



RIVERHEAD CENTRAL SCHOOL DISTRICT
Integrity • Creativity • Respect

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2021

RIVERHEAD CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Summary of Opinions

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

Basis for Qualified Opinion on the Extraclassroom Activities Fund

The records of the extraclassroom activities fund of the Riverhead Central School District were not adequate to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Qualified Opinion

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

Unmodified Opinions

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

Changes in Accounting Principles

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District’s proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District’s total OPEB liability and related ratios on pages 4 through 18 and 60 through 64, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Riverhead Central School District's basic financial statements. The other supplementary information on pages 65 through 67 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2021 on our consideration of the Riverhead Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Riverhead Central School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Riverhead Central School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

November 1, 2021

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

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

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

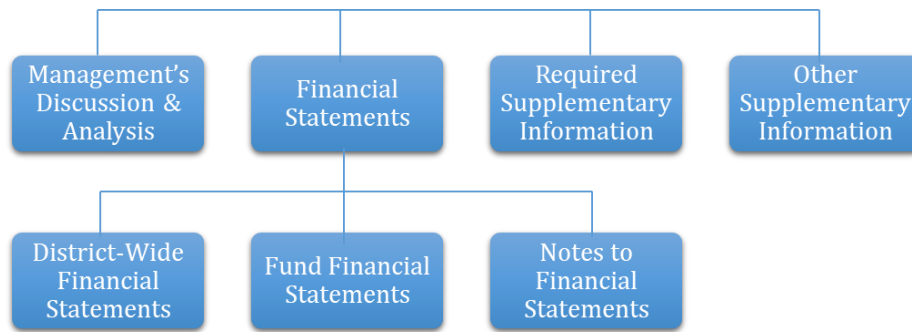
- The District's total net position was a deficit of \$67,517,756 in the district-wide financial statements at June 30, 2021, compared to a deficit of \$55,858,857 at June 30, 2020. The deficit increased by \$11,658,899 over the prior year due to an excess of expenses over revenues using the economic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

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

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

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

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

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

Fiduciary Funds

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

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

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

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

The District's total net position decreased by \$11,658,899 between fiscal year 2020 and 2021. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	June 30, 2021	As Restated June 30, 2020	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 46,372,549	\$ 42,212,688	\$ 4,159,861	9.85 %
Capital Assets, Net	105,939,303	109,728,439	(3,789,136)	(3.45)%
Net Pension Asset - Proportionate Share		8,026,478	(8,026,478)	(100.00)%
Total Assets	152,311,852	159,967,605	(7,655,753)	(4.79)%
Deferred Outflows of Resources	76,969,604	75,460,818	1,508,786	2.00 %
Liabilities				
Current and Other Liabilities	17,793,791	19,429,194	(1,635,403)	(8.42)%
Long-Term Liabilities	77,709,152	81,309,762	(3,600,610)	(4.43)%
Net Pension Liabilities - Proportionate Share	8,571,236	13,836,525	(5,265,289)	(38.05)%
Total OPEB Liability	162,144,255	152,372,085	9,772,170	6.41 %
Total Liabilities	266,218,434	266,947,566	(729,132)	(0.27)%
Deferred Inflows of Resources	30,580,778	24,339,714	6,241,064	25.64 %
Net Position (Deficit)				
Net Investment in Capital Assets	42,737,018	40,739,802	1,997,216	4.90 %
Restricted	17,711,889	10,828,829	6,883,060	63.56 %
Unrestricted (Deficit)	(127,966,663)	(107,427,488)	(20,539,175)	(19.12)%
Total Net Position (Deficit)	\$ (67,517,756)	\$ (55,858,857)	\$ (11,658,899)	(20.87)%

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

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

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. In the current year, the District's proportionate share shifted from an asset to a liability. The accompanying Notes to Financial Statements, Note 15 "Pension Plans – New York State" provides additional information.

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

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

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

Net pension liabilities – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The District's share of the New York State Teachers' Retirement System's collective net pension liability is also included in the current year balance. The accompanying Notes to Financial Statements, Note 15 "Pension Plans – New York State" provides additional information.

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

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

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

The restricted amount relates to the District's reserves. This number increased over the prior year, principally due to the transfer into the reserves.

