PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 5, 2022

NEW ISSUES
TAX ANTICIPATION NOTES

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax on individuals. For tax years beginning after December 31, 2022, interest on the Notes included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.. Bond Counsel is also of the opinion that interest on the Notes is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "Tax Matters" herein. The Notes will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK
(the "District")

$3,000,000 TAX ANTICIPATION NOTES, 2022 SERIES A
(the "Series A Notes")

Dated Date: October 27, 2022 Maturity Date: June 23, 2023

$4,000,000 TAX ANTICIPATION NOTES, 2022 SERIES B
[The Series A Notes and the Series B Notes are collectively referred to herein as the "Notes"]

Dated Date: October 27, 2022 Maturity Date: February 15, 2023

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

Security and Sources of Payment: The Notes will constitute general obligations of the District and will contain a pledge of its faith and credit for the punctual payment of the principal of and interest on the Notes, and all the taxable real property within the District will be subject to the levy of ad valorem taxes, subject to applicable statutory limitations, for such purpose. See "*Nature of Obligation*" and "*Tax Levy Limit Law*" herein.

Form and Denomination: At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for the Depository Trust Company, New York, New York ("DTC") as book-entry notes. Note certificates shall bear a single rate of interest and shall be in a denomination equal to the aggregate principal amount awarded to such purchaser at such interest rate.

The Notes to be issued in book-entry only form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the securities depository for the Notes to be issued in book-entry only form. Individual purchase of the Notes to be issued in book-entry only form may be made only in book-entry form in denominations of $5,000 or integral multiples thereof. Holders of the Notes to be issued in book-entry only form will not receive certificates representing their ownership interest in the Notes to be issued in book-entry only form purchased. See "*Book-Entry Only System*" herein.

Payment: Payment of the principal of and interest on the Notes to be issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practice as is now the case with municipal securities held for the accounts of customers registered in "street name". See "*Book-Entry System*" herein. Payment of the principal of and interest on the Notes issued in the certificated form registered to the purchaser(s) will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). Paying agent fees, if any, will be paid by the purchaser(s).

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of an approving legal opinion as to the validity of the respective series of the Notes of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, of New York, New York. It is anticipated that the Notes will be available for delivery through the facilities of DTC in Jersey City, New Jersey or if issued in registered certificated form in Syosset, New York, or as may be agreed upon with the purchaser(s) on or about October 27, 2022.

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH SAID RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE OBLIGATIONS HEREIN DESCRIBED. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S) AS MORE FULLY DESCRIBED IN THE RESPECTIVE NOTICES OF SALE WITH RESPECT TO THE OBLIGATIONS HEREIN OF CERTAIN MATERIAL EVENTS AS DEFINED IN THE RULE. (SEE "DISCLOSURE UNDERTAKING" HEREIN).

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

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* * *

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

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SUFFOLK COUNTY, NEW YORK

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and
$4,000,000 TAX ANTICIPATION NOTES, 2022 SERIES B

This Official Statement and appendices thereto present certain information relating to the Mattituck-Cutchogue Union Free School District, Suffolk County, in the State of New York (the "District" and "State," respectively) in connection with the sale of $3,000,000 Tax Anticipation Notes, 2022 Series A (the "Series A Notes") and $4,000,000 Tax Anticipation Notes, 2022 Series B (the "Series B Notes"; the Series A Notes and the Series B Notes are collectively referred to herein 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 created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. 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 unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See "RISK FACTORS" and "IMPACTS OF COVID-19" herein.

THE NOTES

General

The $3,000,000 Tax Anticipation Notes, 2022 Series A (the "Series A Notes") will be general obligations of the District, and will contain a pledge of the District's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). (See "Nature of Obligation" and "The Tax Levy Limit Law" herein.) The Series A Notes will be dated October 27, 2022, and will mature, without the right of redemption prior to maturity, on June 23, 2023 with interest payable at maturity.

The $4,000,000 Tax Anticipation Notes, 2022 Series B (the "Series B Notes") will be general obligations of the District, and will contain a pledge of the District's faith and credit for the payment of the principal thereof and interest thereon as required by the Constitution and laws of the State of New York (State Constitution, Article VIII, Section 2; Local Finance Law, Section 100.00). (See "Nature of Obligation" and "The Tax Levy Limit Law" herein.) The Series B Notes will be dated October 27, 2022, and will mature, without the right of redemption prior to maturity, on February 15, 2023 with interest payable at maturity.

The Notes will be issued in book-entry form or, at the option of the purchaser(s), as registered certificated notes. The Notes to be issued in book-entry form will be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), New York, New York. See "*Book-Entry-Only System*" herein. DTC will act as securities depository for such Notes. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or integral multiples thereof. A single note will be issued for all such Notes of the same series bearing the same rate of interest and CUSIP number. Purchasers will not receive certificates representing their interest in such Notes. Principal and interest will be paid by the District directly to DTC for its nominee, Cede & Co.

Note certificates shall be delivered to the purchaser(s) of notes requested in registered certificated form to the purchaser(s), and each such note certificate shall bear a single rate of interest and shall be in a denomination equal to the aggregate amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). Paying agent fees, if any, will be paid by the purchaser(s).

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as or retain a 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: Charles Delargy, Business and Operations Administrator, Mattituck-Cutchogue Union Free School District, 385 Depot Lane, Cutchogue, NY 11935, telephone number: (631) 298-4242 x.3500, email: cdelargy@mufsd.com.

Optional Redemption for the Notes

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

Authorization and Purpose

The Notes are being issued in anticipation of the collection of real property taxes receivable by the District during its 2022-2023 fiscal year, which commenced on July 1, 2022, and pursuant to a tax anticipation note resolution effective for ten years that was adopted by the Board of Education on October 20, 2016. The Notes are being issued to provide monies to meet a cash flow deficit expected to occur during the period that the Notes are outstanding (see "Cash Flow"). Such cash flow deficit is the result in part of the timing in the receipt of real property taxes, as a result of the fact that the dates fixed by law for the collection of such taxes do not conform to the expected cash needs of the District's operating budget.

Disclosure Undertaking for the Notes

This Official Statement is in a form "deemed final" by the District for the purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). At the time of the delivery of the Notes, the District will provide an executed copy of its "Undertaking to Provide Notices of Events" (the "Undertaking"). Said Undertaking will constitute a written agreement or contract of the District for the benefit of holders of and owners of beneficial interests in the Notes, to provide, or cause to be provided, 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, timely notice not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Notes:

> (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) 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 Notes, or other material events affecting the tax status of the Notes; (vii) modifications to rights of Noteholders, if material; (viii) Note calls, if material, and tender offers; (ix) defeasances; (x) release, substitution, or sale of property securing repayment of the Notes, if material; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar event of the District; (xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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; and (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; (xv) incurrence of a "financial obligation" (as defined in the Rule) 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 note holders, if material; and (xvi) default, event of acceleration, termination event, modification of terms or other similar events under a financial obligation of the Issuer, any of which reflect financial difficulties.

Event (iii) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers, dated September 19, 1995. However, event (iii) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (iv) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in (xii) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, 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 obligated person.

The District has been advised on the new disclosure rules pertaining to "financial obligations" as defined in the Rule. Existing standard operating procedures of the District include initiation, oversight, and tracking of such "financial obligations" by the chief fiscal officer. Appropriate disclosure filings within the required timeframe is part of an existing contract with the District's financial advisor, acting in the capacity of dissemination agent of the District.

"Financial Obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii); provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The District may provide notice of the occurrence of certain other events, in addition to those listed above, if it determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

The District's Undertaking shall remain in full force and effect until such time as the principal of, redemption premiums, if any, and interest on the Notes shall have been paid in full. The sole and exclusive remedy for breach or default under the Undertaking is an action to compel specific performance of the undertakings of the District, and no person or entity, including a holder of the Notes, shall be entitled to recover monetary damages thereunder under any circumstances. Any failure by the District to comply with the Undertaking will not constitute a default with respect to the Notes.

The District reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

COMPLIANCE HISTORY

The District is in compliance in all respects with all previous undertakings made pursuant to Rule 15c2-12 during the last five years.

BOOK-ENTRY-ONLY SYSTEM

In the event that the Notes are issued in registered book-entry form, DTC will act as securities depository for the Notes issued in book-entry form. The Notes will be issued as fully-registered securities, 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 each series 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.

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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

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

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCE THAT DTC DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS, OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OR ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT

PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes in Certain Circumstances

If the book-entry form is initially chosen by the purchaser(s) of the Notes, DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only system transfers through DTC at any time. In the event that such book-entry-only system is utilized by a purchaser(s) of the Notes upon issuance and later discontinued, the following provisions will apply:

The Notes will be issued in registered form in denominations of $5,000 or integral multiples thereof. Principal of and interest on the Notes will be payable at a principal corporate trust office of a bank or trust company located and authorized to do business in the State of New York to be named as fiscal agent by the District. The Notes will remain not subject to redemption prior to their stated final maturity date.

NATURE OF OBLIGATION

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

Holders of any series of notes of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes.

The Notes 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 as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy ad valorem taxes on all real property within the District subject to such taxation by the District, subject to applicable statutory limitation for the Notes.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limit Law"). The Tax Levy Limit Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

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 is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limit Law imposes a statutory limitation on the District's power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limit Law, it also provides the procedural method to surmount that limitation. See "Tax Information - Tax Levy Limit Law," herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

> "A pledge of the City's faith and credit is both a commitment to pay and a commitment of the City's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the City's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say and this is what the courts have held they mean . . . So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted . . . While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the noteholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., 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 New York 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 not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York 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.

THE TAX LEVY LIMIT LAW

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor ("Chapter 97" or the "New Tax Levy Limit Law"). The Tax Levy Limit Law applies to all local governments, including school districts (with the exception of New York City, and the counties comprising New York City and school districts in New York City, Buffalo, Rochester, Syracuse, and Yonkers, the latter four of which are affected indirectly by applicability to their respective City.)

Prior to the enactment of the Tax Levy Limit Law, there was no statutory limitation on the amount of real property taxes that a school district could levy as part of its budget 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"). Chapter 97 now requires that a school district submit its proposed tax levy to the voters each year beginning with the 2012-2013 fiscal year.

Chapter 97 restricts, among other things, the amount of real property taxes that may be levied by or on behalf of a school district in a particular year. It was set to expire on June 15, 2020 unless extended; it was made permanent by recent legislation. Pursuant to the Tax Levy Limit Law, the tax levy of a school district cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the CPI, over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A school district could exceed the tax levy limitation for the coming fiscal year only if the voters of such school district first approve a tax levy by at least 60% affirmative vote of those voting to override such limitation for such coming fiscal year only. Tax levies that do not exceed the limitation will only require approval by at least 50% of those voting. In the event that the voters reject a tax levy and the district does not go out for a second vote or if a second vote is likewise defeated, Chapter 97 provides that the tax levy for the new fiscal year may not exceed the tax levy for the prior fiscal year.

A school district's calculation of each fiscal year's tax levy limit is subject to review by the Commissioner of Education and the Commissioner of Taxation and Finance prior to adoption of each fiscal year budget.

There are exceptions for school districts to the tax levy limitation provided in Chapter 97, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy" and this is an exclusion from the tax levy limitation. It is not applicable to the Notes.

On February 20, 2013, the New York State United Teachers ("NYSUT") and several individuals filed a lawsuit in State Supreme Court in Albany County seeking a declaratory judgment and a preliminary injunction that the Tax Levy Limit Law is unconstitutional as it applies to public school districts. The suit alleged that the Tax Levy Limit Law arbitrarily caps property tax levy increases and perpetuates funding inequities between affluent and low-wealth school districts. The suit further alleged that the tax cap unconstitutionally limits the ability of school districts and their taxpayers to address these inequities by exercising substantial local control. Among seven cause of action, the suit also alleges that the Tax Levy Limit Law unconstitutionally interferes with fundamental voting rights in violation of the principle of "one person, one vote." On May 5, 2016, the Appellate Division upheld a lower court dismissal, noting that while the State is required to provide the opportunity of a sound basic education, the Constitution "does not require that equal educational offerings be provided to every student", and further noted "the legitimate government interest of restraining crippling property tax increase". NYSUT then appealed to the Court of Appeals. An appeal by NYSUT was dismissed on October 20, 2016 by the Court of Appeals, New York's highest court, on the ground that no substantial constitutional question was directly involved and thereafter leave to appeal was denied on January 14, 2017 by the Court of Appeals.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), included provisions which provided a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts were eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government were eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depended on such jurisdiction's compliance with the provisions of the Tax Levy Limit Law. School districts budgets must have complied in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have had their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must have been within the tax cap limits set by the Tax Levy Limit Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions included counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which were indirectly affected by applicability to their respective City) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit were set forth in Chapter 59 in order for the tax cap to qualify as one which would have provided the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount was increased in the second year if compliance occurred in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers was additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrated "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts were required to provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 did not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they did provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limit Law.

An additional real property tax rebate program applicable solely to school districts was enacted by Chapter 20 of the Laws of 2015, signed into law by the Governor on June 26, 2015, which applied beginning in 2016 and was fully phased in during 2019 and generally has included continued tax cap compliance.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision

The Notes when duly issued and paid for will constitute a contract between the District and the holder thereof. Under current law, provision is made for contract creditors of the District to enforce payments upon such contracts, if necessary, through court action. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgment or accrued claim against it on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

Execution/Attachment of Municipal Property

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, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. In accordance with the general rule with respect to municipalities, judgments against the District may not be enforced by levy and execution against property owned by the District.

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 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 note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such 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 note. Such investigation by the State Comptroller shall set forth a description of all such 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 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 notes shall be forwarded promptly to the paying agent or agents for the notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such 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 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 notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such 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 notes pursuant to said section of the SFL.

Authority to File For Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as county, city, town or school district, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State 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 be made so applicable in the future.

The State has consented that any municipality in the State may file a petition with the 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. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Notes should the District be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of the Notes to receive interest and principal from the District could be adversely affected by the restructuring of the District's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the District (including the Notes) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the District under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

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

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), 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, as described below, 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.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an "emergency financial control board" for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law ("Title 6-A") effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such "additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder." Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a "material change in circumstances" the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of the governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and school districts so as to prevent abuses in taxation and assessment and in contracting indebtedness by them. In 2013, the State established a new state advisory board to assist counties, cities, towns and school district in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to $5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The District is not working with the FRB. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: "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. See "General Municipal Law Contract Creditors' Provision" herein.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes, including the Notes.

Default Litigation

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of noteholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State 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. See "*Nature of Obligation*" and "*State Debt Moratorium Law*" herein.

No Past Due Debt

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

THE DISTRICT

Description

The current Mattituck-Cutchogue Union Free School District was formed effective July 1, 1997 with the annexation of the former Laurel Common School District to the former Mattituck-Cutchogue Union Free School District which was formed in 1934. The District is located in the Towns of Southold and Riverhead in Suffolk County on the north fork of Long Island. The District covers approximately 24 square miles and has an estimated population of 9,024.

The District is a mixture of residential/resort and agricultural areas, with many of its residents commuting to the New York City area for employment. The community includes vineyards, sod farms, horse breeding farms and traditional crop farms.

Water services are provided by the Suffolk County Water Authority and the Town of Riverhead, or by private wells. Electricity and natural gas are provided by PSEG Long Island and Brooklyn Union Gas; telephone service by Verizon. Police protection is provided by the Town of Southold and the Town of Riverhead, supplemented by the County Sheriff's Department and the State Police. Fire protection and ambulance service are provided by various volunteer organizations.

