	0

Note: Opening Balance includes certain restricted reserves in the approximate amount of \$15 million

Property Tax Receipts Include Library

Property Tax Receipts in September represent 2021-22 tax receipts. In recent years, the District has experienced delays in the the collection of property taxes from the Town of Riverhead

RIVERHEAD CENTRAL SCHOOL DISTRICT

APPENDIX C

**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.



RIVERHEAD CENTRAL SCHOOL DISTRICT
Integrity • Creativity • Respect

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2021

RIVERHEAD CENTRAL SCHOOL DISTRICT
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VINCENT D. CULLEN, CPA
(1950 - 2013)

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JILL S. SANDERS, CPA
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ALAN YU, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Riverhead Central School District
Riverhead, 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 Riverhead Central 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 audit opinions.

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 Riverhead Central 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 Riverhead Central 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 Riverhead Central 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 60 through 64, 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 Riverhead Central School District's basic financial statements. The other supplementary information on pages 65 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. 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 November 1, 2021 on our consideration of the Riverhead Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Riverhead Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Riverhead Central School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

November 1, 2021

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

The Riverhead Central 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 financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

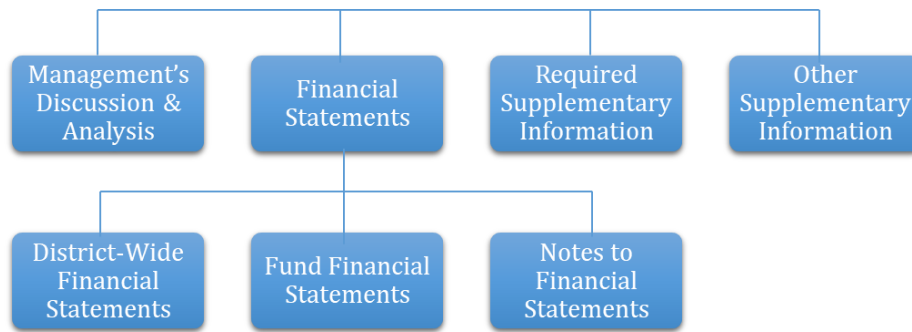
- The District's total net position was a deficit of \$67,517,756 in the district-wide financial statements at June 30, 2021, compared to a deficit of \$55,858,857 at June 30, 2020. The deficit increased by \$11,658,899 over the prior year due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- The District's total net position at June 30, 2020 was restated and increased by \$142,644, which is due to the required implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$163,707,033. Of this amount, \$9,905,938 was offset by program charges for services, operating grants and capital grants. General revenues of \$142,142,196 amount to 93.5% of total revenues.
- The District's general fund fund balance, as reflected in the fund financial statements was \$27,669,180 at June 30, 2021. This balance represents a \$6,332,623 increase (29.68%) 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 \$6,934,301. Unassigned fund balance increased by \$583,740 to \$6,376,305.
- 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 \$993,697. The District applied for additional funding in the amount of \$6,003,741 allocated under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, which awards were granted in September 2021. In addition, the District applied for and is awaiting approval for \$12,776,398 in grant funds through the American Rescue Plan (ARP) Act.
- The District's 2021 property tax levy of \$104,541,394 was a 0.0% increase over the 2020 tax levy. The District's property tax cap was 2.21%.
- The District issued \$9,330,000 of bonds on August 27, 2020, which bear interest at a rate of 1.125%-5.00%. The proceeds of debt were used to refund \$10,180,000 of bonds with interest rates of 2.25%-3.25%. The issuance of the new debt results in a net economic benefit of \$1,253,486.
- On May 20, 2014, the voters approved a bond issue not to exceed \$3,988,000 to purchase approximately 35 large propane powered buses and approximately 5 handicapped accessible vans. As of June 30, 2021, the District spent \$3,983,549 on related purchases. The District has issued \$3,984,000 in bond anticipation notes; \$3,984,000 in bond anticipation notes were redeemed with general fund appropriations, and \$960,000 in bond anticipation notes are outstanding. The District has unissued debt relating to this authorization in the amount of \$4,000.
- On May 19, 2015, the voters approved a bond issue not to exceed \$1,200,000 for the construction of a turf field. As of June 30, 2021, the construction has been completed in the authorized amount. The District has issued \$1,200,000 in bond anticipation notes; \$960,000 in bond anticipation notes were redeemed with general fund appropriations, and \$240,000 in bond anticipation notes are outstanding.

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

- On May 28, 2019, the voters approved a bond issue not to exceed \$3,993,000 to purchase approximately 44 buses. As of June 30, 2021, the District has spent \$1,637,394 for bus purchases and issued \$1,644,515 in bond anticipation notes; \$169,688 in bond anticipation notes were redeemed with general fund appropriations, and \$1,474,827 in bond anticipation notes are outstanding. The District has unissued debt relating to this authorization in the amount of \$2,348,485.

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.

The Statement of Net Position

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

The Statement of Activities

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

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

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes 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 a separate statement. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

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

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, and the extraclassroom activities and scholarships funds as separate governmental funds. The changes resulted in increases to restricted net position, unrestricted net position, and total net position. The following is a summary of these changes:

	As Restated June 30, 2020	As Reported June 30, 2021	Increase (Decrease)
Current and Other Assets	\$ 42,212,688	\$ 41,895,587	\$ 317,101
Current and Other Liabilities	19,429,194	19,254,737	174,457
Restricted Net Position	10,828,829	10,808,170	20,659
Unrestricted Net Position (Deficit)	(107,427,488)	(107,549,473)	121,985
Total Net Position (Deficit)	(55,858,857)	(56,001,501)	142,644

The District's total net position decreased by \$11,658,899 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	\$ 46,372,549	\$ 42,212,688	\$ 4,159,861	9.85 %
Capital Assets, Net	105,939,303	109,728,439	(3,789,136)	(3.45)%
Net Pension Asset - Proportionate Share		8,026,478	(8,026,478)	(100.00)%
Total Assets	152,311,852	159,967,605	(7,655,753)	(4.79)%
Deferred Outflows of Resources	76,969,604	75,460,818	1,508,786	2.00 %
Liabilities				
Current and Other Liabilities	17,793,791	19,429,194	(1,635,403)	(8.42)%
Long-Term Liabilities	77,709,152	81,309,762	(3,600,610)	(4.43)%
Net Pension Liabilities - Proportionate Share	8,571,236	13,836,525	(5,265,289)	(38.05)%
Total OPEB Liability	162,144,255	152,372,085	9,772,170	6.41 %
Total Liabilities	266,218,434	266,947,566	(729,132)	(0.27)%
Deferred Inflows of Resources	30,580,778	24,339,714	6,241,064	25.64 %
Net Position (Deficit)				
Net Investment in Capital Assets	42,737,018	40,739,802	1,997,216	4.90 %
Restricted	17,711,889	10,828,829	6,883,060	63.56 %
Unrestricted (Deficit)	(127,966,663)	(107,427,488)	(20,539,175)	(19.12)%
Total Net Position (Deficit)	\$ (67,517,756)	\$ (55,858,857)	\$ (11,658,899)	(20.87)%

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

The increase in current and other assets is evidenced by an increase in the District's cash balances, offset by a decrease in taxes receivable.

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 10 "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 15 "Pension Plans – New York State" provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years and the amount of deferred charges from the bond refunding that is being amortized over the remaining term of the bonds.

The decrease in current and other liabilities is primarily in connection with decreases in accounts payable and accrued liabilities.

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

Net pension liabilities – proportionate share represents the District's share of the New York State 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 15 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) liability increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 17 "Postemployment Healthcare Benefits," provides additional information.

Deferred inflows of resources represents 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.

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.

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

B. Changes in Net Position

The June 30, 2020 revenues and 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	\$ 1,351,603	\$ 1,198,678	\$ 152,925
Operating Grants & Contributions	8,276,382	8,264,818	11,564
Instruction Expenses	136,280,415	136,126,911	153,504

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

	June 30, 2021	As Restated June 30, 2020	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 1,263,514	\$ 1,351,603	\$ (88,089)	(6.52)%
Operating Grants & Contributions	8,587,831	8,276,382	311,449	3.76 %
Capital Grants	54,593	541,847	(487,254)	(89.92)%
General Revenues				
Property Taxes and STAR	104,541,552	104,541,501	51	0.00 %
State Sources	33,074,274	33,344,980	(270,706)	(0.81)%
Other	4,526,370	3,485,505	1,040,865	29.86 %
Total Revenues	<u>152,048,134</u>	<u>151,541,818</u>	<u>506,316</u>	0.33 %
Expenses				
General Support	17,004,016	18,124,257	(1,120,241)	(6.18)%
Instruction	132,503,279	136,280,415	(3,777,136)	(2.77)%
Pupil Transportation	10,513,693	10,859,377	(345,684)	(3.18)%
Debt Service - Interest	1,922,500	2,281,215	(358,715)	(15.72)%
Food Service Program	1,763,545	2,079,268	(315,723)	(15.18)%
Total Expenses	<u>163,707,033</u>	<u>169,624,532</u>	<u>(5,917,499)</u>	(3.49)%
Change in Net Position	<u>\$ (11,658,899)</u>	<u>\$ (18,082,714)</u>	<u>\$ 6,423,815</u>	35.52 %

The District's net position decreased by \$11,658,899 and \$18,082,714 for the years ended June 30, 2021 and 2020, respectively.