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

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

B. Changes in Net Position

The June 30, 2020 revenues and expenses were increased resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*, as follows:

	As Restated June 30, 2020	As Reported June 30, 2020	Increase (Decrease)
Charges for Services	\$ 1,351,603	\$ 1,198,678	\$ 152,925
Operating Grants & Contributions	8,276,382	8,264,818	11,564
Instruction Expenses	136,280,415	136,126,911	153,504

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

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

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

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

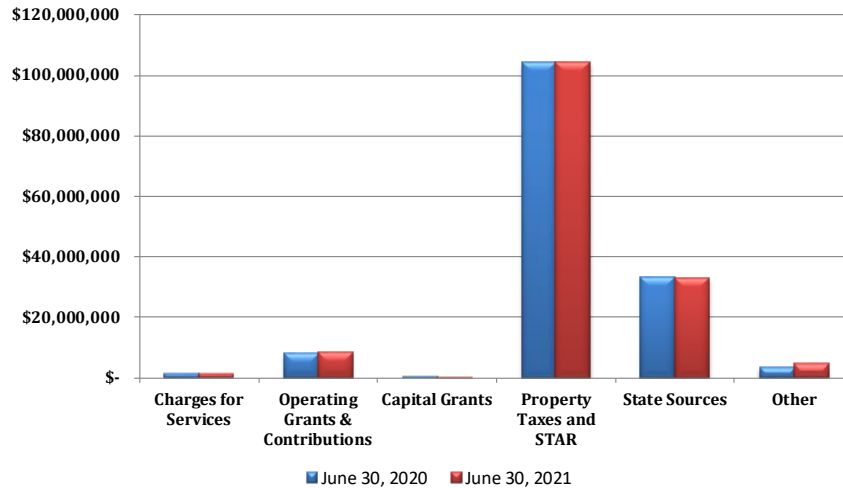
The District's total expenses for the year decreased by \$5,917,499 or 3.49%. The decrease in expenses is primarily due to decreases in general support and instruction. The decrease in general support was related to a reduction in central services costs such as overtime, which were higher in the prior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

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

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

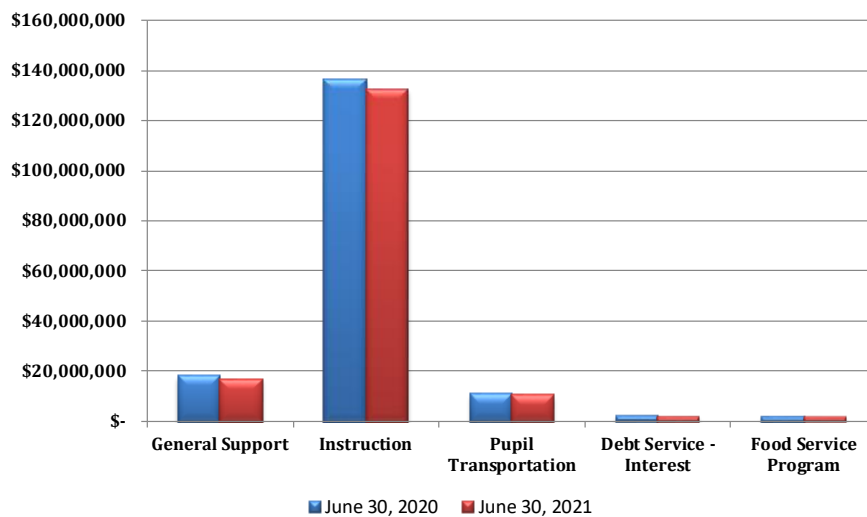
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 68.8% and 69.0% of the total for the years 2021 and 2020, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 80.9% and 80.4% of the total for the years 2021 and 2020, respectively).

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



	Charges for Services	Operating Grants & Contributions	Capital Grants	Property Taxes and STAR	State Sources	Other
2020	0.9%	5.5%	0.4%	69.0%	22.0%	2.2%
2021	0.8%	5.6%	0.0%	68.8%	21.8%	3.0%

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



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

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$28,564,208, which is an increase of \$6,290,737 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. The June 30, 2020 amounts were restated to include the extraclassroom activities and scholarships funds, as a result of the implementation of GASB Statement No. 84. A summary of the change in the components of fund balance by fund is as follows:

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

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

A. General Fund

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

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

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

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

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

B. School Food Service Fund

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

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

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

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

C. Debt Service Fund

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

D. Capital Projects Fund

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

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

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

E. Extraclassroom Activities Fund

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

F. Scholarships Fund

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020-2021 Budget

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

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

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

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

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

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

Opening, Unassigned Fund Balance

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

Additional Appropriation of Reserves

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

Revenues Over Budget

The 2020-2021 final budget for revenues was \$141,275,702. Actual revenues recognized for the year were \$144,767,792. The excess of actual revenues over estimated or budgeted revenues was \$3,492,090, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2020-2021 final budget for expenditures, including prior year open encumbrances and budget revisions as of June 30, 2021, was \$146,593,891. Actual expenditures as of June 30, 2021 were \$138,435,169 and outstanding encumbrances were \$28,432. Combined, the expenditures plus encumbrances for 2020-2021 were \$138,463,601. The final budget variance was \$8,130,290, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, provides additional information.