The District provides public education for grades K-12. Opportunities for higher education include the many colleges and universities in and around the New York City area.

District residents find commercial and financial services in the hamlets of Mattituck and Cutchogue.

District Organization

The District is an independent entity governed by an elected board of education comprised of seven members. As of the date of this Official Statement, there is one seat vacant on the Board. District operations are subject to the provisions of the State Education Law (the "Education Law") affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board of Education are elected on a staggered term basis by qualified voters at the annual election of the District held in the spring of each year. The term of office for each board member is three years and the number of terms that may be served is unrestricted. A president is selected by the board from its members and also serves as the chief fiscal officer of the District. The Board of Education is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board of Education appoints the Superintendent of Schools who serves at the pleasure of the Board. Such Superintendent is the chief executive officer of the District and the education system. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities under the direction of the Board of Education. Also, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the District Treasurer.

Enrollment History

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

School Year	School Enrollment
2018	1,218
2019	1,146
2020	1,076
2021	1,081
2022	1,060

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2023	1,026
2024	980

Source: District Officials.

District Facilities

The District operates four schools and offices. Statistics relating to each are shown below.

Name of Building	Grades	Date of Construction	Last Addition	Capacity	Insured Value
District Offices/Administration	N/A	1927	-	NA	$ 2,551,384
Mattituck Junior /Senior School [a]	7-12	1934	2006	1,000	41,851,024
Cutchogue East Elementary	K-6	1954	2001	900	28,124,350
Laurel Elementary [b]	N/A	1929	1990	NA	2,057,894

a. The Junior High and the High School share the same site. The insured value shown for Mattituck Junior High reflects only that of the building and its contents.

b. Laurel Elementary is currently unused by the District. The District has a lease with Cam-Held Enterprises, Inc. d/b/a Just Kids Early Childhood Learning Center through June 2026.

Employees

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

Name of Union	Expiration Date of Contract	Approx. No. of Members
Mattituck-Cutchogue Teachers Association	06/30/2023	130
Civil Service Employees' Association	06/30/2027	83
Mattituck-Cutchogue Administrator's Association	06/30/2026	8

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the Towns of Southold and Riverhead, Suffolk County and New York State.

Year	Town of Southold	Town of Riverhead	Suffolk County	New York State
1990	19,836	23,815	1,321,977	17,990,455
2000	20,599	27,680	1,419,369	18,976,457
2010	23,175	32,506	1,518,475	19,541,453
2020	22,177	33,524	1,481,364	19,514,849

Source: U.S. Bureau of the Census.

Income Data

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

	Per Capita Money Income			
	1990	2000	2010	2020 [a]
Town of Southold	$19,037	$27,619	$41,284	$56,282
Town of Riverhead	15,643	24,647	33,461	41,022
Suffolk County	18,481	26,577	35,755	46,466
State of New York	16,501	23,389	30,948	40,898

	Median Household Income			
	1990	2000	2010	2020 [a]
Town of Southold	$35,392	$50,318	$73,171	$87,109
Town of Riverhead	32,655	46,195	68,254	75,625
Suffolk County	49,128	65,149	84,506	105,362
New York State	32,965	43,070	55,603	71,117

Source: United States Bureau of the Census.
a. Based on American Community Survey 5-Year Estimate (2016-2020).

Major Employers in the Town of Southold [a]

Name	Type	Approx. No. of Employees
Eastern Long Island Hospital	Hospital	468
Plum Island ADC	US Government Facility	350
Mattituck- Cutchogue UFSD	Public School	245
Town of Southold	Local Government	273
Peconic Landing	Life Care Community	314
Southold UFSD	Public School	171
San Simeon by the Sound	Nursing Home	220
Greenport UFSD	Public School	120
Village of Greenport	Local Government	118 (mostly part time)
Claudios	Restaurant	30 Presently/ 120 Summer
Stidd Systems	Marine	40

Source: Town of Southold and District Officials

a. Not necessarily representative of the District. School District resident may also be employed in surrounding Towns, Villages, Nassau County, New York City and other surroundings areas.

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

Annual Averages:	Suffolk County (%)	New York State (%)
2017	4.5	4.6
2018	3.8	4.1
2019	3.5	3.8
2020	8.5	10.0
2021	4.9	7.2
2022 (7 Month Average)	3.3	4.7

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional Requirements

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

Purpose and Pledge. Subject to certain enumerated exceptions, 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 or to be paid within three fiscal year periods (such as the Notes), indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute or the weighted average maturity thereof. No installment may be more than fifty per centum in excess of the smallest prior installment unless the District provides for substantially level or declining annual debt service in the manner prescribed by the State Legislature. 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 or such required annual installments on its notes.

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.

Statutory Requirements and 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 and the General Municipal Law.

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

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

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

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

2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication, or

3) Such obligations are authorized in violation of the provisions of the Constitution.

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

Principal installments are made in reduction of the total amount of such notes outstanding issued in anticipation thereof, commencing no later than two years from the date of the first of such notes and provided that such renewals do not extend five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

The following pages present certain details with respect to the indebtedness of the District as of the date of the Debt Statement prepared in connection with the issuance of the Notes.

Computation of Debt Limit and Debt Contracting Margin
(As of October 5, 2022)

In Town of: [a]	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Southold (2021-2022)	$40,629,754	0.70	$5,804,250,571
Riverhead (2021-2022)	6,817,367	10.14	67,232,416
Total	$47,447,121		$5,871,482,988
Debt Limit - 10% of Full Valuation			$587,148,299
Inclusions: [b]			
Outstanding Bonds			$8,795,000
Bond Anticipation Notes			0
Total Indebtedness			8,795,000
Exclusions (Estimated Building Aid) [c]			703,600
Total Net Indebtedness			8,091,400
Net Debt Contracting Margin[d]			$579,056,899
Per Cent of Debt Contracting Margin Exhausted			1.38%

a. The latest completed assessment roll for which a State Equalization Rate has been established.
b. Tax Anticipation Notes, Energy Performance Lease Purchase and Revenue Anticipation Notes are not included in this computation of the debt contracting margin of the District. See: "Debt Service Requirements – Energy Performance Contract Financing" herein.
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 therefore 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.
d. District EPC obligation for exact margin.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the District has no short-term debt outstanding.

Trend of Outstanding Indebtedness
As at June 30:

	2018	2019	2020	2021	2022
Bonds	$14,510,000	$13,150,000	$12,000,000	$10,920,000	$9,835,000
BANs	-	-	-	-	-
Energy Performance Contracts [a]	-	1,752,512	1,672,063	1,571,199	1,467,093
Totals:	$14,510,000	$14,902,512	$13,672,063	$12,491,199	$11,302,093

a. Energy Performance Contract financings do not constitute general obligation debt of the District but do count toward the debt limit.

Debt Service Requirements - Outstanding Bonds [a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	$1,105,000	$400,799	$1,505,799
2024	1,130,000	346,430	1,476,430
2025	1,170,000	290,330	1,460,330
2026	1,210,000	232,355	1,442,355
2027	1,255,000	172,230	1,427,230
2028	1,305,000	109,855	1,414,855
2029	1,340,000	59,425	1,399,425
2030	1,320,000	19,800	1,339,800
Totals:	$9,835,000	$1,631,224	$11,466,224

a. Does not include payments made to date.

Debt Service Requirements – Energy Performance Contract Financing [a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	$107,454	$45,950	$153,404
2024	110,909	42,495	153,404
2025	114,476	38,929	153,404
2026	118,157	35,248	153,404
2027	121,956	31,449	153,404
2028	125,877	27,527	153,404
2029	129,925	23,480	153,404
2030	134,102	19,302	153,404
2031	138,414	14,990	153,404
2032	142,865	10,539	153,404
2033	147,459	5,946	153,404
2034	75,498	1,204	76,702
Totals:	$1,467,093	$297,058	$1,764,151

a. Does not include payments made to date. EPC financed through Capital One Public Funding, LLC. at an interest rate of 3.19%.

Tax Anticipation Notes

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

Fiscal Year Ending June 30:	Amount	Issue	Maturity
2018	$8,000,000	09/26/2017	06/27/2018
2019	7,500,000	09/26/2018	06/27/2019
2020	8,500,000	09/25/2019	06/25/2020
2021	8,500,000	09/24/2020	06/25/2021
2022	8,500,000	09/30/2021	06/24/2022

The District has not found it necessary to borrow on revenue anticipation notes, budget notes or deficiency notes in the contemporary past.

Authorized and Unissued Debt

As of the date of this Official Statement, the District does not have any authorized and unissued debt outstanding.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable(%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	08/11/2022	2.85	$39,357,603	$34,392,454
Town of Southold	06/23/2022	6.79	2,108,480	2,041,870
Town of Riverhead	07/21/2022	20.29	11,774,287	6,833,916
Fire Districts (Est.)	12/31/2020	Var.	354,059	354,059
Totals			$53,594,429	$43,622,299

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 October 5, 2022)

	Amount	Per Capita [a]	Percentage of Full Value (%) [b]
Total Direct Debt	$8,795,000	$975	0.150
Net Direct Debt	8,091,400	897	0.138
Total Direct & Applicable Total Overlapping Debt	62,389,429	6,914	1.063
Net Direct & Applicable Net Overlapping Debt	51,713,699	5,731	0.881

a. The current population of the District is 9,024.
b. The full valuation of taxable property is $5,871,482,988.

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 been allocated and received $48,527 in CARES Act funding. The District is expected to receive a total of $472,573 through CRRSA and ARP funding and has received $213,857. See also "*State Aid*" herein.

Independent Audit

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 D. The District's audited financial statements for the fiscal year ending June 30, 2022 is expected to be available by the end of November 2022.

Investment Policy

The objectives of the District's investment program are to safeguard the District's funds and to minimize risk, so that investments mature when cash is required to finance operations, and so that a competitive rate of return is achieved.

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law ("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 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 use any of the following investment instruments when investing District funds as listed in Section 11 of the GML:

- Special time deposit accounts;
- Certificates of deposit;
- Obligations of the United States of America;
- 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;
- Obligations of the State of New York;
- Obligations issued pursuant to Local Finance Law §24.00 or 25.00 (with approval of the State Comptroller);
- Obligations of this local government, but only with any moneys in a reserve fund established pursuant to GML §§6-c, 6-d, 6-e, 6-f, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n
- By participation in cooperative investment program with another authorized governmental entity pursuant to Article 5G of the GML where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46.

All investment obligations shall be payable or redeemable at the option of the District 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 at the option of the District within two years of the date of purchase.

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

Fund Structure and Accounts

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

Basis of Accounting

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange 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

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 is in process as of this date. (See also *"State Aid"* and "*School district fiscal year (2021-2022) and (2022-2023)*" 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 NYSER 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 buy $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*").

The following table sets forth the percentage of the District's General Fund revenue comprised of State aid for each of the fiscal years 2017 through 2021, and the 2022 and 2023 budgeted amounts.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2017	$39,609,698	$2,926,722	7.39
2018	39,507,107	2,668,696	6.75
2019	39,834,479	2,797,468	7.02
2020	39,408,041	2,616,866	6.64
2021	42,131,641	3,073,688	7.30
2022 (Budgeted) [a]	42,216,806	3,057,064	7.24
2023 (Budgeted) [a]	42,829,297	2,950,000	6.89

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

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's 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," "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: 15.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released June 8, 2018. The purpose of such audit was to determine if officials ensured the accuracy of the compensation paid and benefits provided to employees. There were no recommendations as a result of this audit. The complete report, along with the District's response, may be found on the OSC's official website. The District is currently not being audited by the OSC and no additional audits are pending release.

Reference to this website implies no warranty of accuracy of information therein, nor incorporation herein by reference.

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 when there are enough funds available for the State to do so. 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 into 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. New ERS employees will now contribute 3% of their salaries and new TRS employees will 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, the Governor 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. The new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier will be 1.75% for the first 20 years of service and 2% thereafter; 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, legislation was enacted that permitted school districts to amortize a portion of its annual employer pension payment to the ERS only. Under such legislation, school districts that choose to amortize were required to set aside and reserve funds with the ERS for certain future rate increases.

The District has not amortized any of its employer pension payments pursuant to this legislation and expects to continue to pay all payments in full when due.

In addition, in Spring 2013, the State and TRS approved a Stable Contribution Option ("SCO") that gives school districts the ability to better manage the spikes in Actuarially Required Contribution rates ("ARCs"). ERS followed suit and modified its existing ERS SCO. Each plan allows school districts to pay the SCO amount in lieu of the ARC amount, which is higher, and defer the difference in payment amounts.

The TRS SCO deferral plan is available to school districts for up to 7 years. Under the TRS SCO plan, payment of the deferred amount will commence in year six of the program (2018-19) and continue for five years. School districts can elect to no longer participate in the plan at any time, resume paying the ARC and begin repayment of deferred amounts over five years. Under the ERS SCO, payment of deferred amounts begins the year immediately following the deferral and the repayment period is 12 years. Once made, the election to participate in the ERS SCO is permanent. However, the school districts can choose not to defer payment in any given year. In both plans, interest on the deferred amounts is based on the yield of 10-year U.S. Treasury securities plus 1%.

The District has not amortized any of its employer pension payments as part of the SCO and expects to continue to pay all payments in full when due.

The primary benefit of participation in the SCO plans is the elimination of the uncertainty in the volatility of future pension contribution ARCs in the near term, thereby providing school districts with significant assistance in its ability to create a stable and reliable fiscal plan.

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

Fiscal Year Ending June 30:	TRS	ERS
2018	$1,616,196	$435,628
2019	1,723,180	413,462
2020	1,427,243	402,689
2021	1,559,130	381,811
2022	1,635,187	437,381
2023 (Budgeted)	1,850,000	450,000

Source: Audited Financial Statements and the 2017 -2021, District Officials and the 2022 and 2023 Budget. Table itself is not audited.

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 45, 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 biannually. Plans with fewer than 200 participants are required to have a full valuation every two years.

For the fiscal year ended June 30, 2018, the District implemented GASB 75. The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other post-employment benefits. The District's total OPEB liability at June 30, 2022 is as follows:

Changes in the Total OPEB Liability	Fiscal Year Ending June 30, 2022:
Balance as of June 30, 2021	$95,259,472
Changes for the year:	
Service Cost	3,563,244
Interest	1,786,396
Changes in Assumptions or Other Inputs	(22,407,142)
Differences Between Expected and Actual Experience	2,940,518
Benefit Payments	(2,477,263)
Total Changes	($16,594,247)
Total OPEB liability as of June 30, 2022	$78,665,225

The OSC 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 but it did advance beyond committee. 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 continues 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 Southold and Riverhead. Assessment valuations are determined by the assessor and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations.

The following table sets forth the percentage 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, and for the amounts budgeted in 2022 and 2023.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2017	$39,609,698	$34,468,056	87.02
2018	39,507,107	34,594,755	87.57
2019	39,834,479	34,837,847	87.46
2020	39,408,041	34,934,818	88.65
2021	42,131,641	36,950,144	87.70
2022 (Budgeted) [a]	42,216,806	38,028,742	90.08
2023 (Budgeted) [a]	42,829,297	38,970,019	90.99

Source: Audited Financial Statements and Adopted Budget of the District.
a. Budgeted revenues include the application of reserves and fund balance.

Tax Collection Procedure

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

The Town Tax Receivers distribute the collected tax money to the 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.