The District's revenues increased by \$506,316 or 0.33%. The increase was primarily due to an increase in other income. The increase in other income was primarily related to refunds from BOCES and from unemployment as a result of claims in the prior year being disallowed. This increase was offset by a decrease in capital grants, which was related to a lower amount of Smart Schools Bond Act revenue recognized in the current year.

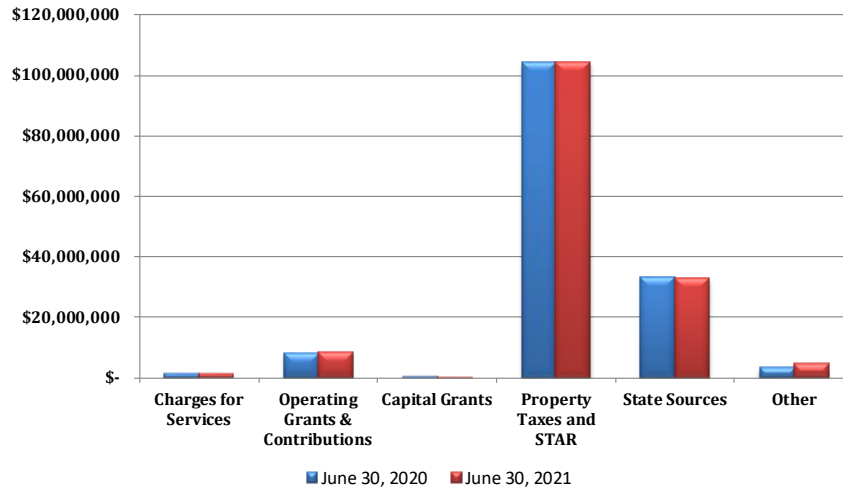
The District's total expenses for the year decreased by \$5,917,499 or 3.49%. The decrease in expenses is primarily due to decreases in general support and instruction. The decrease in general support was related to a reduction in central services costs such as overtime, which were higher in the prior year relating to implementing COVID-19 protocols. The decrease in instruction is related to reduced salary costs as the

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

prior year included additional staffing related to COVID-19 protocols, and there were vacancies in staff positions not filled during the current year.

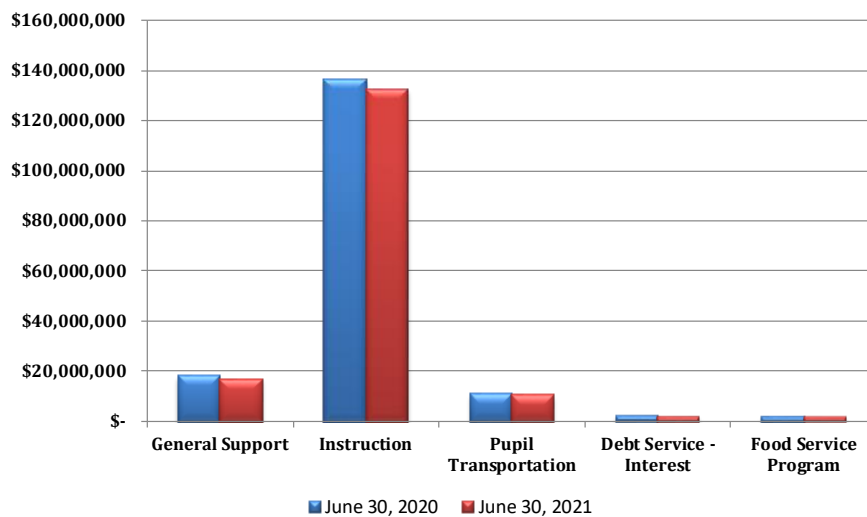
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 68.8% and 69.0% of the total for the years 2021 and 2020, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 80.9% and 80.4% of the total for 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
2020	0.9%	5.5%	0.4%	69.0%	22.0%	2.2%
2021	0.8%	5.6%	0.0%	68.8%	21.8%	3.0%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2020	10.7%	80.4%	6.4%	1.3%	1.2%
2021	10.4%	80.9%	6.4%	1.2%	1.1%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$28,564,208, which is an increase of \$6,290,737 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. 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:

	<u>June 30, 2021</u>	<u>As Restated June 30, 2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General Fund				
Nonspendable: Prepaids	\$ 1,529,066	\$ 1,479,260	\$ 49,806	3.37 %
Restricted				
Workers' compensation	2,230,415	1,994,467	235,948	11.83 %
Unemployment insurance	1,003,538	1,051,461	(47,923)	(4.56)%
Retirement contribution				
Teachers' retirement system	2,141,225	1,193,332	947,893	79.43 %
Employees' retirement system	2,682,349	833,027	1,849,322	222.00 %
Employee benefit accrued liability	6,123,268	4,303,101	1,820,167	42.30 %
Repairs	2,905,423	776,529	2,128,894	274.16 %
Assigned:				
Appropriated fund balance	2,649,159	2,649,159	-	0.00 %
Unappropriated fund balance	28,432	1,263,656	(1,235,224)	(97.75)%
Unassigned: Fund balance	6,376,305	5,792,565	583,740	10.08 %
	<u>27,669,180</u>	<u>21,336,557</u>	<u>6,332,623</u>	29.68 %
School Food Service Fund				
Nonspendable: Inventory	31,499	76,149	(44,650)	(58.64)%
Restricted: Capital	192,485	186,318	6,167	3.31 %
Assigned: Unappropriated fund balance	112,042	72,880	39,162	53.73 %
	<u>336,026</u>	<u>335,347</u>	<u>679</u>	0.20 %
Debt Service Fund				
Restricted: Debt	491	465	26	5.59 %
Capital Projects Fund				
Restricted:				
Capital	413,947	469,470	(55,523)	(11.83)%
Unspent debt proceeds	7,571	7,573	(2)	(0.03)%
Unassigned: Fund balance (deficit)		(18,585)	18,585	100.00 %
	<u>421,518</u>	<u>458,458</u>	<u>(36,940)</u>	(8.06)%
Extraclassroom Activities Fund				
Assigned: Unappropriated fund balance	118,245	121,985	(3,740)	(3.07)%
Scholarships Fund				
Restricted: Scholarships	18,748	20,659	(1,911)	(9.25)%
Total Fund Balance	<u>\$ 28,564,208</u>	<u>\$ 22,273,471</u>	<u>\$ 6,290,737</u>	28.24 %

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

A. General Fund

The net change in the general fund – fund balance is an increase of \$6,332,623, compared to a decrease of \$18,816 in 2020. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

The District’s revenues increased by \$2,846,517 or 2.01%, as compared to the prior year. This increase is primarily attributable to increases in miscellaneous revenue and federal sources. The increase in miscellaneous revenues was primarily related to refunds from BOCES and unemployment. The increase in federal sources related to new grants under the CARES act.

Expenditures and other financing uses decreased by \$3,504,922 or 2.47% from the prior year. This decrease was primarily due to decreases in central services, administration and improvement, teaching – regular school, and pupil services. The reduction in costs in central services relates to excess costs in the prior year for the implementation of COVID-19 protocols. The reduction in administration & improvement was related to the implementation of COVID-19 protocols, prior year’s expenditures for retirement payouts, and current year’s vacancies in staff positions. The reduction in teaching – regular school related to the need for additional remote instructors in the prior year. The reduction in pupil services is primarily related to the reduction in co-curricular and interscholastic sports as a result of COVID-19 restrictions.

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

	Balance @ June 30, 2020	Use of Reserves	Interest	Funding	Balance @ June 30, 2021	Appropriated for June 30, 2022
Workers' compensation	\$ 1,994,467	\$ (762,215)	\$ 3,163	\$ 995,000	\$ 2,230,415	\$ 771,806
Unemployment insurance	1,051,461	(49,591)	1,668		1,003,538	40,000
Retirement contribution						
TRS	1,193,332	(100,000)	1,893	1,046,000	2,141,225	
ERS	833,027	(100,000)	1,322	1,948,000	2,682,349	100,000
EBALR	4,303,101	(429,469)	6,826	2,242,810	6,123,268	
Repairs	776,529	(72,338)	1,232	2,200,000	2,905,423	
	<u>\$ 10,151,917</u>	<u>\$ (1,513,613)</u>	<u>\$ 16,104</u>	<u>\$ 8,431,810</u>	<u>\$ 17,086,218</u>	<u>\$ 911,806</u>

B. School Food Service Fund

The net change in the school food service fund – fund balance is an increase of \$679, which is the operating profit of the food service program.