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

Unused Appropriated Reserves

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

Net Change in Nonspendable Fund Balance

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

Allocation to Reserves

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

Appropriated Fund Balance

The District has chosen to use \$2,649,159 of the available June 30, 2021 unassigned fund balance to partially fund the 2021-2022 approved operating budget. As such, the June 30, 2021 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2021 was \$6,376,305.

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

A. Capital Assets

At June 30, 2021, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation expense of \$4,733,537 in excess of capital additions of \$944,401 recorded for the year ended June 30, 2021. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2021 and 2020 is as follows:

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

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

B. Debt Administration

Bonds Payable and Energy Performance Contract Payable

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

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

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

Bond Anticipation Notes Payable

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

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

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

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

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

C. Other Long-Term Liabilities

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

	June 30, 2021	June 30, 2020	Increase (Decrease)
Compensated absences	\$ 11,091,603	\$ 10,170,541	\$ 921,062
Workers' compensation	2,230,755	1,974,222	256,533
Net pension liabilities - proportionate share	8,571,236	13,836,525	(5,265,289)
Total OPEB liability	162,144,255	152,372,085	9,772,170
	\$ 184,037,849	\$ 178,353,373	\$ 5,684,476

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 18, 2021, for the year ending June 30, 2022, is \$159,407,613. This is an increase of \$14,593,482 or 10.08% over the previous year's budget. The increase is principally in the instruction and general support areas of the budget.

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

B. Future Budgets

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

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2021-2022 is 1.47%. The District's 2021-2022 property tax levy remained the same as the prior year, was less than the tax cap, and did not require an override vote.

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

8. CONTACTING THE DISTRICT

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

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

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

ASSETS

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

DEFERRED OUTFLOWS OF RESOURCES

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

LIABILITIES

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

DEFERRED INFLOWS OF RESOURCES

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

NET POSITION (DEFICIT)

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2021

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

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

Total Governmental Fund Balances \$ 28,564,208

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

The costs of building and acquiring capital assets (land, buildings and improvements, site improvements, vehicles, furniture and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 180,976,311	
Less: Accumulated depreciation	<u>(75,037,008)</u>	105,939,303

Proportionate share of long-term liabilities, as well as deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or liabilities and are not reported in the funds.

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

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

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

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

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

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

465,129

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

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

Total Net Position (Deficit)		<u>\$ (67,517,756)</u>
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RIVERHEAD CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

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

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

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

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

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

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

	Custodial
ADDITIONS	
Real property taxes collections for the libraries	\$ 3,830,607
 DEDUCTIONS	
Payments of real property taxes to the libraries	3,830,607
Change in Net Position	-
Net Position - Beginning of Year	-
Net Position - End of Year	\$ -

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Joint Venture

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

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

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

Enforcement

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

F. Payments in Lieu of Taxes (PILOT)

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

G. Restricted Resources

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

H. Interfund Transactions

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

I. Use of Estimates

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

J. Cash and Cash Equivalents/Investments

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

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

K. Receivables

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

L. Inventory and Prepaid Items

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

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

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Capital Assets

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

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

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

N. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from refunding of bonds that is being amortized as a component of interest expense on a weighted average basis over the remaining life of the old debt or the new debt, whichever is shorter. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

O. Short-Term Debt

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

P. Collections in Advance

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

Q. Employee Benefits – Compensated Absences

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

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

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

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

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

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

R. Other Benefits

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

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

S. Deferred Inflows of Resources

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

T. Equity Classifications

District-Wide Statements

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

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

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

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

Fund Statements

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Workers' Compensation Reserve

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

Unemployment Insurance Reserve

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

Retirement Contribution Reserve

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

Employee Benefit Accrued Liability Reserve

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Reserve

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

Repairs Reserve

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

Restricted for Debt

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

Restricted – Unspent Debt Proceeds

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

Restricted for Scholarships

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

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

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

Fund Balance Classification

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

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

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

3. FUTURE ACCOUNTING STANDARDS

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

Statement	Effective for the Year Ending
GASB No. 87 - <i>Leases</i>	June 30, 2022

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

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

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

Budgets are adopted annually on a basis consistent with GAAP.