STAR - School Tax Exemption

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

Approximately 5% 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. Based on information furnished to the District, approximately 5% of the District's 2022-2023 school tax levy is expected to be exempted by the STAR program. (See *"State Aid"* herein).

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Valuations, Rates Levies and Collections

	2018	2019	2020	2021	2022
Town of Southold:					
Assessed Valuation	$40,006,508	$40,136,420	$40,515,029	$40,730,949	$40,730,949
Equalization Rate	1.01%	0.94%	0.93%	0.88%	0.70%
Full Valuation	$3,961,040,396	$4,269,831,915	$4,356,454,731	$4,628,516,932	$5,818,707,000
Town of Riverhead:					
Assessed Valuation	$7,213,922	$7,198,744	$7,371,663	$7,446,991	$6,817,367
Equalization Rate	13.87%	13.52%	12.35%	12.30%	10.14%
Full Valuation	$52,010,973	$53,245,148	$59,689,579	$60,544,642	$67,232,416
Totals:					
Assessed Valuation	$47,220,430	$47,335,164	$47,886,692	$48,177,940	$47,548,316
Full Valuation	$4,013,051,369	$4,323,077,063	$4,416,144,310	$4,689,061,574	$5,885,939,416
Town of Southold:					
Tax Levy	$35,641,831	$35,717,886	$36,352,156	$37,010,969	$37,558,185
Tax Rate Per $1000 of Assessed Valuation	$889.91	$889.28	$896.41	$907.91	$923.55
Town of Riverhead:					
Tax Levy	$467,808	$444,594	$497,897	$483,950	$483,950
Tax Rate Per $1000 of Assessed Valuation	$64.85	$61.76	$67.54	$64.99	$64.99

Selected Listing of Large Taxable Properties

2021-2022 Assessment Roll

Name	Type	Assessed Valuation
Keyspan	Utility	$274,634
Cardinale, Alan	Commercial	281,550
Strong's Marina	Marina	134,330
E&C Property Holdings	Social	128,400
Norris, Susan	Estate	114,700
Rimor Dev LLC	Condo	113,400
55 Cox Neck Rd Realty	Residential	103,100
Serota Nathan L	Commercial	71,300
Laurel Links Country Club	Golf Club	61,220
Vanston Bear LLC	Residential	66,900
Marlake Associates	Agriculture	58,000
Marratooka Properties	Agriculture	57,900
North Fork Country Club	Golf Club	55,600
Gluckman, Thomas	Residential	49,500
1663 Bridge LLC	Residential	46,800
	Total [a]	$1,617,334

a. Represents 3.41% of the total assessed valuation of the District for 2021-2022.
Source: Town Assessment Rolls.

Tax Certiorari Claims

In common with other municipalities, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of District 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. There are no significant claims filed by the larger taxpayers at this time. (See "*Tax Collection Procedure*" herein.

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.

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

RISK FACTORS AND MARKET FACTORS AFFECTING FINANCINGS OF THE STATE AND MUNICIPALITIES OF THE STATE

The financial and economic condition of the District, as well as the market for the Notes, could be affected by a variety of factors, some of which are beyond the District's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or of any of their respective agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

There are various other forms of risk associated with investing in the Notes. Although none of such risks currently exist with respect to the District or the Notes, there can be no assurance that one or more of such events will not occur in the future. One such risk is that the District will be unable to promptly pay interest and principal on the Notes as they become due (see "*Special Provisions Affecting Remedies Upon Default*", herein). If a Noteholder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in certiorari proceedings could result in a large reduction in the assessed valuation of taxable real property in the District. Unforeseen developments could also result in substantial increases in District expenditures, thus placing considerable strain on the District's financial condition.

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes and revenues in order to pay State aid to municipalities and schools in the State, including the District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District.

A deterioration of District finances could cause the credit rating of the District bonds to be lowered, suspended or withdrawn, if such action were to be deemed appropriate by Moody's Investors Service Inc. Any of such actions on the part of Moody's Investors Service Inc. could have an adverse effect on the market price of the Notes or the availability of a secondary market for the Notes.

If and when a holder of any of the Notes should elect to sell a Bond or a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interests rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by the District. Any such future legislation would have an adverse effect on the market value of the Notes (See "*Tax Matters*" herein).

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. To mitigate such risk the District has contracted with an outside technology firm to assist in the prevention detection and remediation of any such attacks. In addition, the District maintains an insurance policy covering cyber liability. 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.

IMPACTS OF COVID-19

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal alternative minimum tax on individuals. For tax years beginning after December 31, 2022, interest on the Notes included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. A complete copy of the proposed forms of opinions of Bond Counsel is set forth in Appendix C hereto.

To the extent the issue price of any maturity of the Notes is less than the amount to be paid at maturity of such Notes (excluding amounts stated to be interest and payable at least annually over the term of such Notes), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Notes which is excluded from gross income for federal income tax purposes and exempt from State of New York personal income taxes. For this purpose, the issue price of a particular maturity of the Notes is the first price at which a substantial amount of such maturity of the Notes is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Notes accrues daily over the term to maturity of such Notes on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Notes to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Notes. Owners of the Notes should consult their own tax advisors with respect to the tax consequences of ownership of Notes with original issue discount, including the treatment of owners who do not purchase such Notes in the original offering to the public at the first price at which a substantial amount of such Notes is sold to the public.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such owner. Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel is of the further opinion that the amount treated as interest on the Notes and excluded from gross income will depend upon the taxpayer's election under Internal Revenue Notice 94-84. Notice 94-84, 1994-2 C.B. 559, states that the Internal Revenue Service (the "IRS") is studying whether the amount of the stated interest payable at maturity on short-term debt obligations (i.e., debt obligations with a stated fixed rate of interest which mature not more than one year from the date of issue) that is excluded from gross income for federal income tax purposes should be treated (i) as qualified stated interest or (ii) as part of the stated redemption price at maturity of the short-term debt obligation, resulting in treatment as accrued original issue discount (the "original issue discount"). The Notes will be issued as short-term debt obligations. Until the IRS provides further guidance with respect to tax-exempt short-term debt obligations, taxpayers may treat the stated interest payable at maturity either as qualified stated interest or as includable in the stated redemption price at maturity, resulting in original issue discount as interest that is excluded from gross income for federal income tax purposes. However, taxpayers must treat the amount to be paid at maturity on all tax-exempt short-term debt obligations in a consistent manner. Taxpayers should consult their own tax advisors with respect to the tax consequences of ownership of Notes if the taxpayer elects original issue discount treatment.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Notes may adversely affect the value of, or the tax status of interest on, the Notes. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Notes.

Certain requirements and procedures contained or referred to in the Arbitrage Certificate, and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Notes or the interest thereon if any such change occurs or action is taken or omitted.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York), the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes may otherwise affect an owner's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt Notes is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the course or result of such audit, or an audit of Notes presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the District or the owners to incur significant expense.

Payments on the Notes generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate owner of Notes may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Notes and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Notes. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against an owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Bond Counsel's opinion will be in substantially the form attached hereto as Appendix C.

RATING

The Notes are not rated.

S&P Global Ratings ("S&P") , 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153, has assigned a rating of "AA" to the outstanding bonds of the District. This rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

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.

OTHER MATTERS

The statutory authority for the power to spend money for the objects or purposes, or to accomplish the objects or purposes, for which the Notes are to be issued is the Education Law and the Local Finance Law.

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

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

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

ADDITIONAL INFORMATION

Additional information may be obtained from the office of Charles Delargy, Business and Operations Administrator, Mattituck-Cutchogue Union Free School District, 385 Depot Lane, Cutchogue, NY 11935, telephone number: (631) 298-4242 x.3500, email: cdelargy@mufsd.com or from Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number (631) 331-8888 and website: www.munistat.com.

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, unauthorized editing or for any updates to dated website information.

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

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District 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 facts, 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 files with the repositories. When used in District documents or oral presentation, the works "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements. Orrick, Herrington & Sutcliffe LLP expresses no opinion as to the accuracy or completeness of any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Notes, including this Official Statement.

The preparation and distribution of this Official Statement have been approved by the President of the Board of Education of the District pursuant to the power delegated to her by the authorizing tax anticipation note resolution to sell and deliver the Notes.

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

By: ________________________________
PATRICIA ARSLANIAN
President of the Board of Education
Mattituck-Cutchogue Union Free School District

Dated: October , 2022

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

APPENDIX A

FINANCIAL INFORMATION

Balance Sheet
General Fund

	Fiscal Year Ended June 30: 2020	2021
Assets:		
Cash - Unrestricted	$ 5,743,067	$ 3,539,696
Cash - Restricted	9,313,295	12,521,494
Accounts Receivable	3,770	9,516
Due from Other Funds	891,528	248,939
Tax Receivable		1,977,011
Due from Other Governments	238,129	174,634
State and Federal Aid Receivable	2,151,410	179,141
Total Assets	18,341,199	18,650,431
Liabilities:		
Accounts Payable and Accrued Liabilities	742,968	834,991
Due to Other Funds	2,955,579	
Due to Teachers' Retirement System	1,501,961	1,663,193
Due to Employees' Retirement System	99,087	103,691
Due to Other Governments	553,273	
Unearned Revenue	40,606	
Deferred Inflows of Resources	1,543,749	976,756
Total Liabilities	7,437,223	3,578,631
Fund Balance:		
Restricted	9,313,295	12,521,494
Assigned	1,051,500	861,636
Unassigned	539,181	1,688,670
Total Fund Balance	10,903,976	15,071,800
Total Liabilities and Fund Balance	18,341,199	18,650,431

Source: Audited Annual Financial Report (2020-2021)
NOTE: This table NOT audited

Statement of Revenues, Expenditures and Fund Balances
General Fund

	Fiscal Year Ended June 30: 2017	2018	2019	2020	2021
Revenues:					
Real Property Taxes	$34,468,056	$34,594,755	$34,837,847	$34,934,818	$36,950,144
Other Real Property Tax Items	1,638,903	1,523,379	1,336,124	1,117,597	1,116,087
Charges for Services	296,389	347,706	360,733	350,699	456,212
Use of Money and Property	69,401	94,658	210,370	209,079	51,290
Sale of Property and Compensation for Loss	25,406	21,570	20,995	8,179	24,425
Miscellaneous	184,821	250,796	249,361	164,449	361,122
State Sources	2,926,722	2,668,696	2,797,468	2,616,866	3,073,688
Medicaid Reimbursement		5,547	21,581	6,354	50,146
Federal Sources					48,527
Total Revenues	39,609,698	39,507,107	39,834,479	39,408,041	42,131,641
Expenditures:					
General Support	3,940,352	4,527,028	5,385,818	5,447,895	5,619,545
Instruction	19,798,385	20,074,064	19,688,741	19,983,077	20,479,392
Pupil Transportation	1,479,331	1,483,093	1,279,619	1,070,162	1,339,745
Employee Benefits	9,517,689	9,547,971	9,823,688	9,355,146	9,405,421
Community Services			7,341	7,788	13,443
Debt Service	2,897,454	2,728,486	2,151,911	1,992,040	1,868,113
Total Expenditures	37,633,211	38,360,642	38,337,118	37,856,108	38,725,659
Excess of Revenues Over Expenditures & Other Uses	1,976,487	1,146,465	1,497,361	1,551,933	3,405,982
Other Financial Sources and (Uses):					
Interfund Transfers In	2,911		219,725		829,644
Interfund Transfers Out	(1,023,209)	(957,873)	(1,985,017)	(650,000)	(69,799)
Total Other Financing Sources and (Uses)	(1,020,298)	(957,873)	(1,765,292)	(650,000)	759,845
Net Change in Fund Balance:	956,189	188,592	(267,931)	901,933	4,165,827
Fund Balances Beginning of Fiscal Year	9,843,968	10,800,157	10,988,749	10,720,818	10,903,976
Prior Period Adjustment				(718,775) [a]	1,997 [b]
Fund Balance, Beginning of Fiscal Year, as Restated				10,002,043	10,905,973
Fund Balances End of Fiscal Year	$10,800,157	$10,988,749	$10,720,818	$10,903,976	$15,071,800

Source: Audited Annual Financial Reports of the District (2017-2021)
NOTE: This table NOT audited

a. Prior Period Adjustment - Correction of an error: During fiscal year June 30, 2020, the District recorded a deferred inflow related to property taxes not received within the period of availability of 60 days after year-end in the governmental funds financial statements.

b. Change in Accounting Principle: The District adopted GASB Statement No. 84, Fiduciary Activities, during the year ended June 30, 2021. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arragements that are fiduciary acitivites. An activity meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not help in a trust or equivalent arrangement that meets specific criteria.

Budget Summaries
Fiscal Year Ending June 30:

	2022[a]	2023[b]
Revenues:		
Real Property Taxes	$ 38,028,742	$ 38,970,019
State Aid	3,057,064	2,950,000
Other Revenue	246,000	224,278
Use of Reserves and Fund Balance	885,000	685,000
Total Revenues	$ 42,216,806	$ 42,829,297
Expenditures:		
General Support	$ 6,724,009	6,444,404
Instruction	20,505,365	20,913,478
Pupil Transportation	1,257,240	1,343,222
Employee Benefits	11,837,700	12,238,990
Debt Service	1,892,492	1,889,203
Total Expenditures	$ 42,216,806	$ 42,829,297

Sources: Adopted Budgets of the District.
a) The 2021-2022 budget was approved by the voters of the District on May 18, 2021.
b) The 2022-2023 budget was approved by the voters of the District on May 17, 2022.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

APPENDIX B

CASH FLOW SUMMARIES

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

CASH FLOW ACTUAL 2021-2022 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance[a]	9,321	6,904	5,365	10,807	8,806	6,318	2,660	14,738	15,753	15,231	13,019	14,033	9,321
RECEIPTS													
Property Taxes	1,053	29	7	1,134			14,956	4,139	1,420	601	4,622	11,668	39,629
STAR							860						860
State Aid	22	147	88	255	114	219	120	9	648			239	1,861
Other Receipts	144	35	83	150	147	248	212	416	497	37	224	519	2,712
Transfers in													
TAN Proceeds			8,565										8,565
Total Receipts	1,219	211	8,743	1,539	261	467	16,148	4,564	2,565	638	4,846	12,426	53,627
DISBURSEMENTS													
Operating Expenses	2,385	1,750	3,301	3,540	2,749	4,116	3,664	3,549	3,087	2,850	2,822	6,865	40,678
Other Disbursements							200				1,010	2,900	4,110
TAN Repayment Provision												8,500	8,500
TAN Interest												78	78
Other Debt Service	1,251					9	206					74	1,540
Total Disbursements	3,636	1,750	3,301	3,540	2,749	4,125	4,070	3,549	3,087	2,850	3,832	18,417	54,906
Balance	6,904	5,365	10,807	8,806	6,318	2,660	14,738	15,753	15,231	13,019	14,033	8,042	8,042
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	8,500	8,500
Disbursements	0	0	0	0	0	0	0	0	0	0	0	8,500	8,500
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	0	0

a. Opening balance on July 1, 2021 represents the unrestricted reserves.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

CASH FLOW PROJECTION 2022-2023 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance[a]	8,042	6,514	4,820	1,642	5,457	4,421	631	14,261	7,048	6,411	4,359	1,747	8,042
RECEIPTS													
Property Taxes	2,035				1,490		16,326	40	1,339	805	25	17,712	39,772
STAR							868						868
State Aid	492	102	89	257	115	221	121	9	655			241	2,302
Other Receipts	103	229	84	152	149	251	214	420	502	36	227	524	2,891
TAN Proceeds				7,000									7,000
Total Receipts	2,630	331	173	7,409	1,754	472	17,529	469	2,496	841	252	18,477	52,833
DISBURSEMENTS													
Operating Expenses	2,912	2,025	3,351	3,594	2,790	4,178	3,719	3,602	3,133	2,893	2,864	6,968	42,029
TAN Repayment Provision								4,000				3,000	7,000
TAN Interest								80				60	140
Other Debt Service	1,246					84	180					149	1,659
Total Disbursements	4,158	2,025	3,351	3,594	2,790	4,262	3,899	7,682	3,133	2,893	2,864	10,177	50,828
Balance	6,514	4,820	1,642	5,457	4,421	631	14,261	7,048	6,411	4,359	1,747	10,047	10,047
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	4,000	4,000	4,000	4,000	0
Receipts	0	0	0	0	0	0	0	4,000	0	0	0	3,000	7,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	7,000	7,000
Closing Balance	0	0	0	0	0	0	0	4,000	4,000	4,000	4,000	0	0

a. Opening balance on July 1, 2022 represents the unrestricted reserves.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

FORM OF BOND COUNSEL'S OPINION

October 27, 2022

Mattituck-Cutchogue Union Free School District,
County of Suffolk,
State of New York

Re: Mattituck-Cutchogue Union Free School District, Suffolk County, New York
$3,000,000 Tax Anticipation Notes, 2022 Series A

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of a $3,000,000 Tax Anticipation Note, 2022 Series A (the "Obligation"), of the Mattituck-Cutchogue Union Free School District, Suffolk County, New York (the "Obligor"), dated October 27, 2022, numbered , of the denomination of $3,000,000, bearing interest at the rate of % per annum, payable at maturity, and maturing June 23, 2023.