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

	Balance @ June 30, 2020	Interest	Transfer of Reserves	Balance @ June 30, 2021
Cafeteria Capital Reserve	<u>\$ 186,318</u>	<u>\$ 382</u>	<u>\$ 5,785</u>	<u>\$ 192,485</u>

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

C. Debt Service Fund

The net change in the debt service fund – fund balance is an increase of \$26, which represents interest earnings for the year. In addition, the District issued refunding bonds in the amount of \$9,330,000 to redeem \$10,180,000 of serial bonds with the proceeds and disbursements of this transaction recorded in the debt service fund.

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$36,940. The District recognized proceeds of debt in the amount of \$819,827, related to bond anticipation notes for the purchase of buses and the turf field. The District also received state aid of \$73,178 (Smart Schools Bond Act). Capital outlay for the year was \$924,160, and \$5,785 of unspent cafeteria capital reserve funding was returned to the school food service fund capital reserve.

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

	Balance @ June 30, 2020	Funding	Transfer of Reserves	Use of Reserves	Balance @ June 30, 2021
Capital Reserve	\$ 469,470	\$ -	\$ (5,785)	\$ (49,738)	\$ 413,947

E. Extraclassroom Activities Fund

The net change in the extraclassroom activities fund – fund balance is a decrease of \$3,740, as a result of expenditures of \$103,452 in excess of revenues of \$99,712.

F. Scholarships Fund

The net change in the scholarships fund – fund balance is a decrease of \$1,911, as a result of scholarships expenditures of \$9,250 in excess of \$7,300 of donations and \$39 of interest income.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020-2021 Budget

The District's general fund adopted budget for the year ended June 30, 2021 was \$144,814,131. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,263,656 and budget revisions in the amount of \$516,104 for a total final budget of \$146,593,891.

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

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

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

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

Opening, Unassigned Fund Balance	\$ 5,792,565
Additional Appropriation of Reserves	109,590
Revenues Over Budget	3,492,090
Expenditures and Encumbrances Under Budget	8,130,290
Unused Appropriated Reserves	(1,351)
Net Change in Nonspendable Fund Balance	(49,806)
Allocation to Reserves	(8,447,914)
Appropriated for the 2021-2022 Budget	<u>(2,649,159)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 6,376,305</u></u>

Opening, Unassigned Fund Balance

The \$5,792,565 shown in the table is the portion of the District's June 30, 2020 fund balance that was retained as unassigned.

Additional Appropriation of Reserves

The Board approved an additional sum to be appropriated from reserves in order to correct an error in the presentation of the original budget.

Revenues Over Budget

The 2020-2021 final budget for revenues was \$141,275,702. Actual revenues recognized for the year were \$144,767,792. The excess of actual revenues over estimated or budgeted revenues was \$3,492,090, 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, including prior year open encumbrances and budget revisions as of June 30, 2021, was \$146,593,891. Actual expenditures as of June 30, 2021 were \$138,435,169 and outstanding encumbrances were \$28,432. Combined, the expenditures plus encumbrances for 2020-2021 were \$138,463,601. The final budget variance was \$8,130,290, 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.

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

Unused Appropriated Reserves

In the 2020-2021 budget the District appropriated \$1,011,806 from reserves to reduce the tax levy, and also fund unanticipated costs. Due to lower than anticipated expenditures, \$1,351 of this funding was not needed and, therefore, was returned to the reserves for future use.

Net Change in Nonspendable Fund Balance

The District prepaid various insurance premiums at June 30, 2021. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The increase in nonspendable fund balance decreases unassigned fund balance.

Allocation to Reserves

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

Appropriated Fund Balance

The District has chosen to use \$2,649,159 of the available June 30, 2021 unassigned 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 above table, the unassigned fund balance at June 30, 2021 was \$6,376,305.

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 \$4,733,537 in excess of capital additions of \$944,401 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:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Increase (Decrease)</u>
Land	\$ 3,917,401	\$ 3,917,401	\$ -
Buildings and improvements	94,800,227	98,251,721	(3,451,494)
Site improvements	1,070,839	1,125,353	(54,514)
Vehicles, furniture and equipment	<u>6,150,836</u>	<u>6,433,964</u>	<u>(283,128)</u>
Capital assets, net	<u>\$ 105,939,303</u>	<u>\$ 109,728,439</u>	<u>\$ (3,789,136)</u>

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

B. Debt Administration

Bonds Payable and Energy Performance Contract Payable

At June 30, 2021, the District had total bonds payable of \$57,025,000. The bonds were issued for school building improvements and refunding of previously issued bonds. The decrease in outstanding debt represents principal payments. The energy performance contract was issued to make improvements to District facilities to reduce energy costs. A summary of the outstanding long-term debt at June 30, 2021 and 2020 is as follows:

Issue Date	Interest Rate	June 30, 2021	June 30, 2020	Increase (Decrease)
Bonds Payable				
11/1/2015	2.00-3.00%	\$ 24,000,000	\$ 26,125,000	\$ (2,125,000)
3/1/2014	3.00-4.00%	24,280,000	25,765,000	(1,485,000)
11/1/2012	2.25-3.25%		10,180,000	(10,180,000)
8/27/2020	1.125-5.00%	8,745,000		8,745,000
		<u>\$ 57,025,000</u>	<u>\$ 62,070,000</u>	<u>\$ (5,045,000)</u>
Energy Performance Contract Payable				
7/25/2012	2.23%	<u>\$ 3,510,029</u>	<u>\$ 4,006,522</u>	<u>\$ (496,493)</u>

During 2021, the District refunded \$10,180,000 in general obligation bond issues with a separate general obligation refunding. The District issued \$9,330,000 of general obligation refunding bonds to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and their liability has been removed from the District's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$1,253,486. The outstanding defeased bonds were fully redeemed on November 15, 2020.

Bond Anticipation Notes Payable

The bond anticipation notes payable carries interest at 2.0% and is payable on September 10, 2021.

Purpose	Authorization		Unissued	Outstanding at	
	Date	Amount		June 30, 2021	June 30, 2020
Bus purchases	5/2014	\$ 3,988,000	\$ 4,000	\$ 960,000	\$ 1,615,000
Turf field	6/2015	1,200,000		240,000	480,000
Bus purchases	5/2019	3,994,000	2,348,485	<u>1,474,827</u>	<u>824,688</u>
				<u>\$ 2,674,827</u>	<u>\$ 2,919,688</u>

See accompanying notes to financial statements, Note 13 "Short-Term Debt" and Note 14 "Long-Term Liabilities" for additional information.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2021 are 8.05% of the District's debt limit.

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

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation, net pension liabilities – proportionate share and total 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	\$ 11,091,603	\$ 10,170,541	\$ 921,062
Workers' compensation	2,230,755	1,974,222	256,533
Net pension liabilities - proportionate share	8,571,236	13,836,525	(5,265,289)
Total OPEB liability	162,144,255	152,372,085	9,772,170
	\$ 184,037,849	\$ 178,353,373	\$ 5,684,476

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 \$159,407,613. This is an increase of \$14,593,482 or 10.08% over the previous year's budget. The increase is principally in the instruction and general support areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$14,583,892 increase over the prior year's estimate, which is principally due to a significant estimated increase in state aid. The assigned, appropriated fund balance and applied reserves of \$3,560,965 was an increase of \$9,590 over the prior year's originally presented amounts. There is no change to the property tax levy.

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 1.47%. The District's 2021-2022 property tax levy remained the same as the prior year, was less than the tax cap, and did not require an override vote.

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

8. CONTACTING THE DISTRICT

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

Dr. Augustine Tornatore
Superintendent of Schools
Riverhead Central School District
700 Osborn Avenue
Riverhead, New York 11901

RIVERHEAD CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

ASSETS

Cash	
Unrestricted	\$ 19,151,064
Restricted	17,719,460
Receivables	
Accounts receivable	591,583
Taxes receivable	1,225,678
Due from state and federal	4,111,438
Due from other governments	2,012,054
Inventory	31,499
Prepays	1,529,773
Capital assets:	
Not being depreciated	3,917,401
Being depreciated, net of accumulated depreciation	<u>102,021,902</u>
Total Assets	<u>152,311,852</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges from advance refunding, net	126,416
Pensions	40,570,309
Other postemployment benefits	<u>36,272,879</u>
Total Deferred Outflows of Resources	<u>76,969,604</u>

LIABILITIES

Payables	
Accounts payable	2,694,329
Accrued liabilities	8,228,143
Due to other governments	62,172
Due to teachers' retirement system	5,906,339
Due to employees' retirement system	653,854
Other liabilities	76,095
Unearned credits: Collections in advance	172,859
Long-term liabilities	
Due and payable within one year	
Bond anticipation notes payable	2,674,827
Bonds payable, net	4,358,210
Energy performance contract payable	507,627
Compensated absences payable	400,000
Due and payable after one year	
Bonds payable, net	53,843,728
Energy performance contract payable	3,002,402
Compensated absences payable	10,691,603
Workers' compensation liabilities	2,230,755
Net pension liabilities - proportionate share	8,571,236
Total other postemployment benefits liability	<u>162,144,255</u>
Total Liabilities	<u>266,218,434</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	19,532,089
Other postemployment benefits	<u>11,048,689</u>
Total Deferred Inflows of Resources	<u>30,580,778</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>42,737,018</u>
Restricted:	
Workers' compensation	2,230,415
Unemployment insurance	1,003,538
Retirement contribution	
Teachers' retirement system	2,141,225
Employees' retirement system	2,682,349
Employee benefit accrued liability	6,123,268
Capital	606,432
Repairs	2,905,423
Debt	491
Scholarships	18,748
	<u>17,711,889</u>
Unrestricted (Deficit)	<u>(127,966,663)</u>
Total Net Position (Deficit)	<u>\$ (67,517,756)</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants		
FUNCTIONS/PROGRAMS					
General support	\$ 17,004,016	\$	\$ 215,692	\$	\$ (16,788,324)
Instruction	132,503,279	828,970	6,756,152	54,593	(124,863,564)
Pupil transportation	10,513,693	302,187			(10,211,506)
Debt service - interest	1,922,500				(1,922,500)
Food service program	1,763,545	132,357	1,615,987		(15,201)
Total Functions and Programs	\$ 163,707,033	\$ 1,263,514	\$ 8,587,831	\$ 54,593	(153,801,095)
GENERAL REVENUES					
Real property taxes					98,109,230
Other tax items					8,161,944
Use of money and property					57,739
Sale of property and compensation for loss					367,241
Miscellaneous					2,271,708
State sources					33,074,274
Medicaid reimbursement					100,060
Total General Revenues					142,142,196
Change in Net Position (Deficit)					(11,658,899)
Total Net Position (Deficit) - Beginning of Year, as Restated					(55,858,857)
Total Net Position (Deficit) - End of Year					\$ (67,517,756)

RIVERHEAD CENTRAL 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	\$ 19,014,957	\$ 663	\$ 7,804	\$ 9,395		\$ 118,245		\$ 19,151,064
Restricted	17,086,338		613,134	491	749		18,748	17,719,460
Receivables								
Accounts receivable	591,503		80					591,583
Taxes receivable	1,225,678							1,225,678
Due from other funds	1,528,636			196	422,284			1,951,116
Due from state and federal	1,977,742	1,730,442	403,254					4,111,438
Due from other governments	2,012,054							2,012,054
Inventory			31,499					31,499
Prepays	1,529,066	707						1,529,773
Total Assets	<u>\$ 44,965,974</u>	<u>\$ 1,731,812</u>	<u>\$ 1,055,771</u>	<u>\$ 10,082</u>	<u>\$ 423,033</u>	<u>\$ 118,245</u>	<u>\$ 18,748</u>	<u>\$ 48,323,665</u>
LIABILITIES								
Payables								
Accounts payable	\$ 2,662,163	\$ 26,131	\$ 4,716		\$ 1,319			\$ 2,694,329
Accrued liabilities	7,309,335	430,550	37,679					7,777,564
Due to other funds	7,019	1,271,273	663,037	9,591	196			1,951,116
Due to other governments	62,011		161					62,172
Due to teachers' retirement system	5,906,339							5,906,339
Due to employees' retirement system	653,854							653,854
Other liabilities	76,095							76,095
Unearned credits								
Collections in advance	154,849	3,858	14,152					172,859
Total Liabilities	<u>16,831,665</u>	<u>1,731,812</u>	<u>719,745</u>	<u>9,591</u>	<u>1,515</u>	<u>-</u>	<u>-</u>	<u>19,294,328</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue	465,129							465,129
FUND BALANCES								
Nonspendable:								
Inventory			31,499					31,499
Prepays	1,529,066							1,529,066
Restricted:								
Workers' compensation	2,230,415							2,230,415
Unemployment insurance	1,003,538							1,003,538
Retirement contribution								
Teachers' retirement system	2,141,225							2,141,225
Employees' retirement system	2,682,349							2,682,349
Employee benefit accrued liability	6,123,268							6,123,268
Capital			192,485		413,947			606,432
Repairs	2,905,423							2,905,423
Debt				491				491
Unspent debt proceeds					7,571			7,571
Scholarships							18,748	18,748
Assigned:								
Appropriated fund balance	2,649,159							2,649,159
Unappropriated fund balance	28,432		112,042			118,245		258,719
Unassigned fund balance	6,376,305							6,376,305
Total Fund Balances	<u>27,669,180</u>	<u>-</u>	<u>336,026</u>	<u>491</u>	<u>421,518</u>	<u>118,245</u>	<u>18,748</u>	<u>28,564,208</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 44,965,974</u>	<u>\$ 1,731,812</u>	<u>\$ 1,055,771</u>	<u>\$ 10,082</u>	<u>\$ 423,033</u>	<u>\$ 118,245</u>	<u>\$ 18,748</u>	<u>\$ 48,323,665</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

Total Governmental Fund Balances \$ 28,564,208

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

The costs of building and acquiring capital assets (land, buildings and improvements, site improvements, vehicles, 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	\$ 180,976,311	
Less: Accumulated depreciation	<u>(75,037,008)</u>	105,939,303

Proportionate share of long-term liabilities, as well as 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	40,570,309	
Net pension liability - teachers' retirement system	(8,520,205)	
Net pension liability - employees' retirement system	(51,031)	
Deferred inflows of resources	<u>(19,532,089)</u>	12,466,984

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

Deferred charges on advance refunding	145,034	
Less: Accumulated amortization	<u>(18,618)</u>	126,416

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

Deferred outflows of resources	36,272,879	
Total other postemployment benefits liability	(162,144,255)	
Deferred inflows of resources	<u>(11,048,689)</u>	(136,920,065)

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.

465,129

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

Accrued interest on bonds payable	(450,579)	
Bond anticipation notes payable	(2,674,827)	
Bonds payable	(58,201,938)	
Energy performance contract payable	(3,510,029)	
Compensated absences payable	(11,091,603)	
Workers' compensation liabilities	<u>(2,230,755)</u>	(78,159,731)

Total Net Position (Deficit)		<u>\$ (67,517,756)</u>
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RIVERHEAD CENTRAL 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	\$ 98,109,230	\$	\$	\$	\$	\$	\$	\$ 98,109,230
Other tax items	8,161,944							8,161,944
Charges for services	1,031,445							1,031,445
Use of money and property	57,296		417	26			39	57,778
Sale of property and compensation for loss	367,241							367,241
Miscellaneous	2,380,387		63,000			99,712	7,300	2,550,399
Interfund revenue	2,731							2,731
State sources	33,469,899	2,054,991	50,589		73,178			35,648,657
Medicaid reimbursement	100,060							100,060
Federal sources	1,087,559	3,821,955	1,502,398					6,411,912
Sales			132,357					132,357
Total Revenues	144,767,792	5,876,946	1,748,761	26	73,178	99,712	7,339	152,573,754
EXPENDITURES								
General support	11,996,248			175,427				12,171,675
Instruction	82,211,243	6,141,381				103,452	9,250	88,465,326
Pupil transportation	6,502,785							6,502,785
Employee benefits	29,603,184							29,603,184
Debt service								
Principal	5,756,181							5,756,181
Interest	2,093,610							2,093,610
Food service program			1,761,350					1,761,350
Capital outlay					924,160			924,160
Total Expenditures	138,163,251	6,141,381	1,761,350	175,427	924,160	103,452	9,250	147,278,271
Excess (Deficiency) of Revenues Over Expenditures	6,604,541	(264,435)	(12,589)	(175,401)	(850,982)	(3,740)	(1,911)	5,295,483
OTHER FINANCING SOURCES AND (USES)								
Proceeds of debt					819,827			819,827
Premium on obligation				1,170,461				1,170,461
Payment to escrow agent				(10,325,034)				(10,325,034)
Proceeds of advance refunding				9,330,000				9,330,000
Operating transfers in		264,435	13,268					277,703
Operating transfers (out)	(271,918)				(5,785)			(277,703)
Total Other Financing Sources and (Uses)	(271,918)	264,435	13,268	175,427	814,042	-	-	995,254
Net Change in Fund Balances	6,332,623	-	679	26	(36,940)	(3,740)	(1,911)	6,290,737
Fund Balances - Beginning of Year, as Restated	21,336,557	-	335,347	465	458,458	121,985	20,659	22,273,471
End of Year	\$ 27,669,180	\$ -	\$ 336,026	\$ 491	\$ 421,518	\$ 118,245	\$ 18,748	\$ 28,564,208