We have examined:

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

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

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

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

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

In our opinion:

(a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

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

(c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal individual alternative minimum tax on individuals. For tax years beginning after December 31, 2022 interest on the Notes included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for Federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

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

Very truly yours,

/es

FORM OF BOND COUNSEL'S OPINION

October 27, 2022

Mattituck-Cutchogue Union Free School District,
County of Suffolk,
State of New York

Re: Mattituck-Cutchogue Union Free School District, Suffolk County, New York
$4,000,000 Tax Anticipation Notes, 2022 Series B

Ladies and Gentlemen:

We have been requested to render our opinion as to the validity of a $4,000,000 Tax Anticipation Note, 2022 Series B (the "Obligation"), of the Mattituck-Cutchogue Union Free School District, Suffolk County, New York (the "Obligor"), dated October 27, 2022, numbered , of the denomination of $4,000,000, bearing interest at the rate of % per annum, payable at maturity, and maturing February 15, 2023.

We have examined:

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

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

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

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

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

In our opinion:

(a) The Obligation has been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitutes a valid and legally binding general obligation of the Obligor, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Obligation and interest thereon, subject to applicable statutory limitations; provided, however, that the enforceability (but not the validity) of the Obligation: (i) may be limited by any applicable bankruptcy, insolvency or other law now existing or hereafter enacted by said State or the Federal government affecting the enforcement of creditors' rights, and (ii) may be subject to the exercise of judicial discretion in appropriate cases.

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

(c) Interest on the Obligation is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Obligation is not a specific preference item for purposes of the federal individual alternative minimum tax on individuals. For tax years beginning after December 31, 2022 interest on the Notes included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Obligation.

Certain agreements, requirements and procedures contained or referred to in the Arbitrage Certificate and other relevant documents may be changed and certain actions (including, without limitation, economic defeasance of the Obligation) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. Accordingly, this opinion is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Obligation has concluded with their issuance, and we disclaim any obligation to update this opinion. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Arbitrage Certificate, including without limitation covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Obligation to be included in gross income for Federal income tax purposes. We call attention to the fact that the rights and obligations under the Obligation and the Arbitrage Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal corporations such as the Obligor in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, or waiver provisions contained in the foregoing documents.

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

Very truly yours,

/es

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

APPENDIX D

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 IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS HAS NOT BEEN REQUESTED OR OBTAINED.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Financial Statements as of June 30, 2021
Together with Independent
Auditor's Report

Bonadio & Co., LLP
Certified Public Accountants

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

October 13, 2021

To the Board of Directors of the
Mattituck-Cutchogue Union Free School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 entity'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 entity'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.

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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 and the aggregate remaining fund information of the Mattituck-Cutchogue Union Free School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

As described in Note 16 to the financial statements, during 2021 the School District adopted Governmental Accounting Standards Board Statement No. 84 - *Fiduciary Activities* . Our opinions are not modified with respect to this matter.

Required Supplementary Information

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other information, as required by the New York State Education Department, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Combined Balance Sheet - nonmajor governmental funds and the Combined Statement of Revenue, Expenditures and Changes in Fund Balance - nonmajor governmental funds are the responsibility of management and are derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combined Balance Sheet - nonmajor governmental funds and the Combined Statement of Revenue, Expenditures and Changes in Fund Balance - nonmajor governmental funds are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information included 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 October 13, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Bonadio & Co., LLP

The Mattituck-Cutchogue Union Free School District's (District) discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 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, which immediately follow this section.

FINANCIAL HIGHLIGHTS

The District's total net position, as reflected in the district-wide financial statements, decreased by $3,055,882, which includes an increase of $250,771 due to the implementation of GASB 84. The change was due to an excess of expenses over revenues based on the economic resources measurement focus and the accrual basis of accounting.

The District's expenses for the year, as reflected in the district-wide financial statements, totaled $45,607,856. Of this amount, $1,129,141 was offset by program charges for services and operating grants. General revenues of $41,172,062 amount to 97.33% of total revenues.

The District's operating revenues and expenses for the year, as reflected in the district-wide financial statements were $42,301,203 and $45,607,856, respectively.

The District received $353,606 in operating grants to support instructional programs.

The general fund's total fund balance of $15,071,800, as reflected in the fund financial statements, increased by $4,165,827 from the prior year. This was due to an excess of revenues and other financing sources over expenditures and other financing uses based on the current financial resources measurement focus and the modified accrual basis of accounting. This fund balance was slightly offset by the prior period adjustment related to the implementation of GASB 84, Fiduciary Activities, in the amount of $1,997.

On the balance sheet, the general fund's unassigned fund balance at year end was $1,688,670. This represents an increase of $1,149,489, and is 4% of the subsequent year's budget, which is under the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

The District has a teachers' retirement system - retirement contribution reserve, which limits the annual contribution to 2% of the prior year's covered TRS salaries. This reserve was funded during the 2020-2021 year in the amount of $323,907.

The District's 2021 property tax levy of $37,494,923 was a 1.75% increase over the 2020 tax levy. The District's property tax cap was 2.29%.

On May 15, 2018, the voters approved the creation of a capital reserve to pay for repairs, renovations and improvements. Such capital reserve is for a probable term of ten years in an amount not to exceed $6,000,000. As of June 30, 2021, the reserve has been fully funded in the amount of $6,000,000 and has earned interest of $59,783 since inception. On May 21, 2019, the voters approved a proposition to expend $1,960,000 from the capital reserve fund to pay for district-wide security and air conditioning upgrades. These projects were completed as of June 30, 2021 and the unused portion in the amount of $829,644 was returned back to the Capital Reserve Fund. Additionally, on June 18, 2020 the voters passed Position No 2 to expend $650,000 from the Capital Reserve Fund to replace the boiler at Cutchogue West, install a new roof at Cutchogue East and renovate a multipurpose room at Mattituck Jr. /Sr. High School. The resulting reserve balance at June 30, 2021 was $4,280,391.

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District's operations in more detail than the entity-wide statements.

- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term*, as well as what remains for future spending.

- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year.

Table A-1 Major Features of the District-Wide and Fund Financial Statements

Table A-1 summarizes the major features of the School District's financial statements, including the portion of the School District's activities that they cover and the types of information that they contain. The remainder of this overview section highlights the structure and contents of each statement.

		Fund Financial Statements	
	District-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education	Instances in which the District administers resources on behalf of someone else
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenue, expenditures, and changes in fund balance	• Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred inflows-outflows of resources/liability information	All assets/deferred outflows and liabilities/inflows, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets/deferred outflows and liabilities/deferred inflows, both short-term and long-term
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements
The district-wide statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred inflow/outflows of resources, and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District's *net position* and how they have changed. Net position – the difference between the School District's assets, deferred inflows/outflows of resources, and liabilities – are one way to measure the School District's financial health or position.

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

In the district-wide financial statements, the School District's activities are shown as *Governmental activities* . Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and State formula aid finance most of these activities.

Net position of the governmental activities differ from the governmental fund balance because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources, (dollars), are expended to purchase or build such assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Principal and interest payments are considered expenditures when paid. Depreciation is not calculated as it does not provide or reduce current financial resources. Capital assets and long-term debt are accounted for in account groups and do not affect the fund balance.

District-wide statements use an economic resources measurement focus and full accrual basis of accounting that involves the following steps to prepare the statement of net position:

- Capitalize current outlays for capital assets.

- Report long-term debt as a liability.

- Depreciate capital assets and allocate the depreciation to the proper function.

- Calculate revenue and expense using the economic resources measurement focus and the full accrual basis of accounting.

- Allocate net position balances as follows:

    - Net investment in capital assets.

    - Restricted net position has constraints placed on use by external sources or imposed by law.

    - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements
The fund financial statements provide more detailed information about the School District's funds – not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The funds have been established by the State of New York.

The School District has two kinds of funds:

- *Governmental Funds* : Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.

- *Fiduciary Funds* : The School District is the trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position

The District's total net position decreased in total by $3,055,882 between fiscal year 2021 and 2020. The decrease is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. This net position was slightly offset by the prior period adjustment related to the implementation of GASB 84, Fiduciary Activities, in the amount of $250,771. A summary of the District's Statements of Net Position follows:

Table A-2

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Current and other assets	$ 19,802,736	$ 18,491,784	$ 1,310,952	7%
Non-current assets	37,372,055	35,400,760	1,971,295	6%
Net pension asset - proportionate share	-	2,525,501	(2,525,501)	-100%
Total assets	57,174,791	56,418,045	756,746	1%
Deferred outflows of resources	25,339,280	19,266,489	6,072,791	32%
Current liabilities	4,121,935	4,489,887	(367,952)	-8%
Long-term liabilities	13,805,226	15,059,092	(1,253,866)	-8%
Net pension liability - proportionate share	2,631,518	2,194,583	436,935	20%
Total OPEB obligation	95,259,472	84,683,255	10,576,217	12%
Total liabilities	115,818,151	106,426,817	9,391,334	9%
Deferred inflows of resources	3,939,148	3,443,063	496,085	14%
Net position:				
Net investment in capital assets	24,880,856	21,728,697	3,152,159	15%
Restricted	13,300,542	11,875,546	1,424,996	12%
Unrestricted	(75,424,626)	(67,791,589)	(7,633,037)	11%
Total net position	$ (37,243,228)	$ (34,187,346)	$ (3,055,882)	9%

Current and other assets increased by $1,310,952, as compared to the prior year. This increase is primarily attributable to an increase in revenue due to timing of property tax receipts and an increase in state aid.

Capital assets, net increased by $1,971,295, as compared to the prior year. This increased is due to capital asset additions in excess of depreciation. The accompanying Notes to Financial Statements, Note 7 Capital Assets provides additional information.

Net pension asset - proportionate share decreased by $2,525,501 during the year. This 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. The accompanying Notes to Financial Statements, Note 10 "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, as well as the amount of deferred charges from the bond refunding that is being amortized over the remaining term of the bond.

Current liabilities decreased by $367,952, as compared to the prior year. This decrease is mainly attributed to decreases in library taxes due to other governments as a result of the implementation of GASB 84.

Long-term liabilities decreased by $1,253,866 as compared to the prior year. The decrease is mainly attributable to current year principal payments of $1,180,864 on serial bonds and other debt and the amortization of the premium on the bond refunding of $184,707.

Net pension liability 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 accompanying Notes to Financial Statements, Note 10 "Pension Plans -New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation increased by $10,576,217, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 11 Other Post Employment Benefits, provides additional information.

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

The net investment in capital assets is the investment in capital assets at cost such as land; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number increased over the prior year by $3,152,159 mainly due to increases in building and improvements placed in service during the year.

The government wide restricted fund balance of $13,300,542 relates to the District's reserves and other restricted fund balance within the capital and miscellaneous special revenue funds. This number increased over the prior year by $1,424,996. In the general fund, District funded the teachers' retirement system - retirement contribution, capital reserves and repair reserves in the amounts of $323,907, $750,000 and $1,708,484, respectively. Interest of $14,411 was also allocated to the reserves. These increases were offset by the usage of the workers' compensation ($75,000); employees' retirement system - retirement contribution ($290,000); and employee benefit ($52,177) reserves. There was an increase in the Capital fund restricted fund balance as unused funds were returned to the reserve in the amount of $829,644.

The unrestricted deficit amount of $75,424,626 relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, 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 obligation. This deficit increased over the prior year by $7,633,037.

Changes in Net Position

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

Table A-3 **Changes in Net Position**

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Revenues:				
Program revenue				
Change for services	$ 471,074	$ 434,639	$ 36,435	8%
Operating grants	658,067	315,695	342,372	108%
General revenues				
Real property taxes and STAR	37,511,162	36,865,465	645,697	2%
State sources	3,061,764	2,759,273	302,491	11%
Other	599,136	341,228	257,908	76%
Total revenues	42,301,203	40,716,300	1,584,903	4%
Expenses:				
General support	8,329,893	7,472,824	857,069	11%
Instruction	34,877,825	35,282,987	(405,162)	-1%
Pupil transportation	1,480,466	1,312,074	168,392	13%
Community services	16,466	26,822	(10,356)	-39%
Debt service - Interest	559,504	635,962	(76,458)	-12%
School lunch program	343,702	162,634	181,068	111%
Total expenses	45,607,856	44,893,303	714,553	2%
Increase (decrease) in net position	$ (3,306,653)	$ (4,177,003)	$ 870,350	-21%

The District's net position decreased by $3,306,653 and $4,177,003 for the years ended June 30, 2021 and 2020, respectively. There was also an increase due to the implementation of GASB 84, in the amount of $250,771.

The District's revenues increased by $1,584,903 or 4%. The District's expenses increased $714,553 or 2% over the prior year.

As indicated on the graphs that follow, real property taxes is the largest component of revenues recognized (88.68%). Instruction expenses is the largest category of expenses incurred (i.e., 76.47%).

The School District's continued financial health, as a whole, can be credited to:

- Long-range financial planning in all programs;
- Identification of tax certiorari exposure and litigation management
- Consistent School District goals which are valued and fostered;
- Continued strong leadership of the School District's Board and administration;
- Constant evaluation of ways to contain costs through increased efficiencies.