RIVERHEAD CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021

Net Change in Fund Balances		\$ 6,290,737
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
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.	\$ (522,889)	
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 workers' compensation liabilities	(256,533)	
Increase in compensated absences payable	<u>(921,062)</u>	(1,700,484)
<u>Capital Related Differences</u>		
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	944,401	
Depreciation expense	<u>(4,733,537)</u>	(3,789,136)
<u>Long-Term Debt Transactions Differences</u>		
Proceeds and premium from the issuance of debt are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(11,320,288)	
Payment to escrow agent is an other financing use in the governmental funds, but it decreases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities	10,325,034	
The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.	143,694	
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 anticipation notes	1,064,688	
Repayment of bond principal	4,195,000	
Repayment of energy performance contract payable	496,493	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2020 to June 30, 2021.	<u>27,416</u>	4,932,037
<u>Pension and Other Postemployment Differences</u>		
The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
Teachers' retirement system	(5,968,993)	
Employees' retirement system	898,904	
Other postemployment benefits	<u>(12,321,964)</u>	(17,392,053)
Change in Net Position (Deficit) of Governmental Activities		<u>\$ (11,658,899)</u>

RIVERHEAD CENTRAL 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 libraries	\$ 3,830,607
DEDUCTIONS	
Payments of real property taxes to the libraries	3,830,607
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Joint Venture

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants 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, 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.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

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

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

Enforcement

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

F. Payments in Lieu of Taxes (PILOT)

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

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.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

I. Use of Estimates

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

J. Cash and Cash Equivalents/Investments

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

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 and Prepaid Items

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

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

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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 three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from refunding of bonds that is being amortized as a component of interest expense on a weighted average basis over the remaining life of the old debt or the new debt, whichever is shorter. The second 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 third item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

O. Short-Term Debt

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

P. Collections in Advance

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

Q. Employee Benefits – Compensated Absences

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

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

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

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

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

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

R. Other Benefits

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

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

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

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare-benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 related to certain split dollar life insurance agreements. 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 constraints placed on the purpose for which resources can be used, as follows:

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Employee Benefit Accrued Liability Reserve

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 school food service fund and capital projects fund.

Repairs Reserve

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

Restricted for Debt

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

Restricted – Unspent Debt Proceeds

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

Restricted for Scholarships

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 - <i>Leases</i>	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.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 defeated the proposed appropriation budget; consequently, the Board of Education adopted a contingency budget, which includes appropriations for teachers' salaries and other ordinary contingent expenses. Under a contingency budget, the District's tax levy may not be greater than the tax levied for the prior school year. However, the administrative component of a contingency budget, exclusive of the capital component, may not comprise a greater percentage of the budget than the lesser of that percentage of the prior year's budget, or that percentage in the last defeated budget.

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

Program costs funded by donations	\$ 12,946
Repairs funded by the repair reserve	53,838
Compensated absences expenditures funded by the employee benefit accrued liability reserve	<u>449,320</u>
	<u>\$ 516,104</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

Investment pool:

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

Total investments of the cooperative at June 30, 2021 are \$3,369,964,660, which consisted of \$371,757,483 in repurchase agreements, \$1,940,950,074 in U.S. Treasury Securities and \$1,057,257,103 in collateralized bank deposits, with various interest rates and due dates.

The District has a CLASS account in the general fund with a carrying amount of \$561,949.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

7. PARTICIPATION IN BOCES

During the year ended June 30, 2021, the District was billed \$16,421,875 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,966,810. 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	\$ 33,190
New York State - excess cost aid	1,850,385
Federal - CARES (GEER) Act	11,651
Federal - CARES (ESSER) Act	<u>82,516</u>
	1,977,742
Special Aid Fund	
Federal and state grants	1,730,442
School Food Service Fund	
Federal and state food service program reimbursements	<u>403,254</u>
	<u>\$ 4,111,438</u>

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	
BOCES aid	\$ 1,801,993
Other districts - charges for services	<u>210,061</u>
	<u>\$ 2,012,054</u>

District management expects these amounts to be fully collectible.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 3,917,401	\$	\$	\$ 3,917,401
Capital assets being depreciated				
Buildings and improvements	156,997,519			156,997,519
Site improvements	3,921,762	60,500		3,982,262
Vehicles, furniture and equipment	15,282,494	883,901	(87,266)	16,079,129
Total capital assets being depreciated	<u>176,201,775</u>	<u>944,401</u>	<u>(87,266)</u>	<u>177,058,910</u>
Less accumulated depreciation for:				
Buildings and improvements	58,745,798	3,451,494		62,197,292
Site improvements	2,796,409	115,014		2,911,423
Vehicles, furniture and equipment	8,848,530	1,167,029	(87,266)	9,928,293
Total accumulated depreciation	<u>70,390,737</u>	<u>4,733,537</u>	<u>(87,266)</u>	<u>75,037,008</u>
Total capital assets, being depreciated, net	<u>105,811,038</u>	<u>(3,789,136)</u>	<u>-</u>	<u>102,021,902</u>
Capital assets, net	<u>\$ 109,728,439</u>	<u>\$ (3,789,136)</u>	<u>\$ -</u>	<u>\$ 105,939,303</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 92,064
Instruction	4,005,827
Pupil transportation	633,451
Food service program	<u>2,195</u>
Total depreciation expense	<u>\$ 4,733,537</u>

11. OTHER ASSETS

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

At June 30, 2021, total cash surrender value for these policies amounted to \$465,129, which has been recorded in accounts receivable in the general fund. The corresponding revenue to this receivable is included in deferred revenues and will be recognized in the year that the proceeds are received.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. INTERFUND TRANSACTIONS

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

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,528,636	\$ 7,019	\$	\$ 271,918
Special Aid Fund		1,271,273	264,435	
School Food Service Fund		663,037	13,268	
Debt Service Fund	196	9,591		
Capital Projects Fund	422,284	196		5,785
	\$ 1,951,116	\$ 1,951,116	\$ 277,703	\$ 277,703

The District typically transfers from the general fund to the special aid fund and school food service fund per the approved budget. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the school food service fund from the general fund was done to restore lost revenues from uncollectible meals sold. The transfer from the capital projects fund to the school food service fund was the unspent amount from the initial transfer of cafeteria capital reserve funds.

13. 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	2/26/2021	1.50%	\$ -	\$ 10,000,000	\$ (10,000,000)	\$ -
TAN	6/25/2021	1.50%	-	18,000,000	(18,000,000)	-
			\$ -	\$ 28,000,000	\$ (28,000,000)	\$ -

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

Interest paid on short-term debt for the year was \$282,917, net of premiums of \$220,480, to yield effective interest rates of 0.3137% to 0.3366%. Interest on long-term debt was composed of:

Interest paid	\$ 282,917
Less interest accrued in the prior year	(46,585)
Total interest expense on short-term debt	\$ 236,332

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. 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:					
Bond anticipation notes payable	\$ 2,919,688	\$ 2,674,827	\$ (2,919,688)	\$ 2,674,827	\$ 2,674,827
Bonds payable	62,070,000	9,330,000	(14,375,000)	57,025,000	4,205,000
Add: Bond premium	168,789	1,170,461	(162,312)	1,176,938	153,210
	<u>62,238,789</u>	<u>10,500,461</u>	<u>(14,537,312)</u>	<u>58,201,938</u>	<u>4,358,210</u>
Energy performance contract payable	4,006,522		(496,493)	3,510,029	507,627
	<u>69,164,999</u>	<u>13,175,288</u>	<u>(17,953,493)</u>	<u>64,386,794</u>	<u>7,540,664</u>
Other long-term liabilities:					
Compensated absences payable	10,170,541	921,062		11,091,603	400,000
Workers' compensation liabilities	1,974,222	893,454	(636,921)	2,230,755	
	<u>12,144,763</u>	<u>1,814,516</u>	<u>(636,921)</u>	<u>13,322,358</u>	<u>400,000</u>
	<u>\$ 81,309,762</u>	<u>\$ 14,989,804</u>	<u>\$(18,590,414)</u>	<u>\$ 77,709,152</u>	<u>\$ 7,940,664</u>

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

B. Bond Anticipation Notes

The bond anticipation notes payable carry a stated interest of 2.0% and is payable on September 10, 2021. The District received a premium of \$41,146, which is included in miscellaneous revenue in the general fund. This yielded an effective interest rate of 0.4617%. The payable is related to the following purposes:

Purpose	Authorization Date	Authorization Amount	Borrowed To Date	Redeemed To Date	Outstanding at June 30, 2021
Bus purchases	5/2014	\$ 3,988,000	\$ 3,984,000	\$ 3,024,000	\$ 960,000
Turf field	6/2015	1,200,000	1,200,000	960,000	240,000
Bus purchases	5/2019	3,993,000	1,644,515	169,688	1,474,827
					<u>\$ 2,674,827</u>

C. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Serial bond	11/2015	10/2031	2.00-3.00%	\$ 24,000,000
Serial bond	3/2014	3/2034	3.00-4.00%	24,280,000
Serial bond - Refunding	8/2020	11/2033	1.125-5.00%	8,745,000
				<u>\$ 57,025,000</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 4,205,000	\$ 1,643,481	\$ 5,848,481
2023	4,320,000	1,527,756	5,847,756
2024	4,445,000	1,408,406	5,853,406
2025	4,570,000	1,285,156	5,855,156
2026	4,700,000	1,155,013	5,855,013
2027 - 2031	25,815,000	3,558,919	29,373,919
2032 - 2034	8,970,000	558,769	9,528,769
Total	<u>\$ 57,025,000</u>	<u>\$ 11,137,500</u>	<u>\$ 68,162,500</u>

D. Bond Refunding

On August 27, 2020 the District issued \$9,330,000 in general obligation bonds with an average interest rate of 2.685% to refund \$10,180,000 of outstanding serial bonds with an average interest rate of 3.026%. The net proceeds of \$10,325,034 (including a premium of \$1,170,461 and after payment of \$175,427 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered to be defeased, and the liability for those bonds has been removed from the District's financial statements. The economic gain on the transaction (the difference between the present values of the debt service payments on the old and new debt) is \$1,253,486. The outstanding defeased bonds were fully redeemed on November 15, 2020.

In the district-wide statements the District is amortizing deferred charges on the advance refunding along with another bond premium as a component of interest expense on the straight line and weighted average basis as follows:

Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense Increase / (Decrease)
2022	\$ 17,491	\$ (153,210)	\$ (135,719)
2023	16,414	(144,523)	(128,109)
2024	15,281	(135,378)	(120,097)
2025	14,086	(125,735)	(111,649)
2026	12,829	(115,594)	(102,765)
2027 - 2031	43,042	(407,638)	(364,596)
2032 - 2034	7,273	(94,860)	(87,587)
Total	<u>\$ 126,416</u>	<u>\$ (1,176,938)</u>	<u>\$ (1,050,522)</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Energy Performance Contract Payable

Energy performance contract payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Energy performance contract payable	7/25/2012	6/28/2028	2.23%	<u>\$ 3,510,029</u>

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 507,627	\$ 75,459	\$ 583,086
2023	519,010	64,076	583,086
2024	530,648	52,438	583,086
2025	542,548	40,538	583,086
2026	554,714	28,372	583,086
2027 - 2028	<u>855,482</u>	<u>19,148</u>	<u>874,630</u>
Total	<u>\$ 3,510,029</u>	<u>\$ 280,031</u>	<u>\$ 3,790,060</u>

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

F. Interest Expense

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

Interest paid	\$ 1,810,693
Less interest accrued in the prior year	(431,410)
Plus interest accrued in the current year	#REF!
Less amortization of amounts on refunding	<u>(143,694)</u>
Total interest expense on long-term debt	<u>#REF!</u>
	#REF!

G. Unissued Debt

On May 20, 2014, the voters approved a bond issue not to exceed \$3,988,000 to purchase approximately 35 large propane powered buses and approximately 5 handicapped accessible vans. As of June 30, 2021, the District has issued \$3,024,000 in bond anticipation notes which were redeemed with general fund appropriations, and has issued \$960,000 in bond anticipation notes which are outstanding. The District has unissued debt relating to this authorization in the amount of \$4,000.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

On May 19, 2015, the voters approved a bond issue not to exceed \$1,200,000 for the construction of a turf field. As of June 30, 2021, the District has issued \$960,000 in bond anticipation notes which were redeemed with general fund appropriations, and has issued \$240,000 in bond anticipation notes which are outstanding.

On May 28, 2019, the voters approved a bond issue not to exceed \$3,993,000 to purchase various school buses. As of June 30, 2021, the District has issued \$169,688 in bond anticipation notes which were redeemed with general fund appropriations, and has issued \$1,474,827 in bond anticipation notes which are outstanding. The District has unissued debt relating to this authorization in the amount of \$2,348,485.

15. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, 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 may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October, and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 8.86% of covered payroll for the TRS' fiscal year ended June 30, 2020. The District's average contribution rate was 13.69% 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 \$5,468,680 for TRS at the contribution rate of 9.53% and \$2,261,369 for ERS at an average contribution rate of 14.29%.

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, 2020, 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)	\$ (8,520,205)	\$ (51,031)
District's portion of the Plan's total net pension asset/(liability)	0.308338%	0.0512498%
Change in proportion since the prior measurement date	(0.000610)	(0.0010018)

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2021, the District recognized pension expense of \$11,440,339 for TRS and \$1,362,465 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	\$ 7,465,404	\$ 623,232	\$ 436,644	\$
Changes of assumptions	10,776,076	9,383,041	3,841,108	176,967
Net difference between projected and actual earnings on pension plan investments	5,564,441			14,659,242
Changes in proportion and differences between the District's contributions and proportionate share of contributions	229,256	406,325	298,507	119,621
District contributions subsequent to the measurement date	5,468,680	653,854		
Total	\$ 29,503,857	\$ 11,066,452	\$ 4,576,259	\$ 14,955,830

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	\$ 3,288,233	\$ (734,446)
2023	6,669,262	(246,550)
2024	5,508,377	(752,904)
2025	3,412,931	(2,809,332)
2026	177,404	
Thereafter	402,711	
	\$ 19,458,918	\$ (4,543,232)

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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	1% Decrease 6.10%	Current Assumption 7.10%	1% Increase 8.10%
TRS			
District's proportionate share of the net pension asset (liability)	<u>\$ (53,819,200)</u>	<u>\$ (8,520,205)</u>	<u>\$ 29,497,131</u>
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
District's proportionate share of the net pension asset (liability)	<u>\$ (14,164,361)</u>	<u>\$ (51,031)</u>	<u>\$ 12,964,761</u>

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
	<i>(Dollars in Thousands)</i>	
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 \$4,930,085 of employer contributions on current covered salaries, \$538,595 on accrued covered salaries, and \$437,659 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 \$653,854 of employer contributions. Employee contributions are remitted monthly.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

16. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2021, totaled \$154,483 and \$1,747,777, 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 \$541,147.

17. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

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

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

Employees Covered by Benefit Terms – At July 1, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	449
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	843
	1,292

B. Total OPEB Liability

The District’s total OPEB liability of \$162,144,255 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Inflation	2.60%	
Salary increases		varied by years of service and retirement system
Discount rate	2.16%	
Healthcare cost trend rates	6.60%	for 2021, decreasing to an ultimate rate of 4.1% over 56 years
Retirees' share of benefit-related costs	15.00%	to 50% of premiums for individual coverage, 15% to 65% of premiums for family coverage, and 100% for surviving spouse coverage

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

Mortality rates were based on Pub-2010 General Employees Headcount-Weighted table projected fully generationally using MP-Ultimate for employees participating in NYS ERS and Pub-2010 Teachers Employees Headcount-Weighted table projected fully generationally using MP-Ultimate for employees participating in NYS TRS.

The Plan has not had a formal actuarial experience study.

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$ 152,372,085</u>
Changes for the year	
Service cost	8,183,420
Interest	3,512,585
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	1,323,977
Benefit payments	<u>(3,247,812)</u>
	<u>9,772,170</u>
Balance at June 30, 2021	<u>\$ 162,144,255</u>

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	1% Decrease	Discount Rate	1% Increase
OPEB	1.16%	2.16%	3.16%
Total OPEB liability	\$ (192,144,558)	\$ (162,144,255)	\$ (138,314,005)

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 (5.60% to 3.10%) or 1 percentage point higher (7.60% to 5.10%) than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
OPEB	5.60% decreasing to 3.10%	6.60% decreasing to 4.10%	7.60% decreasing to 5.10%
Total OPEB liability	\$ (139,376,198)	\$ (162,144,255)	\$ (192,255,617)

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 \$15,569,776. 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	\$	\$ 8,221,322
Changes of assumptions or other inputs	36,272,879	2,827,367
Total	\$ 36,272,879	\$ 11,048,689

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Amount
2022	\$ 3,873,771
2023	3,873,771
2024	3,873,771
2025	3,873,771
2026	3,967,694
Thereafter	5,761,412
	\$ 25,224,190

18. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

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

	June 30, 2020	June 30, 2021
Unpaid claims at beginning of year	\$ 2,182,612	\$ 1,974,222
Incurred claims and claim adjustment expenses	349,088	893,454
Claim payments	(557,478)	(636,921)
Unpaid claims at year end	\$ 1,974,222	\$ 2,230,755

At June 30, 2021, the District had \$2,230,415 of funds in the workers' compensation reserve.