Table A-4 **Sources of Revenue for Fiscal Year 2021**:

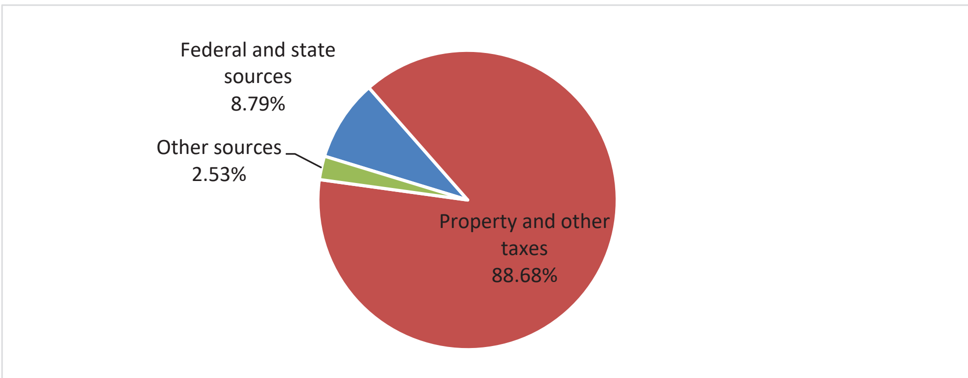
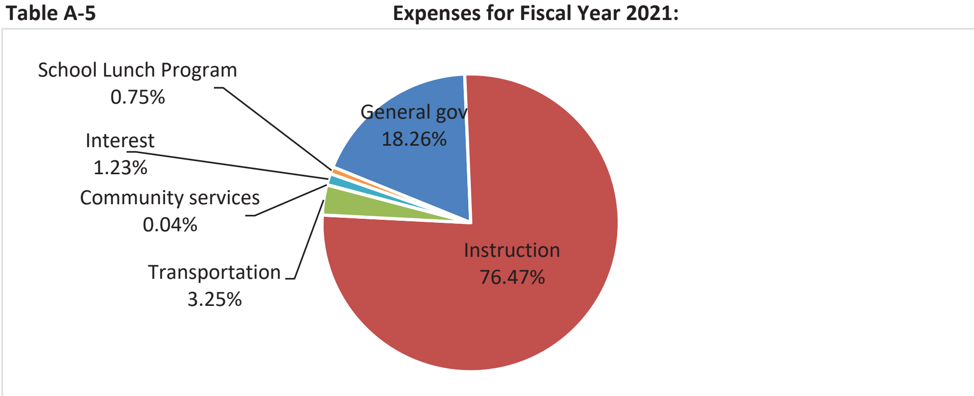


Table A-5 **Expenses for Fiscal Year 2021:**



FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT FUNDS

Table A-6 **Governmental Fund Highlights**

General Fund	Fiscal Year 2021	Fiscal Year 2020	Increase (Decrease)	Total % Change
Restricted:				
Workers' compensation	$ 439,655	$ 513,934	$ (74,279)	-14%
Unemployment insurance	85,078	86,017	(939)	-1%
Teachers' retirement system	979,929	655,031	324,898	50%
Employees' retirement system	2,907,188	3,192,574	(285,386)	-9%
Employee benefit accrued liability	1,369,634	1,419,701	(50,067)	-4%
Repairs	2,459,619	750,000	1,709,619	228%
Capital	4,280,391	2,696,038	1,584,353	59%
Assigned:				
Appropriated fund balance	250,000	250,000	-	0%
Unappropriated fund balance	611,636	801,500	(189,864)	-24%
Unassigned fund balance	1,688,670	539,181	1,149,489	213%
	15,071,800	10,903,976	4,167,824	38%
School Food Service Fund				
Nonspendable inventory	6,668	8,495	(1,827)	-22%
Assigned unappropriated fund balance	47,142	69,694	(22,552)	-32%
	53,810	78,189	(24,379)	-31%
Miscellaneous Special Revenue				
Restricted:				
Extraclassroom and scholarships	178,816	-	178,816	N/A
Capital Project Fund				
Restricted:				
Capital	600,232	2,562,251	(1,962,019)	-77%
	600,232	2,562,251	(1,962,019)	-77%
	$ 15,904,658	$ 13,544,416	$ 2,181,426	16%

At June 30, 2021, the District's governmental funds reported a combined fund balance of $15,904,658, which is an increase of $2,181,426 over the prior year. This increase is due to an excess of revenues over expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting.

The net change in the general fund-fund balance is an increase of $4,167,824. This resulted from revenues and other financing sources in excess of expenditures and other financing uses. Revenues and other financing sources increased $1,586,886 (4%) over 2020. Expenditures and other financing uses increased by $714,553 (2%) over the prior year.

The net change in the school food service fund balance is decrease of $24,379.

The capital projects fund balance decreased $1,962,019 . In the current year, the District transferred in from the general fund to the capital projects fund based on a voter approved proposition to utilize a portion of the capital reserve for security and air conditioning upgrades. The District also spent $1,132,375 in various capital projects and unused funds were returned to the reserve in the amount of $829,644.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was $37,494,923 in property taxes and STAR.

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

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

Opening, Unassigned Fund Balance, as restated	$ 537,184
Revenues Over Budget	1,390,718
Expenditures and Encumbrances Under Budget	2,812,511
Allocation to Reserves	(2,782,391)
Unused appropriated amounts and reserves at June 30, 2021	(4,941)
Interest Earned on Restricted Reserves	(14,411)
Appropriated to Fund the June 30, 2021 Budget	(250,000)
Closing, Unassigned Fund Balance	$ 1,688,670

Opening, Unassigned Fund Balance

The $537,184 shown in the table is the portion of the District's June 30, 2020 fund balance that was retained as unassigned. This was under 4% of the District's 2020-21 approved operating budget of $41,418,100.

Revenues Over Budget

The 2020-2021 final budget for revenues was $40,740,923. Actual revenues recognized for the year were $42,131,641. The excess of actual revenue over estimated or budgeted revenue was $1,390,718, which is primarily due to the District recognizing $705,221 more revenue than anticipated related to the timing of tax payments from the Town of Southold and the Town of Riverhead At year end the amounts not collected within the 60 day period of availability was approximately $976 million. This was down from the previous year of approximately $1.5 Million due to timing of tax payments from the towns. In addition, the District received $284,212 more in charges for services, and $361,122 more in miscellaneous revenue than anticipated.

Expenditures and Encumbrances Under Budget

The 2020-21 final budget for expenditures was $42,149,798. Actual expenditures as of June 30, 2021 were $38,795,458 and outstanding encumbrances were $611,636. Combined, the expenditures plus encumbrances for 2020-2021 were $39,407,094. The final budget was under expended by $2,812,503. This under expenditure is principally within the teaching regular school, pupil services, transportation, and employee benefits areas of the budget.

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 $2,782,391 shown in the above table is made up of three transfers; $323,907 to the teachers' retirement system - retirement contribution reserve; $750,000 transfer to the capital reserve, and $1,708,484 transfer to the repair reserve.

Unused Appropriated Amounts and Reserves

In the 2020-21 budget, $250,000 of fund balance along with $427,177 of reserves were appropriated to reduce the tax levy. Due to lower than anticipated expenditures, $4,941 of funding was not needed and, therefore, it was returned to the reserves for future use.

Interest Earned in Restricted Reserves

Interest earned on a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the general fund-fund balance.

The $14,411 shown in the previous table represents interest earned on restricted reserves. The reserves earned interest as follows:

Workers' compensation	$	721
Unemployment insurance		129
Employees' retirement system -retirement contribution		4,614
Teachers' retirement system -retirement contribution		992
Employee benefit accrued liability		2,110
Repairs		1,135
Capital		4,710
	$	14,411

Appropriated Fund Balance

The District has chosen to use $250,000 of the available June 30, 2021 unassigned fund balance to partially fund the 2021-22 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 summary table, the unassigned fund balance at June 30, 2021 was $1,688,670. This amount is under the New York State Real Property Tax Law §1318 limit, which restricts unassigned fund balance to an amount not greater than 4% of the District's budget for the upcoming year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the School District had Capital Assets of $37,372,055 net of accumulated depreciation, invested in broad range of capital assets, including land, buildings and improvements and furniture and equipment. The change in capital assets, net of accumulated depreciation is outlined below.

Table A-8 **Capital Assets (Net of Accumulated Depreciation)**

Category	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Land	$ 18,000	$ 18,000	$ -	0%
Construction in progress	1,284,284	1,938,582	(654,298)	-34%
Buildings and improvements	32,873,473	30,319,635	2,553,838	8%
Site improvements	1,065,239	1,110,158	(44,919)	-4%
Furniture & Equipment	2,131,059	2,014,385	116,674	6%
Total	$ 37,372,055	$ 35,400,760	$ 1,971,295	6%

The total increase of $1,971,295 from 2020 to 2021 is mainly due to annual depreciation expense of $1,717,793 less capital asset additions of $3,755,844. More detailed information about the School District's capital assets is presented in Note 7 in the notes to financial statements.

Debt Administration

The School District had general obligation and other long- term debt outstanding as follows:

Table A-9 **Outstanding Long-Term Liabilities**

	Issue Date	Interest Rate	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Bonds Payable						
	6/26/2014	2.625-3.125%	$ 580,000	$ 640,000	$ (60,000)	-9%
	4/30/2015	2.00-5.00%	10,340,000	11,360,000	(1,020,000)	-9%
Energy Performance Contract						
	2/22/2019	3.19%	1,571,199	1,672,063	(100,864)	-6%
Total			$ 12,491,199	$ 13,672,063	$ (1,180,864)	-9%

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation liability, net pension liability-proportionate share and total other postemployment benefits obligation. The compensated absences liability is based on employment contracts. The workers' compensation liability, the net pension liability -proportionate share and the total other postemployment benefits obligation are based on actuarial valuations.

	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percent Change
Compensated absences	$ 1,088,728	$ 1,170,950	$ (82,222)	-7%
Workers' Compensation	583,649	381,479	202,170	53%
Net pension liability - ERS/TRS	2,631,518	2,196,583	434,935	20%
Total OPEB obligation	95,259,472	84,683,255	10,576,217	12%
	$ 99,563,367	$ 88,432,267	$ 11,131,100	

During the 2020-2021 fiscal year, the School District did not issue any new construction bonds nor did it enter into any new installment purchase agreements to fund the purchase of equipment.

On June 30, 2021, the School District reported a liability of $8,963 and $2,622,555 for its proportionate share of the net pension liability for ERS and TRS, respectively. As mentioned previously, these shares of New York State pension liabilities and assets are now required by GASB 68 to be disclosed on the School District's statements; however, amounts due to retirees are payable by the State retirement systems to School District pensioners. The net pension liability for ERS was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2020. The net pension liability for TRS was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The largest increase in the District's long-term obligations is related to the increase in the liability for other postemployment benefits (OPEB). This increased $10,576,217 in 2020-21. This is based on an actuarial valuation and changes in assumptions related to that valuation in the current year.

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

The general fund budget, the only fund with a legally adopted budget, as approved by the voters of the District on May 18, 2021, for the year ending June 30, 2022, is $42,216,806. This is an increase of $798,706 over the previous year's budget. Increases in instruction (students with special needs), central services, employee benefits and pupil personnel areas of the budget were offset by decreases in instruction (regular school), technology and instructional media, and debt service areas of the budget.

The District's 2021-2022 budget is funded through a combination of property taxes (including STAR) and other revenues (including state aid) and appropriated fund balance. The estimated other revenues for 2021-2022 are $3,303,064, use of reserves is $635,000, appropriated fund balance is $250,000 and the balance of $38,028,742 will be raised through the tax levy. The 2021-2022 budget represents a property tax increase of 1.43% over the prior year.

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

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. The District's 2020-2021 property tax increase of 1.75% was less than the tax cap of 2.29% and did not require an override vote.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the School District and to demonstrate the School District's accountability with the funds it receives. If you have any questions about this report or need additional financial information, please contact:

Kevin Coffey
Business and Operations Administrator
Mattituck-Cutchogue Union Free School District
385 Depot Lane
Cutchogue, NY 11935

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Statement of Net Position
June 30, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
CURRENT ASSETS:	
Cash and cash equivalents - Unrestricted	$ 3,601,957
Cash and cash equivalents - Restricted	13,479,511
Accounts receivable	9,516
Taxes receivable	1,977,011
State and federal aid receivable	327,650
Due from other governments	174,634
Inventories	6,668
Other assets	225,789
Total current assets	19,802,736
NON CURRENT ASSETS:	
Capital assets, net	37,372,055
Total non current assets	37,372,055
Total assets	57,174,791
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources - pensions ERS	2,038,798
Deferred outflows of resources - pensions TRS	9,509,411
Deferred outflows of resources - other postemployment benefits	13,410,304
Deferred outflows of resources - deferred changes from advance refunding	380,767
Total deferred outflows of resources	25,339,280
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	870,827
Accrued interest	237,295
Due to other governments	3
Due to Teachers' Retirement System	1,663,193
Due to Employees' Retirement System	103,691
Unearned revenue	57,819
Current portion of long term liabilities	1,189,107
Total current liabilities	4,121,935
LONG-TERM LIABILITIES:	
Bonds payable, net of current portion and unamortized premium	10,665,757
Energy performance contact payable	1,467,092
Net pension liability - ERS	8,963
Net pension liability - TRS	2,622,555
Total OPEB liability	95,259,472
Workers' compensation liability	583,649
Compensated absences payable	1,088,728
Total long-term liabilities	111,696,216
Total liabilities	115,818,151
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources - pensions ERS	2,622,437
Deferred inflows of resources - pensions TRS	1,316,711
Total deferred inflows of resources	3,939,148
NET POSITION	
Net investment in capital assets	24,880,856
Restricted	13,300,542
Unrestricted	(75,424,626)
Total net position	$ (37,243,228)

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2021

		Program Revenue		
	Expenses	Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS:				
General support	$ 8,329,893	$ -	$ -	$ (8,329,893)
Instruction	34,877,825	456,212	353,606	(34,068,007)
Pupil transportation	1,480,466	-	-	(1,480,466)
Community service	16,466	-	-	(16,466)
Debt service - Interest	559,504	-	-	(559,504)
Food service	343,702	14,862	304,461	(24,379)
TOTAL FUNCTIONS AND PROGRAMS	$ 45,607,856	$ 471,074	$ 658,067	(44,478,715)
GENERAL REVENUE:				
Real property taxes				36,395,075
Other tax items				1,116,087
Use of money and property				51,290
Sale of property and compensation for loss				24,425
Miscellaneous				473,275
State sources				3,061,764
Medicaid reimbursement				50,146
TOTAL GENERAL REVENUE				41,172,062
CHANGE IN NET POSITION				(3,306,653)
NET POSITION - beginning of year, previously reported				(34,187,346)
PRIOR PERIOD ADJUSTMENT (Note 16)				250,771
NET POSITION - beginning of year, as restated				(33,936,575)
TOTAL NET POSITION - end of year				$ (37,243,228)

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Balance Sheets - Governmental Funds
June 30, 2021