C. Public Entity Risk Pool

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

19. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2021 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2022:

Workers' Compensation	\$ 771,806
Unemployment Insurance	40,000
Retirement Contribution - ERS	<u>100,000</u>
	<u>\$ 911,806</u>

20. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$2,649,159 has been appropriated to reduce taxes for the year ending June 30, 2022.

21. RESTRICTED FOR CAPITAL RESERVE

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

Date Created	May 2018
Number of Years to Fund	20
Maximum Funding	<u>\$ 4,000,000</u>
School Food Service Fund	
Funding Provided Since Inception	\$ 800,000
Interest Earnings Since Inception	11,316
Return of Unspent Project Funding	125,639
Use of Reserve Since Inception	<u>(744,470)</u>
Total Food Service Fund	<u>192,485</u>
Capital Projects Fund	
Funding Provided Since Inception	744,470
Return of Unspent Project Funding	(125,639)
Use of Reserve Since Inception	<u>(204,884)</u>
Total Capital Projects Fund	<u>413,947</u>
Balance as of June 30, 2021	<u>\$ 606,432</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 \$142,644 in fund balance of the governmental funds, as well as the Statement of Net Position. The District's net fund balance and net position (deficit) have been restated as follows:

	General Fund	Extraclassroom Activities Fund	Scholarships Fund	Statement of Net Position
Fund Balance/Net Position (Deficit)				
Beginning of Year, as Reported	\$ 21,336,557	\$	\$	\$ (56,001,501)
<i>Assets</i>				
Cash	174,457	121,985	20,659	317,101
<i>Liabilities</i>				
Due from fiduciary fund	(42,685)			(42,685)
Other liabilities	217,142			217,142
	174,457	-	-	174,457
<i>Fund Balance/Net Position</i>				
Restricted			20,659	20,659
Assigned, unappropriated		121,985		
Unrestricted				121,985
	-	121,985	20,659	142,644
Fund Balance/Net Position (Deficit)				
Beginning of Year, as Restated	\$ 21,336,557	\$ 121,985	\$ 20,659	\$ (55,858,857)

23. TAX ABATEMENTS

The Riverhead Industrial Development Agency and the Suffolk County Industrial Development Agency periodically enter into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by \$3,815,524. The District also receives PILOT payments from several solar farm projects contained within the District's boundaries. Additionally, the District receives an annual PILOT payment from Suffolk Community College relating to SCCC property in downtown Riverhead. In total, the District received payment in lieu of taxes (PILOT) payments totaling \$1,723,266.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

24. 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:

Assigned: Unappropriated Fund Balance:

General Fund	
General support	\$ 27,876
Instruction	556
	<hr/> 28,432
Capital Projects Fund	
Capital projects	<hr/> 373,801
	<hr/> <hr/> \$ 402,233

B. Grants

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

C. Litigation

The District may be involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

25. SUBSEQUENT EVENTS

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

A. Issuance of TANs

On September 9, 2021, the District issued tax anticipation notes in the amount of \$10,000,000, which are due February 25, 2022 and bear interest at a stated rate of 1.50%. The District received premiums of \$63,300 with the borrowing to yield an effective interest rate of 0.1272%.

On September 9, 2021, the District issued tax anticipation notes in the amount of \$18,000,000, which are due June 24, 2022 and bear interest at a stated rate of 2.00%. The District received premiums of \$265,860 with the borrowing to yield an effective interest rate of 0.1343%.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Issuance of BANs

On September 9, 2021, the District issued bond anticipation notes in the amount of \$2,406,164, which are due September 9, 2022 and bear interest at a stated rate of 1.25%. The District received premiums of \$23,797 with the borrowing to yield an effective interest rate of 0.261%. The proceeds of the BAN along with \$1,059,827 in general fund appropriations were used to pay the BANs maturing on September 10, 2021. In addition, the BANs will provide \$791,164 in new funding for the purchase of buses.

C. Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

In September 2021, the District was awarded CRRSA funding of \$5,529,444 through the Elementary and Secondary School Emergency Relief (ESSER) Program and \$474,297 through the Governor's Emergency Education Relief (GEER) Program. The 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 fun as expended.

RIVERHEAD CENTRAL 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	\$ 104,541,394	\$ 98,109,072	\$ 98,109,230	\$ 158
Other tax items	1,670,490	8,102,812	8,161,944	59,132
Charges for services	1,150,000	1,150,000	1,031,445	(118,555)
Use of money and property	165,000	165,000	57,296	(107,704)
Sale of property and compensation for loss	125,000	125,000	367,241	242,241
Miscellaneous	525,000	537,946	2,380,387	1,842,441
Interfund revenues			2,731	2,731
Total Local Sources	108,176,884	108,189,830	110,110,274	1,920,444
State Sources	32,941,282	31,947,585	33,469,899	1,522,314
Medicaid Reimbursement	45,000	45,000	100,060	55,060
Federal Sources	90,000	1,083,697	1,087,559	3,862
Total Revenues	141,253,166	141,266,112	144,767,792	3,501,680
OTHER FINANCING SOURCES				
Operating Transfers In	9,590	9,590		(9,590)
Total Revenues and Other Sources	141,262,756	141,275,702	144,767,792	\$ 3,492,090
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,649,159	2,649,159		
Prior Year's Encumbrances	1,263,656	1,263,656		
Appropriated Reserves	902,216	1,405,374		
Total Appropriated Fund Balance	4,815,031	5,318,189		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 146,077,787	\$ 146,593,891		

Note to Required Supplementary Information

Budget Basis of Accounting

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 123,625	\$ 150,484	\$ 114,178	\$	\$ 36,306
Central administration	330,347	193,847	178,881		14,966
Finance	1,151,753	1,146,861	1,034,251		112,610
Staff	898,816	913,205	821,193		92,012
Central services	10,103,088	9,991,047	8,392,623	27,876	1,570,548
Special items	1,511,531	1,504,241	1,455,122		49,119
Total General Support	<u>14,119,160</u>	<u>13,899,685</u>	<u>11,996,248</u>	<u>27,876</u>	<u>1,875,561</u>
Instruction					
Administration & improvement	4,449,021	4,482,020	4,205,523		276,497
Teaching - regular school	45,660,408	45,587,088	43,154,354		2,432,734
Programs for students with disabilities	22,379,273	24,486,361	24,398,419	56	87,886
Occupational education	1,897,039	1,915,850	1,915,850		-
Teaching - special schools	565,737	567,782	259,444		308,338
Instructional media	3,008,054	3,313,481	3,097,720		215,761
Pupil services	5,593,008	5,475,019	5,179,933	500	294,586
Total Instruction	<u>83,552,540</u>	<u>85,827,601</u>	<u>82,211,243</u>	<u>556</u>	<u>3,615,802</u>
Pupil Transportation	<u>7,224,564</u>	<u>7,044,244</u>	<u>6,502,785</u>		<u>541,459</u>
Community Services	<u>11,000</u>	<u>-</u>	<u>-</u>		<u>-</u>
Employee Benefits	<u>32,583,819</u>	<u>31,694,872</u>	<u>29,603,184</u>		<u>2,091,688</u>
Debt Service					
Principal	5,771,181	5,756,181	5,756,181		-
Interest	2,565,523	2,093,611	2,093,610		1
Total Debt Service	<u>8,336,704</u>	<u>7,849,792</u>	<u>7,849,791</u>	<u>-</u>	<u>1</u>
Total Expenditures	<u>145,827,787</u>	<u>146,316,194</u>	<u>138,163,251</u>	<u>28,432</u>	<u>8,124,511</u>
OTHER FINANCING USES					
Operating Transfers Out	<u>250,000</u>	<u>277,697</u>	<u>271,918</u>		<u>5,779</u>
Total Expenditures and Other Uses	<u>\$ 146,077,787</u>	<u>\$ 146,593,891</u>	<u>138,435,169</u>	<u>\$ 28,432</u>	<u>\$ 8,130,290</u>
Net Change in Fund Balance			6,332,623		
Fund Balance - Beginning of Year			<u>21,336,557</u>		
Fund Balance - End of Year			<u>\$ 27,669,180</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