	General	Non Major	Total Governmental Funds
ASSETS:			
Cash and cash equivalents - unrestricted	$ 3,539,696	$ 62,261	$ 3,601,957
Cash and cash equivalents - restricted	12,521,494	958,017	13,479,511
Accounts receivable	9,516	-	9,516
Due from other funds	248,939	-	248,939
Taxes receivable	1,977,011		1,977,011
Due from other governments	174,634	-	174,634
State and federal aid receivable	179,141	148,509	327,650
Inventories	-	6,668	6,668
TOTAL ASSETS	$ 18,650,431	$ 1,175,455	$ 19,825,886
LIABILITIES AND DEFERRED INFLOW OF RESOURCES:			
Liabilities			
Accounts payable and accrued liabilities	$ 834,991	$ 35,836	$ 870,827
Due to other funds	-	248,939	248,939
Due to Teachers' Retirement System	1,663,193	-	1,663,193
Due to Employees' Retirement System	103,691	-	103,691
Due to other governments	-	3	3
Unearned revenue	-	57,819	57,819
TOTAL LIABILITIES	2,601,875	342,597	2,944,472
Deferred inflow of resources			
Deferred inflow - property taxes	976,756	-	976,756
TOTAL DEFERRED INFLOW OF RESOURCES	976,756	-	976,756
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,578,631	342,597	3,921,228
FUND BALANCE:			
Nonspendable	-	6,668	6,668
Restricted:			
Retirement contributions			
Teachers' retirement system	979,929	-	979,929
Employees' retirement system	2,907,188	-	2,907,188
Employee benefit accrued liabilities	1,369,634	-	1,369,634
Workers compensation	439,655	-	439,655
Unemployment	85,078	-	85,078
Repairs	2,459,619	-	2,459,619
Extraclassroom activities and scholarships	-	178,816	178,816
Capital	4,280,391	600,232	4,880,623
Total restricted fund balance	12,521,494	779,048	13,300,542
Assigned:			
Appropriated for subsequent years expenditures	250,000	-	250,000
Other purposes	611,636	47,142	658,778
Total assigned fund balance	861,636	47,142	908,778
Unassigned	1,688,670	-	1,688,670
TOTAL FUND BALANCE	15,071,800	832,858	15,904,658
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE	$ 18,650,431	$ 1,175,455	$ 19,825,886

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Reconciliation of Total Governmental Fund Balance to Governmental Activities Net Position
June 30, 2021

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

Total governmental fund balance		$ 15,904,658
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Cash held by a third-party administrator is treated as a long-term asset and is included in net position.		225,789
The costs of building and acquiring capital assets (land, buildings, 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	70,230,667	
Accumulated depreciation	(32,858,612)	
		37,372,055
Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.		
Net pension liability -teachers' retirement system	(2,622,555)	
Deferred outflows of resources	11,548,209	
Net pension liability - employees' retirement system	(8,963)	
Deferred inflows of resources	(3,939,148)	
		4,977,543
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.		380,767
Total other postemployment benefits obligation and deferred outflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.		
Deferred outflows of resources	13,410,304	
Total other postemployment benefits obligation	(95,259,472)	
		(81,849,168)
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.		976,756
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	(237,295)	
Bonds payable, net	(11,750,757)	
Energy performance contract payable	(1,571,199)	
Compensated absences payable	(1,088,728)	
Workers' compensation liabilities	(583,649)	
		(15,231,628)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (37,243,228)

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Statements of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2021

	Governmental Fund Types		
	General	Non Major	Total Governmental Funds
REVENUE:			
Real property taxes	$ 36,950,144	$ -	$ 36,950,144
Other tax items	1,116,087	-	1,116,087
Charges for services	456,212	-	456,212
Use of money and property	51,290	-	51,290
Sale of property and compensation for loss	24,425	-	24,425
Miscellaneous	361,122	113,062	474,184
State sources	3,073,688	141,579	3,215,267
Medicaid reimbursement	50,146	-	50,146
Federal sources	48,527	467,961	516,488
Sales - School lunch	-	14,862	14,862
Total revenue	42,131,641	737,464	42,869,105
EXPENDITURES:			
General support	5,619,545	-	5,619,545
Instruction	20,479,392	550,855	21,030,247
Pupil transportation	1,339,745	7,043	1,346,788
Employee benefits	9,405,421	-	9,405,421
Community services	13,443	-	13,443
Debt service - Principal	1,180,864	-	1,180,864
Debt service - Interest	687,249	-	687,249
Cost of sales	-	343,702	343,702
Capital outlay	-	1,132,375	1,132,375
Total expenditures	38,725,659	2,033,975	40,759,634
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	3,405,982	(1,296,511)	2,109,471
OTHER SOURCES AND (USES):			
Operating transfers in	829,644	69,799	899,443
Operating transfers (out)	(69,799)	(829,644)	(899,443)
Total other sources (uses)	759,845	(759,845)	-
EXCESS (DEFICIENCY) OF REVENUE AND OTHER SOURCES OVER EXPENDITURES AND OTHER (USES)	4,165,827	(2,056,356)	2,109,471
FUND BALANCE - beginning of year, as previously reported	10,903,976	2,640,440	13,544,416
PRIOR PERIOD ADJUSTMENT (SEE NOTE 16)	1,997	248,774	250,771
FUND BALANCE - beginning of year, as restated	10,905,973	2,889,214	13,795,187
FUND BALANCE - end of year	$ 15,071,800	$ 832,858	$ 15,904,658

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Reconciliation of the Statements of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities
June 30, 2021

Net changes in fund balance - Total governmental funds	$	2,109,471
Capital outlays are expenditures in governmental funds, but are capitalized in the statement of net position		3,689,088
Depreciation is not recorded as an expenditure in the governmental funds, but is recorded in the statement of activities		(1,717,793)
Pension (expense) income resulting from the GASB 68 related actuary reporting is not recorded as an (expenditure) income in the governmental funds but is recorded in the statement of activities		(1,973,750)
Repayments of long-term debt are recorded as expenditures in the governmental funds, but are recorded as payments of liabilities in the statement of net position		1,180,864
Premiums from the issuance on bonds that are revenue sources in the governmental funds in the year received but are amortized on the statement of net position		184,707
Certain revenue in the governmental funds is deferred or not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this is recognized regardless of when it is collected.		(566,993)
Certain expenses in the statement of activities do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds as follows:		
Accrued interest		27,696
Compensated absences		82,222
Workers' compensation		(202,170)
Amortization of deferred gain on refunding		(84,658)
Change in accrued post-employment benefits do not require the expenditure of current resources and are, therefore, not reported as expenditures in the governmental funds		(5,901,539)
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) are held by a third-party administrator. The cash held by the third-party administrator is treated as long-term asset and included in net position. This is the amount by which other assets decreased in the current period.		(133,798)
Change in net position - Governmental activities	$	(3,306,653)

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Statements of Net Position - Fiduciary Funds
For the Year Ended June 30, 2021

	Custodial Fund
ASSETS:	
Due from other governments	$ 166,160
Total assets	166,160
LIABILITIES:	
Due to other governments	166,160
Total liabilities	166,160
NET POSITION:	
Restricted for other purposes	$ -

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Statement of Changes in Net Position - Fiduciary Funds
For the year ended June 30, 2021

	Custodial Fund
ADDITIONS:	
Taxes collected on behalf of other governments	$ 2,854,308
Total additions	2,854,308
DEDUCTIONS:	
Payments of tax to other governments	2,854,308
Total deductions	2,854,308
NET DECREASE	-
NET POSITION - beginning of year	-
NET POSITION - end of year	$ -

The accompanying notes are an integral part of these statements.

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

Mattituck-Cutchogue Union Free School District provides free K-12 public education to students living within its geographic borders.

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

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

Reporting Entity
The Mattituck-Cutchogue Union Free School District is governed by the Laws of New York State. The School District is an independent entity governed by an elected Board of Education (BOE). The President of the Board serves as chief fiscal officer and the Superintendent is the chief executive officer. The BOE has authority to make decisions, power to appoint management, and accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity. The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of a certain entity included in the School District's reporting entity.

<u>Extraclassroom Activity Funds</u>
The Extraclassroom Activity Funds represent funds of the students of the District. The Board of Education exercises general oversight of these funds; however, these funds are used as designated by student management. The District accounts for the activities of these various student organizations in the Miscellaneous Special Revenue Fund. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office.

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

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

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

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

2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Statements

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

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

Fund Financial Statements

The fund statements provide information about the School District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

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

The School District Reports the following non major governmental funds:

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

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

- *School Lunch Fund* - This is a special revenue fund that is used to record the operations of the breakfast and lunch programs of the School District.

- *Miscellaneous Special Revenue Fund* - Used to account for and report those revenues that are restricted or committed to expenditures for specified purposes.

Fiduciary Funds - These funds are used to account for fiduciary activities. Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the School District-wide financial statements, because their resources do not belong to the School District and are not available to be used. There is one type of fiduciary funds:

- *Custodial funds:* These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the School District as agent for various groups.

Measurement Focus and Basis of Accounting

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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.

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States 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 are obligations of the State and its municipalities and districts.

State law governs the School District's deposit and investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States 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.

Restricted Cash and Cash Equivalents

Restricted cash represents cash where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash as of year-end includes $13,479,511 within the governmental funds.

Property Taxes

Real property taxes are levied annually by the Board no later than November 1st and become a lien on December 1st. Late payments are subject to penalties. Taxes are collected by the Towns of Riverhead and Southold and remitted to the District during the year.

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

Accounts Receivable and Due from Other Governments

Receivables include amounts due from other governments and individuals for services provided by the School District. Receivables and amounts due from other governments are recorded and revenue recognized as earned or as expenses are incurred. Allowances are recorded when appropriate.

Inventories

Inventories in the School Lunch Fund consist of food and supplies and are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at a stated value, which approximates market. These inventories consist primarily of items held for consumption. The cost is recorded as inventory at the time individual inventory items are purchased and presented as a prepaid expenditure/expense in the financial statements. The School District uses the consumption method to relieve inventory.

Interfund transactions

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

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

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

Capital Assets, Net

Capital assets are reported at actual cost when such data was available. For assets in which there was no data available, estimated historical costs, based on appraisals conducted by independent third-party professionals, were used. Donated assets are reported at estimated acquisition value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Site improvements	$ 10,000	SL	20-30 years
Building and improvements	$ 10,000	SL	20-50 years
Furniture and equipment	$ 500	SL	5-20 years

Other Assets

Other assets represent amounts on deposit that are being held by a third-party administrator for workers' compensation claims.

Deferred Outflows and Inflows of Resources

In addition to assets and liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then.

Compensated Absences

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

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

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

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

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

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

Total Other Post-Employment Benefits Liability
District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

District employees may choose to participate in the District's elective deferred compensation plan established under Internal Revenue Code Section 403(b).

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. 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. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the 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.

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.

Unearned Revenue
Unearned revenue is reported when potential revenue does meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has legal claim to them. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recorded.

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

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

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due in one year or as long-term liabilities in the statement of net position.

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

Fund Balance/Net Position Classifications

Government-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) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

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

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

Fund Balance – Reservations and Designations

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

Non-spendable fund balance – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

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

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

Repair

Repair 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. This reserve is accounted for in the general fund under restricted fund balance.

Workers' Compensation

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 under restricted fund balance.

Unemployment Insurance

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

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.

Debt Service

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

Insurance

Insurance reserve is used to pay liability, casualty, and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value, and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the insurance reserve; however, the annual contribution to this reserve may not exceed the greater of $33,000 or 5% of the budget. Settled or compromised claims up to $25,000 may be paid from the reserve without judicial approval. The reserve is accounted for in the general fund under restricted fund balance.

Liability Claims and Property Loss

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

Tax Certiorari

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

Employee Benefit Accrued Liability

Reserve for employee benefit accrued liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund under restricted fund balance.

Retirement Contribution

Retirement contribution reserve (GML §6-r) is used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of operation and condition of the fund must be provided to the board. This reserve is accounted for in the general fund under restricted fund balance.

Restricted fund balance includes the following:

General Fund:	
Retirement contributions	
Teachers' retirement system	$ 979,929
Employees' retirement system	2,907,188
Employee benefit accrued liabilities	1,369,634
Workers compensation	439,655
Unemployment	85,078
Repairs	2,459,619
Capital	4,280,391
Total General fund	12,521,494
Capital Project Fund	600,232
Other purposes	178,816
Total Restricted	$ 13,300,542

Committed fund balance – Includes amounts that can be used for the specific purposes pursuant to constraints imposed be formal action of the School Districts highest level of decision making authority, i.e., the Board of Education. The School District has no committed fund balances as of June 30, 2021.

Assigned fund balance – Includes amounts that are constrained by the School District's intent to be used for specific purposes, but are neither restricted nor committed. The purpose of the constraint must be narrower than the purpose of the General Fund, and in funds other than the General Fund. Assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year. Assigned fund balance in the school lunch fund amounted to $47,142. Encumbrances reported in the general fund amounted to $611,636. As of June 30, 2021, the School District's encumbrances were classified as follows:

General support	$ 415,977
Instruction	194,986
Pupil transportation	673
Total encumbrances	$ 611,636

Encumbrances

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

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

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

Order of Fund Balance Spending Policy

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported revenue and expenses during the reporting period. Actual results could differ from these estimates, particularly given the economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic, and such differences may be significant. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

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

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

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

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

Statements of Revenue, Expenditures, and Changes in Fund Balance vs. Statement of Activities

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

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

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

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

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

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets
The School District administrations prepare a proposed budget for approval by the Board of Education for the General Fund. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These Supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

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

Fund Balance

The District's unrestricted fund balance in its General Fund was in compliance with the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year.

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

5. CASH AND CASH EQUIVALENTS

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

At June 30, 2021, the reported amount of the Districts deposits was $17,081,018 and the bank balance was $17,422,388. Of the bank balance, $519,234 was covered by federal depository insurance and $12,129,542 was covered by collateral held in the District's name. The remaining balance was covered by a Letter of credit in the amount of $5,500,000.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes.

Restricted cash consists of the following:

General fund	$	12,521,494
Capital fund	$	639,816
Special aid fund	$	88,811
Miscellaneous special revenue fund	$	229,390

6. PARTICIPATION IN BOCES

During the year, the School District was billed $1,803,958 for BOCES administrative and program costs. The School District's share of BOCES aid amounted to $312,014. Financial statements for BOCES are available from the BOCES administrative office.

7. CAPITAL ASSETS, NET

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

	July 1, 2020 Balance	Additions	Deletions	June 30, 2021 Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$ 18,000	$ -	$ -	$ 18,000
Construction in progress	1,938,582	1,132,375	1,786,673	1,284,284
Total non-depreciable cost	1,956,582	1,132,375	1,786,673	1,302,284
Capital assets that are depreciated:				
Buildings & improvements	54,095,088	3,679,301	33,924	57,740,465
Site improvements	2,606,841	43,742	261	2,650,322
Furniture & Equipment	8,619,626	687,099	769,129	8,537,596
Total depreciable historical cost	65,321,555	4,410,142	803,314	68,928,383
Less accumulated depreciation:				
Buildings & improvements	23,775,453	1,102,300	10,761	24,866,992
Site improvements	1,496,683	88,537	137	1,585,083
Furniture & Equipment	6,605,241	526,956	725,660	6,406,537
Total accumulated depreciation	31,877,377	1,717,793	736,558	32,858,612
Total depreciable cost, net	33,444,178	2,692,349	66,756	36,069,771
Total capital assets	$ 35,400,760	$ 3,824,724	$ 1,853,429	$ 37,372,055

Depreciation expense for the year ended June 30, 2021, was allocated to specific functions as follows:

General support	$ 167,340
Instruction	1,467,024
Transportation	66,005
Community service	17,424
Total Depreciation	$ 1,717,793

8. LONG-TERM DEBT

Interest on all debt for the year was composed of:

Interest paid	$ 687,249
Less: interest accrued in prior year	(264,991)
Less: premium amortization	(184,707)
Plus: amortization on loss on refunding	84,658
Plus: interest accrued in current year	237,295
Total expense	$ 559,504

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

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Government activities					
Bonds payable:					
General obligation debt:					
Bonds payable	$ 12,000,000	$ -	$ 1,080,000	$ 10,920,000	$ 1,085,000
Unamortized premium on bonds	1,015,464	-	184,707	830,757	-
Total Bonds	13,015,464	-	1,264,707	11,750,757	1,085,000
Energy performance contract	1,672,063	-	100,864	1,571,199	104,107
Other liabilities:					
Compensated absences	1,170,950	-	82,222	1,088,728	-
Workers' compensation	381,479	202,170	-	583,649	-
Net pension liability	2,196,583	434,935	-	2,631,518	-
Total Other postemployment benefits	84,683,255	12,861,484	2,285,267	95,259,472	-
Total other liabilities	88,432,267	13,498,589	2,367,489	99,563,367	-
Total long-term liabilities	$ 103,119,794	$ 13,498,589	$ 3,733,060	$ 112,885,323	$ 1,189,107

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

Bond Issue	Issued	Maturity	Interest Rate	June 30, 2021 Balance
Construction serial bond	2014	2029	2.625-3.125%	$ 580,000
Refunding bonds	2015	2029	2.00-500%	10,340,000
Total				$ 10,920,000

The following is a summary of the maturities of bonds payable:

	Principal	Interest	Total
Fiscal Year Ending June 30,			
2022	$ 1,085,000	$ 454,086	$ 1,539,086
2023	1,105,000	400,799	1,505,799
2024	1,130,000	346,430	1,476,430
2025	1,170,000	290,330	1,460,330
2026	1,210,000	232,355	1,442,355
2027-2030	5,220,000	593,665	5,813,665
Total	$ 10,920,000	$ 2,317,665	$ 13,237,665

The following is a summary of the maturities of energy performance contract:

	Principal	Interest	Total
Fiscal Year Ending June 30,			
2022	$ 104,107	$ 49,298	$ 153,405
2023	107,454	45,950	153,404
2024	110,909	42,495	153,404
2025	114,476	38,929	153,405
2026	118,157	35,248	153,404
2027-2031	650,274	116,747	767,021
2032-2034	365,822	17,689	383,511
Total	$ 1,571,199	$ 346,356	$ 1,917,554

The District advance refunded serial bonds, which resulted in a deferred charge and a refunding bond premium. These amounts are being amortized as a component of interest expense on a weighted average basis over the respective bond term, as applicable. The bond premium balance is netted against the bonds payable. The future net amortization is as follows:

Fiscal Year Ending June 30,	Amortization of premium	Amortization of deferred charges	Interest expense increase / (decreases)
2022	$ (167,343)	$ 76,699	$ (90,644)
2023	(149,809)	68,663	(81,146)
2024	(131,934)	60,470	(71,464)
2025	(113,548)	52,043	(61,505)
2026	(94,524)	43,324	(51,200)
2027-2030	(173,599)	79,568	(94,031)
Total	$ (830,757)	$ 380,767	$ (449,990)

9. INTERFUND BALANCES AND ACTIVITY

	Interfund Receivable	Interfund Payable	Interfund Revenue	Interfund Expenditure
General fund	$ 248,939	$ -	$ 69,799	$ 829,644
Special aid fund	-	209,355	-	69,799
School lunch fund	-	-	-	-
Capital project fund	-	39,584	829,644	-
Total governmental activities	$ 248,939	$ 248,939	$ 899,443	$ 899,443

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the statement of net position.

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

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

10. PENSION PLANS

New York State and Local Retirement System

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

The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The system is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Contributions

ERS is noncontributory except for employees who joined ERS after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute between 3 to 6 percent of their salary for their entire length of service. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2021	$	378,254
2020	$	402,689
2019	$	413,462

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

At June 30, 2021, the School District reported a net pension liability of $8,963 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of April 1, 2020. The School District's proportion of the net pension liability was based on a projection of the School Districts' long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2021, the School District's proportion was 0.0090014 percent, which was an increase of 0.0007063 percent from its proportion measured the prior year.

For the year ended June 30, 2021, the School District recognized pension expense of $282,957. At June 30, 2021 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 109,463	$ -
Change of Assumptions	1,648,008	31,082
Net difference between projected and actual earnings on pension plan investments	-	2,574,704
Changes in proportion and differences between the District's contributions and proportionate share of contributions	177,636	16,651
Contributions subsequent to the measurement date	103,691	-
	$ 2,038,798	$ 2,622,437

The District recognized $103,691 as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred inflows of resources related to pensions that will be recognized in pension expense as follows:

Plan's Year Ended March 31,	
2022	$ (89,543)
2023	(11,953)
2024	(107,381)
2025	(478,453)
Thereafter	-
	$ (687,330)

Actuarial Assumptions

The total pension liability at March 31, 2021 was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021.

The actuarial valuation used the following actuarial assumptions:

Inflation	2.70%
Salary scale	4.4% indexed by service
Cost-of-living adjustments	1.4%
Decrements	Developed from the Plan's 2015 experience study of the period April 1, 2015 through March 31, 2020
Mortality improvement	Society of Actuaries Scale MP-2020
Investment Rate of Return	5.9% compounded annually, net of investment expenses

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 returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2019 used a long-term expected rate of return of 6.8%.

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

Asset Class	Target Allocation in %	Long-Term Expected Real Rate of Term in %
Domestic Equity	32.0	4.05
International Equity	15.0	6.30
Private Equity	10.0	6.75
Real Estate	9.0	4.95
Opportunistic/Absolute Return Strategy	3.0	4.50
Credit	4.0	3.63
Real assets	3.0	5.95
Fixed income	23.0	0.00
Cash	1.0	0.50
	100.0	

Discount Rate

The discount rate used to measure the total pension liability was 5.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

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

	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Proportionate Share of Net Pension Liability (Asset)	$ 2,487,797	$ 8,963	$ (2,277,102)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) of the employers plan as of June 30, 2021 were as follows:

	Pension Plan's Fiduciary Net Position
Total pension liability	$ 220,680,157
Net position	(220,580,583)
Net pension liability	$ 99,574
Fiduciary net position as a percentage of total pension liability	99.95%

New York State Teachers' Retirement System

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

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

Contributions

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

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

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

	TRS
2021	$ 1,573,769
2020	$ 1,427,243
2019	$ 1,723,180

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

At June 30, 2021, the District reported a net pension Liability of $2,622,555 for its proportionate share of the TRS net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At June 30, 2021 the District's proportionate share was 0.094908%, which was a decrease of 0.002301% from its proportionate share at June 30, 2020.

For the year ended June 30, 2021, the District recognized pension expense of $3,662,949 At June 30, 2021 the District reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,297,883	$ 134,401
Changes of assumptions	3,316,923	1,182,310
Net difference between projected and actual earnings on pension plan investments	1,712,759	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	518,653	-
Contributions subsequent to the measurement date	1,663,193	-
Total	$ 9,509,411	$ 1,316,711

The District recognized $1,663,193 as a deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date of June 30, 2020, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

Plan's Year Ended June 30:

2021	$ 1,153,696
2022	2,194,391
2023	1,797,914
2024	1,126,098
2025	110,735
Thereafter	146,673
Total	$ 6,529,507

Actuarial Assumptions

The total pension liability at the June 30, 2020 measurement date was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. These actuarial valuations used the following actuarial assumptions:

Inflation	2.20%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Projected COLAs	1.3% compounded annually
Investment Rate of Return	7.10% compounded annually, net of pension plan investment expense, including inflation.

Annuitant morality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries Scale MP2019, applied on a generational basis. Active member mortality rates are based on plan member experience.

The actuarial assumptions were based on the results of an actuarial experience study for the period of July 1, 2009 to June 30, 2014.

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 expect 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.

The Long Term Expected Real Rates of Return are presented by asset allocation classification, which differs from the financial statement presentation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2020 are summarized in the following table:

Asset Type	Target Allocation in %	Long-Term Expected Real Rate of Return in %
Domestic equity	33.0	7.1
International equity	16.0	7.7
Global equity	4.0	7.4
Real estate equity	11.0	6.8
Private equity	8.0	10.4
Domestic fixed income	16.0	1.8
Global bonds	2.0	1.0
High-yield bonds	1.0	3.9
Private debt	1.0	5.2
Real estate debt	7.0	3.6
Cash equivalents	1.0	0.7
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from school districts will be made at statutorily required rates, actuarially determined. Based on those assumptions, the NYSTRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate

The following presents the net pension liability (asset) of the school districts calculated using the discount rate of 7.10 percent, as well as what the school districts' net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease 6.10%	Current Assumption 7.10%	1% Increase 8.10%
Proportionate Share of Net Pension Liability (asset)	$ 16,565,779	$ 2,622,555	$ (9,079,342)

Pension Plan Fiduciary Net Position (000's)

The components of the current year net pension liability of the employers as of June 30, 2020, were as follows:

Total pension liability	$ 123,242,776,215
Net position	120,479,505,380
Net pension liability (asset)	$ 2,763,270,835
NYSTRS net position as a percentage of total pension liability	97.8%

Payables to the Pension Plans

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 employee and employer 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 System.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 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. Employee contributions are remitted monthly.

	June 30, 2021
ERS Liability	$ 103,691
TRS Liability	$ 1,663,193

11. OTHER POST EMPLOYMENT BENEFITS

Plan Description

Plan Description -The District's defined benefit OPEB plan, provides OPEB for most retired employees and their survivors. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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

Benefits Provided -The District effectively provides medical, Medicare part B reimbursement, and vision coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the Empire Plan (for health benefits only). The vision benefits is an add-on to the Empire Plan. The add-on plan is self-funded.

At the valuation date of July 1, 2019, the number of employees covered by School District's OPEB plan:

Inactive employees or beneficiaries currently receiving benefits	213
Active employees	163
Survivors	2
Total participant	378

Total OPEB Liability

The District's total OPEB liability of $95,259,472 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2019. The June 30, 2020 total OPEB liability was increased by service cost and interest, decreased by benefits payments and adjusted to reflect any material plan changes to arrive at the total OPEB liability at the measurement date. The changes in the OPEB liability are as follows:

Balance at June 30, 2020	$ 84,683,255
Changes for the Year -	
Service cost	2,906,500
Interest	2,004,975
Changes in assumptions or other inputs	7,950,009
Benefit payments	(2,285,267)
Net changes	10,576,217
Balance at June 30, 2021	$ 95,259,472

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increase	2.5 Percent per year			
Discount Rate	1.9 percent as of June 30, 2021			
Healthcare Cost Trend Rates	Trend Rates Applicable to Premiums			
	Year	Medical Premiums - Pre 65	Medical Premiums - Post 65	Medicare Part B Premiums
	1	6.25%	7.25%	4.50%
	2	5.75%	6.50%	4.50%
	3	5.50%	6.00%	4.50%
	4	5.00%	5.25%	4.50%
	5	4.75%	5.00%	4.50%
	6	4.50%	4.75%	4.50%
	7 & After	4.50%	4.50%	4.50%

The discount rate was based on the 20 year Municipal GO AA Bond Index, as of June 30, 2021.

Mortality rates were based on the SOA RP-2014 total dataset, as appropriate, with adjustments for mortality improvements based on the SOA scale MP-2014.

The actuarial assumptions used in the July 1, 2019 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the School district. The plan does not have sufficient data on which to perform an experience study.

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

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

	1% Decrease 0.90%	Current Discount Rate 1.90%	1% Increase 2.90%
Total OPEB Liability	$ 114,587,342	$ 95,259,472	$ 80,291,738

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 or 1 percentage point higher than the current healthcare cost trend rate:

	Decrease	Current Trend Rate	Increase
Total OPEB Liability	$ 72,236,111	$ 95,259,472	$ 119,484,561

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 $8,186,806. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Difference between expected and actual experience	$ 1,747,322
Changes in assumptions	11,662,982
Total	$ 13,410,304

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

Fiscal Year Ending June 30:	Amount
2022	$ 3,275,331
2023	3,275,331
2024	3,275,331
2025	2,259,313
2026	1,324,998
	$ 13,410,304

12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past two years.

The District participates in the East End Workers' Compensation Plan, a risk-sharing pool, to insure Workers' Compensation claims. This is a public entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to Workers' Compensation claims. The District's undiscounted share of the liability for IBNR and open claims is $583,649.

13. TAX ABATEMENTS

The Suffolk County Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced $23,719. The District received payment in lieu of tax (PILOT) payments totaling $15,979.

14. CONTINGENCIES AND COMMITMENTS

General Information
The School 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 School District's administration believes disallowances, if any, will be immaterial.

15. COVID-19, CORONAVIRUS RESPONSE AND RELIEF SUPPLEMENTAL APPROPRIATIONS ACT (CRRSA) AND AMERICAN RESCUE PLAN ACT (ARP)

The United States is presently in the midst of a national health emergency related to a virus commonly known as the Novel Coronavirus (COVID-19). The overall consequences of COVID-19 on a nation, regional and local level are unknown, but it has the potential to result in a significant economic impact. The impact of the situation on the District and its future results and financial position is not presently determinable.

On December 27, 2020, the President signed into law the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSA Act). The CRRSA Act authorizes funding for a second Education Stabilization Fund to prevent, prepare for and respond to the coronavirus. The District is expected to receive $145,520 in Elementary and Secondary School Emergency Relief (ESSER 2) funds and $145,424 in Governor's Emergency Education Relief (GEER 2) funds.

On March 11, 2021, the President signed into law the American Rescue Plan Act of 2021 (ARP). These funds are focused on supporting the safe return to in-person instruction and continuity of services, addressing the impact of lost instructional time through summer or extended school programs, responding to students' academic, social, and emotional needs, and addressing the disproportionate impact of the coronavirus on economically disadvantaged students, children with disabilities, English learners, racial and ethnic minorities, migrant students, students experiencing homelessness, and children and youth in foster care. The District is expected to receive $327,053 in ARP ESSER 3 funds.