Teachers' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.308338%	0.308948%	0.311402%	0.310412%	0.312236%	0.305625%	0.296082%	0.304499%
District's proportionate share of the net pension asset/(liability)	\$ (8,520,205)	\$ 8,026,478	\$ 5,630,972	\$ 2,359,442	\$ 3,344,175	\$ 31,744,732	\$ 32,981,699	\$ 2,004,376
District's covered payroll	\$ 52,334,684	\$ 51,626,107	\$ 50,779,209	\$ 49,209,165	\$ 48,148,683	\$ 45,917,857	\$ 43,976,194	\$ 44,608,553
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	16.28 %	15.55 %	11.09 %	4.79 %	6.95 %	69.13 %	75.00 %	4.49 %
Plan fiduciary net position as a percentage of the total pension liability	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
Discount Rate	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%	8.00%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	0.0512498%	0.0522516%	0.0525464%	0.0533852%	0.0499371%	0.0504270%	0.0469909%	0.0469909%
District's proportionate share of the net pension liability	\$ (51,031)	\$ (13,836,525)	\$ (3,723,070)	\$ (1,722,977)	\$ (4,692,202)	\$ (8,093,672)	\$ (1,587,468)	\$ (2,123,454)
District's covered payroll	\$ 16,320,179	\$ 16,345,442	\$ 16,397,785	\$ 15,771,258	\$ 15,757,891	\$ 14,518,171	\$ 14,319,357	\$ 13,533,691
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.31 %	84.65 %	22.70 %	10.92 %	29.78 %	55.75 %	11.09 %	15.69 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
Discount Rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%	7.50%

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

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

Teachers' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 5,468,680	\$ 4,636,853	\$ 5,476,560	\$ 4,970,944	\$ 5,765,082	\$ 6,315,761	\$ 8,047,860	\$ 5,565,086	\$ 5,280,938	\$ 4,931,627
Contributions in relation to the contractually required contribution	<u>5,468,680</u>	<u>4,636,853</u>	<u>5,476,560</u>	<u>4,970,944</u>	<u>5,765,082</u>	<u>6,315,761</u>	<u>8,047,860</u>	<u>5,565,086</u>	<u>5,280,938</u>	<u>4,931,627</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 57,383,841	\$ 52,334,684	\$ 51,626,107	\$ 50,779,209	\$ 49,209,165	\$ 48,148,683	\$ 45,917,857	\$ 43,976,194	\$ 44,608,553	\$ 44,375,558
Contributions as a percentage of covered payroll	10%	9%	11%	10%	12%	13%	18%	13%	12%	11%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 2,261,369	\$ 2,210,603	\$ 2,216,458	\$ 2,260,960	\$ 2,173,104	\$ 2,519,295	\$ 2,193,211	\$ 2,572,797	\$ 2,417,250	\$ 2,225,771
Contributions in relation to the contractually required contribution	<u>2,261,369</u>	<u>2,210,603</u>	<u>2,216,458</u>	<u>2,260,960</u>	<u>2,173,104</u>	<u>2,519,295</u>	<u>2,193,211</u>	<u>2,572,797</u>	<u>2,417,250</u>	<u>2,225,771</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 15,830,060	\$ 17,393,147	\$ 16,590,825	\$ 15,977,276	\$ 15,412,094	\$ 15,069,261	\$ 14,242,109	\$ 13,666,225	\$ 13,574,270	\$ 13,834,744
Contributions as a percentage of covered payroll	14%	13%	13%	14%	14%	17%	15%	19%	18%	16%

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

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

Note to Required Supplementary Information

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For the Year Ended June 30, 2021

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 144,814,131
Additions:	
Prior year's encumbrances	1,263,656
Original Budget	146,077,787
Budget revision	516,104
Final Budget	\$ 146,593,891

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 Board adopted contingency expenditure budget	\$ 159,407,613
Maximum allowed (4% of 2021-2022 budget)	\$ 6,376,305
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 2,677,591
Unassigned fund balance	6,376,305
	\$ 9,053,896
Less:	
Appropriated fund balance	2,649,159
Encumbrances	28,432
Total adjustments	2,677,591
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	\$ 6,376,305
Actual Percentage	4.0%

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For the Year Ended June 30, 2021

PROJECT TITLE	Budget June 30, 2020	Budget June 30, 2021	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2021	
			Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total		
Bus purchase plan (2014)	\$ 3,988,000	\$ 3,988,000	\$ 3,983,549	\$	\$ 3,983,549	\$ 4,451	\$ 3,988,000	\$	\$	\$ 3,988,000	\$ 4,451	
Cafeteria capital reserve	624,617	469,470		49,738	49,738	419,732			469,470	469,470	419,732	
Smart Schools Bond Act	753,238	753,238	648,962	46,242	695,204	58,034		753,238		753,238	58,034	
Smart Schools Bond Act Supplemental	66,657	66,657	32,635	8,353	40,988	25,669		66,657		66,657	25,669	
Bus purchase plan (2019)	3,993,000	3,993,000	817,566	819,827	1,637,393	2,355,607	3,993,000			3,993,000	2,355,607	
Totals	<u>\$ 9,425,512</u>	<u>\$ 9,270,365</u>	<u>\$ 5,482,712</u>	<u>\$ 924,160</u>	<u>\$ 6,406,872</u>	<u>\$ 2,863,493</u>	<u>\$ 7,981,000</u>	<u>\$ 819,895</u>	<u>\$ 469,470</u>	<u>\$ 9,270,365</u>	2,863,493	
											Less: Unissued debt	(2,352,486)
											State aid not realized	(83,704)
											Transfer to School Food Service Fund	(5,785)
												<u>\$ 421,518</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2021

Capital assets, net	<u>\$ 105,939,303</u>
Deduct:	
Bond anticipation notes	2,674,827
Less: Unspent BAN proceeds	(7,571)
Short-term portion of bonds payable	4,205,000
Long-term portion of bonds payable	52,820,000
Short-term portion of energy performance contract payable	507,627
Long-term portion of energy performance contract payable	<u>3,002,402</u>
	<u>63,202,285</u>
Net Investment in Capital Assets	<u><u>\$ 42,737,018</u></u>



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(1950 - 2013)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Riverhead Central School District (District), as of and for the year ended June 30, 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 November 1, 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 Riverhead Central School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Riverhead Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Riverhead Central School District's internal control.

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

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

Compliance and Other Matters

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

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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

November 1, 2021

APPENDIX D

FORM OF APPROVING LEGAL OPINIONS OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center @ 250 Greenwich Street
New York, New York 10007

September 8, 2022

The Board of Education of
Riverhead Central School District, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Riverhead Central School District (the “School District”), in the County of Suffolk, a school district of the State of New York, in connection with the authorization, sale and issuance of the [\$10,000,000 Tax Anticipation Note for 2022-2023 Taxes Series A][\$18,000,000 Tax Anticipation Note for 2022-2023 Taxes Series B][(the “Note”), dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Note for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

Concurrently with the issuance of the Note, the School District is issuing its [\$10,000,000 Tax Anticipation Note for 2022-2023 Taxes Series A (the “Series A Note”)] [\$18,000,000 Tax Anticipation Note for 2022-2023 Taxes Series B (the “Series B Note”)]. The Note is treated, together with the [Series A Bond] [Series B Note], as a single issue for federal tax purposes. We have served as Bond Counsel with respect to the issuance of the [Series A Bond] [Series B Note], and, on the date hereof, we have rendered our opinion with respect to the exclusion of interest on the [Series A Bond] [Series B Note], from gross income for federal income tax purposes in substantially the form of paragraph 2 below and subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Note and the [Series A Bond] [Series B Note] to become subject to federal income taxation retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon, subject to certain statutory limitations. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the School District will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the School District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the School District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the School District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

August , 2022

The Board of Education of
Riverhead Central School District,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Riverhead Central School District (the “School District”), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$2,381,390 Bond Anticipation - 2022 (the “Note”), dated and delivered the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon subject to certain statutory limitations. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the “adjusted financial statement income” of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the School District will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the School District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the School District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the School District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

APPENDIX E

FORM OF EVENTS NOTICE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Riverhead Central School District, in the County of Suffolk, a school district of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of September 8, 2022.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s [\$10,000,000 Tax Anticipation Note for 2022-2023 Taxes Series A, dated September 8, 2022, maturing on February 23, 2023,] [\$18,000,000 Tax Anticipation Notes for 2022-2023 Taxes Series B, dated September 8, 2022, maturing on June 28, 2023] [\$2,381,390 Bond Anticipation Notes – 2022, dated September 8, 2022, maturing on September 8, 2023,], and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (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 of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event 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 U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government 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;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into 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.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 8, 2022**.

RIVERHEAD CENTRAL SCHOOL DISTRICT

By _____
President of the Board of Education