16. CHANGE IN ACCOUNTING PRINCIPLE

The District adopted GASB Statement No. 84, Fiduciary Activities, during the year ended June 30, 2021. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

This Statement clarified the criteria for reporting certain activities as governmental or fiduciary activities. As a result, beginning balance for the following assets, liabilities, net position/fund balance were adjusted to account for certain items no longer meeting the definition of fiduciary activities:

	Governmental Activities				
	Cash	Due from Fiduciary	Accrued/Other Liabilities	Unearned Revenue	Net Position
Balance at June 30, 2020, as previously reported	$ 15,278,981	$ 390,581	$ (824,775)	(64,927)	$ 34,187,346
Restatement of beginning balance - Adoption of GASB Statement No. 84	741,043	(390,581)	(51,461)	(48,230)	(250,771)
Balance at July 1, 2020, as restated	$ 16,020,024	$ -	$ (876,236)	$ (113,157)	$ 33,936,575

	General Fund			
	Cash	Due From Other Funds	Accrued/Other Liabilities	Fund Balance
Balance at June 30, 2020, as previously reported	$ 15,056,362	$ 891,528	$ (742,968)	$ (10,903,976)
Restatement of beginning balance - Adoption of GASB Statement No. 84	444,039	(390,581)	(51,461)	(1,997)
Balance at July 1, 2020, as restated	$ 15,500,401	$ 500,947	$ (794,429)	$ (10,905,973)

	Miscellaneous Special Revenue Fund			
	Cash	Accrued liabilities	Deferred revenue	Fund Balance
Balance at June 30, 2020, as previously reported	$ -	$ -	$ -	$ -
Restatement of beginning balance - Adoption of GASB Statement No. 84	297,004	-	(48,230)	(248,774)
Balance at July 1, 2020, as restated	$ 297,004	$ -	$ (48,230)	$ (248,774)

	Agency fund		
	Cash	Accrued/Other Liabilities	Accrued/Other Liabilities
Balance at June 30, 2020, as previously reported	$ 655,111	$ (390,581)	$ (264,530)
Restatement of beginning balance - Adoption of GASB Statement No. 84	(655,111)	390,581	264,530
Balance at July 1, 2020, as restated	$ -	$ -	$ -

	Private Purpose Trust Fund	
	Cash	Net Position
Balance at June 30, 2020, as previously reported	$ 85,932	$ (85,932)
Restatement of beginning balance - Adoption of GASB Statement No. 84	(85,932)	85,932
Balance at July 1, 2020, as restated	$ -	$ -

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

MATTITUCK - CUTCHOGUE UNION FREE SCHOOL DISTRICT

Schedule of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund (Unaudited)
June 30, 2021

	Original Budget	Final Budget	Actual (Budgetary Basis)	Encumbrances	Final Budget Variance with Budgetary Actual
REVENUE					
LOCAL SOURCES:					
Real property taxes	$ 36,244,923	$ 36,244,923	$ 36,950,144	$ -	$ 705,221
Other tax items	1,250,000	1,250,000	1,116,087	-	(133,913)
Charges for services	172,000	172,000	456,212	-	284,212
Use of money and property	69,000	69,000	51,290	-	(17,710)
Sale of property and compensation for loss	-	-	24,425	-	24,425
Miscellaneous	-	-	361,122	-	361,122
Medicaid reimbursement	5,000	5,000	50,146	-	45,146
Total local sources	37,740,923	37,740,923	39,009,426	-	1,268,503
State sources	3,000,000	3,000,000	3,073,688	-	73,688
Federal sources	-	-	48,527	-	48,527
Total revenue	$ 40,740,923	$ 40,740,923	$ 42,131,641	$ -	$ 1,390,718
EXPENDITURES					
GENERAL SUPPORT:					
Board of education	$ 49,576	$ 50,482	$ 48,208	$ -	$ 2,274
Central administration	343,446	360,713	350,180	445	10,088
Finance	535,189	611,251	543,290	33,683	34,278
Staff	117,138	117,138	97,598	-	19,540
Central services	3,826,356	4,611,365	4,163,964	381,849	65,552
Special items	416,305	416,305	416,305	-	-
Total general support	5,288,010	6,167,254	5,619,545	415,977	131,732
INSTRUCTION:					
Instruction, administration, and improvement	1,086,908	1,114,723	1,026,915	66,102	21,706
Teaching - Regular school	12,375,028	12,428,939	12,103,273	63,244	262,422
Programs for children with handicapping conditions	4,415,678	4,519,204	4,370,521	6,807	141,876
Occupational education	-	-	-	-	-
Instructional media	746,384	743,887	631,597	56,470	55,820
Pupil services	2,479,582	2,601,481	2,347,086	2,363	252,032
Total instruction	21,103,580	21,408,234	20,479,392	194,986	733,856
					-
Pupil transportation	1,489,070	1,555,225	1,339,745	673	214,807
Community services	22,500	25,943	13,443	-	12,500
Employee benefits	11,574,800	11,073,001	9,405,421	-	1,667,580
Debt service - Principal	1,180,864	1,180,864	1,180,864	-	-
Debt service - Interest	739,277	739,277	687,249	-	52,028
Total expenditures	41,398,101	42,149,798	38,725,659	611,636	2,812,503
Deficiency of revenue over expenditures	(657,178)	(1,408,875)	3,405,982	(611,636)	4,203,221
OTHER FINANCING USES					
Transfers in	-	-	829,644	-	(829,644)
Transfers out	(20,000)	(69,799)	(69,799)	-	-
Total other financing sources	(20,000)	(69,799)	759,845	-	(829,644)
NET CHANGE IN FUND BALANCES	$ (677,178)	$ (1,478,674)	4,165,827	$ (611,636)	$ 5,032,865
FUND BALANCE - beginning of year, as restated			10,905,973		
FUND BALANCE - end of year			$ 15,071,800		

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Schedule of Proportionate Share of Net Pension Liability (Asset) (Unaudited)
For the Year Ended June 30, 2021

	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *						
NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.0090014%	0.0082951%	0.827940%	0.009043%	0.010000%	0.924920%	0.927470%
Proportionate share of the net pension liability (asset)	$ 9.0	$ 2,196.6	$ (586.6)	$ (291.9)	$ (829.1)	$ (1,484.5)	$ (313.3)
Covered-employee payroll	$ 2,695.7	$ 2,811.6	$ 2,811.4	$ 2,814.8	$ 2,966.5	$ 2,762.1	$ 2,720.3
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.33%	78.13%	-20.87%	-10.37%	-27.95%	-53.75%	-11.52%
Plan fiduciary net position as a percentage of the total pension liability (asset)	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

	Last 10 Fiscal Years (Dollar amounts displayed in thousands) *						
NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability (asset)	0.094908%	0.097209%	0.1016410%	0.1028000%	0.1043430%	0.1074690%	0.1081780%
Proportionate share of the net pension liability (asset)	$ 2,622.6	$ (2,525.5)	$ (1,837.9)	$ 781.4	$ (1,117.6)	$ 11,162.6	$ 12,050.4
Covered-employee payroll	$ 16,513.8	$ 16,513.8	$ 16,634.3	$ 16,476.3	$ 16,294.0	$ 16,191.3	$ 16,280.1
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	15.88%	-15.29%	-11.05%	4.74%	-6.86%	68.94%	74.02%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.80%	102.20%	101.53%	99.01%	110.46%	110.46%	111.48%

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Schedule of Contributions - Pension Plans (Unaudited)
For the Year Ended June 30, 2021

NEW YORK STATE EMPLOYEES' RETIREMENT SYSTEM PLAN	Last 10 Plan Years (Dollar amounts displayed in thousands) *						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 378.3	$ 402.7	$ 413.4	$ 445.9	$ 418.6	$ 476.5	$ 490.1
Contributions in relation to the contractually required contribution	378.3	402.7	413.4	445.9	418.6	476.5	490.1
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 2,696	$ 2,812	$ 2,811	$ 2,815	$ 2,966	$ 2,762	$ 2,720
Contributions as a percentage of covered-employee payroll	14.03%	14.32%	14.70%	15.84%	14.11%	17.25%	18.02%

NEW YORK STATE TEACHERS' RETIREMENT SYSTEM PLAN	Last 10 Plan Years (Dollar amounts displayed in thousands) *						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 1,573.8	$ 1,427.2	$ 1,723.2	$ 1,622.5	$ 1,909.2	$ 2,135.0	$ 2,830.3
Contributions in relation to the contractually required contribution	1,573.8	1,427.2	1,723.2	1,622.5	1,909.2	2,135.0	2,830.3
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 16,513.8	$ 16,513.8	$ 16,634.3	$ 16,476.3	$ 16,294.0	$ 16,191.3	$ 16,280.1
Contributions as a percentage of covered-employee payroll	9.53%	8.64%	10.36%	9.85%	11.72%	13.19%	17.39%

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
For the Year Ended June 30, 2021

Last Ten Fiscal Years *

(Amounts in thousands)	2021	2020	2019	2018
Total OPEB Liability				
Service cost	$ 2,907	$ 2,241	$ 2,082	$ 1,982
Interest	2,005	2,346	2,427	2,388
Differences between expected and actual experience	-	2,621	-	-
Changes in assumptions	7,950	2,985	6,096	-
Benefit payments	(2,285)	(2,364)	(2,337)	(2,123)
Total change in total OPEB liability	10,577	7,828	8,268	2,247
Total OPEB liability - beginning	84,682	76,854	68,586	66,340
Total OPEB liability - ending	$ 95,259	$ 84,682	$ 76,854	$ 68,586
Covered-employee payroll	$ 18,005	$ 18,005	$ 19,594	$ 16,559
Total OPEB liability as a percentage of covered-employee payroll	529.1%	470.3%	392.2%	414.2%

Notes to schedule:

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

	2021	2020	2019	2018
Discount rate	1.90%	2.40%	3.10%	3.60%

The actuarial cost method has been updated from Projected Unit Credit to Entry Age Normal, which caused a decrease in liabilities.

The healthcare trend cost rates have been reset to an initial rate of 7.25% decreasing annually to an ultimate rate of 4.5% in 2025 and beyond, which caused an increase in liabilities.

Plan Assets: No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:
Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.
Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.
Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

* This Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

SUPPLEMENTARY INFORMATION

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021

	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Miscellaneous Special Revenue	Total Nonmajor Governmental Funds
ASSETS:					
Cash and cash equivalents - unrestricted	$ -	$ 62,261	$ -	$ -	$ 62,261
Cash and cash equivalents - restricted	88,811	-	639,816	229,390	958,017
Due from Federal and State Governments	121,104	27,405	-	-	148,509
Inventories	-	6,668	-	-	6,668
TOTAL ASSETS	$ 209,915	$ 96,334	$ 639,816	$ 229,390	$ 1,175,455
LIABILITIES:					
Liabilities					
Accounts payable	$ -	$ 35,836	$ -	$ -	$ 35,836
Due to other governments	-	3	-	-	3
Due to other funds	209,355	-	39,584	-	248,939
Unearned revenue	560	6,685	-	50,574	57,819
TOTAL LIABILITIES	209,915	42,524	$ 39,584	$ 50,574	$ 342,597
FUND BALANCES:					
Nonspendable	-	6,668	-	-	6,668
Restricted:					
Extraclassroom activities and scholarships	-	-	-	178,816	178,816
Capital	-	-	600,232	-	600,232
Total restricted fund balance	-	-	600,232	178,816	779,048
Assigned:					
Appropriated fund balance	-	-	-	-	-
Unappropriated fund balance	-	47,142	-	-	47,142
Total assigned fund balance	-	47,142	-	-	47,142
TOTAL FUND BALANCE	-	53,810	600,232	178,816	832,858
TOTAL LIABILITIES AND FUND BALANCE	$ 209,915	$ 96,334	$ 639,816	$ 229,390	$ 1,175,455

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	Special Aid Fund	School Lunch Fund	Capital Projects Fund	Miscellaneous Special Revenue	Total Nonmajor Governmental Funds
REVENUE:					
Miscellaneous	$ -	$ -	$ -	113,062	$ 113,062
State sources	135,077	6,502	-	-	141,579
Federal sources	170,002	297,959	-	-	467,961
Sales - School lunch	-	14,862	-	-	14,862
Total revenue	305,079	319,323	-	113,062	737,464
EXPENDITURES:					
Instruction	367,835	-	-	183,020	550,855
Pupil transportation	7,043	-	-	-	7,043
Cost of sales	-	343,702	-	-	343,702
Capital outlays	-	-	1,132,375	-	1,132,375
Total expenditures	374,878	343,702	1,132,375	183,020	2,033,975
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(69,799)	(24,379)	(1,132,375)	(69,958)	(1,296,511)
OTHER FINANCING SOURCES AND (USES):					
Transfers in	69,799	-	-	-	69,799
Transfers out	-	-	(829,644)	-	(829,644)
Total other financing sources	69,799	-	(829,644)	-	(759,845)
CHANGE IN FUND BALANCE	-	(24,379)	(1,962,019)	(69,958)	(2,056,356)
FUND BALANCES - beginning of year, as previously reported	-	78,189	2,562,251	-	2,640,440
PRIOR PERIOD ADJUSTMENT (See Note 16)	-	-	-	248,774	248,774
FUND BALANCES - beginning of year, as restated	-	78,189	2,562,251	248,774	2,889,214
FUND BALANCE - end of year	$ -	$ 53,810	$ 600,232	$ 178,816	$ 832,858

OTHER INFORMATION (UNAUDITED)

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Schedule of Change from Original Budget to Revised Budget and Use of Unassigned Fund Balance - General Fund (Unaudited)
For the Year Ended June 30, 2021

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

Adopted budget	$ 41,418,101
Add: Prior year's encumbrances	801,501
Original budget	42,219,602
Budget revision	(5)
Final budget	$ 42,219,597

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 voter-approved expenditure budget	$ 42,216,806	
Maximum allowed (4% of 2021-22 budget)		1,688,672
General Fund Balance Subject to Section 1318 of Real Property Tax Law *:		
Total fund balance:	$ 15,071,800	
Less:		
Restricted fund balance	12,521,494	
Assigned fund balance:		
Appropriated fund balance	250,000	
Encumbrances included in assigned fund balance	611,636	
Total adjustments		$ 13,383,130
General Fund Balance Subject to Section 1318 of Real Property Tax Law		$ 1,688,670
Actual percentage		4.00%

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Schedule of Project Expenditures - Capital Projects Fund (Unaudited)
For the Year Ended June 30, 2021

			Expenditures				
Project Title	SED Project #	Budget	Prior Years	Current Year	Transfers	Total	Available Balance
Stage Lighting	N/A	$ 67,565	$ 61,899	$ -	$ -	$ 61,899	$ 5,666
Computer Equipment	N/A	3,017,444	3,000,206	-	-	3,000,206	17,238
Playground Cutchogue East	N/A	99,520	98,226	-	-	98,226	1,294
HS Building Renovation	N/A	2,324,165	2,293,368	-	-	2,293,368	30,797
HS Tennis Courts	N/A	53,000	50,998	-	-	50,998	2,002
Smart Schools Bond Act	58-10-12-02-0-001-006	265,790	261,471	-	-	261,471	4,319
High School Pole Barn	58-10-12-02-2-021-001	130,000	126,736	-	-	126,736	3,264
High School Columns	58-10-12-02-0-001-008	150,000	106,011	-	-	106,011	43,989
Energy Performance Contract (High School)	58-10-12-02-0-001-007	730,539	730,539	-	-	730,539	-
Energy Performance Contract (Cutchogue East)	58-10-12-02-0-007-007	1,008,316	1,008,316	-	-	1,008,316	-
Energy Performance Contract (Cutchogue West)	58-10-12-02-1-009-002	13,657	13,657	-	-	13,657	-
Capital Improvement Program (Cutchogue East)	58-10-12-02-0-007-008	980,000	112,772	523,530	343,698	980,000	-
Capital Improvement Program (High School)	58-10-12-02-0-001-009	980,000	36,761	457,292	485,947	980,000	-
Capital Improvement Program (Cutchogue East)	58-10-12-02-0-007-010	336,940	-	7,822	-	7,822	329,118
Capital Improvement Program (High School)	58-10-12-02-0-009-003	143,460	-	138,813	-	138,813	4,647
Capital Improvement Program (High School)	58-10-12-02-0-001-011	169,600	-	4,917	-	4,917	164,683
		$ 10,469,996	$ 7,900,960	$ 1,132,375	$ 829,645	$ 9,862,979	$ 607,016

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Schedule of Net Investment in Capital Assets (Unaudited)
June 30, 2021

Capital assets, net		$	37,372,055
Deduct:			
Short - term portion of bonds payable	1,085,000		
Long - Term portion of bonds payable	9,835,000		
Short-term portion of energy performance contract payable	104,107		
Long-term portion of energy performance contract payable	1,467,092		
			12,491,199
Net investment in capital assets		$	24,880,856

Bonadio & Co., LLP
Certified Public Accountants

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*

October 13, 2021

To the Board of Directors of
Mattituck-Cutchogue Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Mattituck-Cutchogue Union Free School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

Bonadio & Co., LLP