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Encumbrances

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

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

Investment pool:

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

7. PARTICIPATION IN BOCES

During the year ended June 30, 2021, the District was billed \$16,421,875 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,966,810. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

8. DUE FROM STATE AND FEDERAL

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

General Fund	
New York State - general aid	\$ 33,190
New York State - excess cost aid	1,850,385
Federal - CARES (GEER) Act	11,651
Federal - CARES (ESSER) Act	<u>82,516</u>
	1,977,742
Special Aid Fund	
Federal and state grants	1,730,442
School Food Service Fund	
Federal and state food service program reimbursements	<u>403,254</u>
	<u>\$ 4,111,438</u>

District management expects these amounts to be fully collectible.

9. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2021 consisted of:

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

District management expects these amounts to be fully collectible.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. CAPITAL ASSETS

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

	Balance <u>June 30, 2020</u>	Additions	Reductions	Balance <u>June 30, 2021</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,917,401	\$	\$	\$ 3,917,401
Capital assets being depreciated				
Buildings and improvements	156,997,519			156,997,519
Site improvements	3,921,762	60,500		3,982,262
Vehicles, furniture and equipment	15,282,494	883,901	(87,266)	16,079,129
Total capital assets being depreciated	<u>176,201,775</u>	<u>944,401</u>	<u>(87,266)</u>	<u>177,058,910</u>
Less accumulated depreciation for:				
Buildings and improvements	58,745,798	3,451,494		62,197,292
Site improvements	2,796,409	115,014		2,911,423
Vehicles, furniture and equipment	8,848,530	1,167,029	(87,266)	9,928,293
Total accumulated depreciation	<u>70,390,737</u>	<u>4,733,537</u>	<u>(87,266)</u>	<u>75,037,008</u>
Total capital assets, being depreciated, net	<u>105,811,038</u>	<u>(3,789,136)</u>	<u>-</u>	<u>102,021,902</u>
Capital assets, net	<u>\$ 109,728,439</u>	<u>\$ (3,789,136)</u>	<u>\$ -</u>	<u>\$ 105,939,303</u>

Depreciation expense was charged to governmental functions as follows:

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

11. OTHER ASSETS

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. INTERFUND TRANSACTIONS

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

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

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

13. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance June 30, 2020	Issued	Redeemed	Balance June 30, 2021
TAN	2/26/2021	1.50%	\$ -	\$ 10,000,000	\$ (10,000,000)	\$ -
TAN	6/25/2021	1.50%	-	18,000,000	(18,000,000)	-
			<u>\$ -</u>	<u>\$ 28,000,000</u>	<u>\$ (28,000,000)</u>	<u>\$ -</u>

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
Long-term debt:					
Bond anticipation notes payable	\$ 2,919,688	\$ 2,674,827	\$ (2,919,688)	\$ 2,674,827	\$ 2,674,827
Bonds payable	62,070,000	9,330,000	(14,375,000)	57,025,000	4,205,000
Add: Bond premium	168,789	1,170,461	(162,312)	1,176,938	153,210
	<u>62,238,789</u>	<u>10,500,461</u>	<u>(14,537,312)</u>	<u>58,201,938</u>	<u>4,358,210</u>
Energy performance contract payable	4,006,522		(496,493)	3,510,029	507,627
	<u>69,164,999</u>	<u>13,175,288</u>	<u>(17,953,493)</u>	<u>64,386,794</u>	<u>7,540,664</u>
Other long-term liabilities:					
Compensated absences payable	10,170,541	921,062		11,091,603	400,000
Workers' compensation liabilities	1,974,222	893,454	(636,921)	2,230,755	
	<u>12,144,763</u>	<u>1,814,516</u>	<u>(636,921)</u>	<u>13,322,358</u>	<u>400,000</u>
	<u>\$ 81,309,762</u>	<u>\$ 14,989,804</u>	<u>\$ (18,590,414)</u>	<u>\$ 77,709,152</u>	<u>\$ 7,940,664</u>

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

B. Bond Anticipation Notes

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

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

C. Bonds Payable

Bonds payable is comprised of the following:

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

D. Bond Refunding

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Energy Performance Contract Payable

Energy performance contract payable is composed of the following:

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

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

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

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

F. Interest Expense

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

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

G. Unissued Debt

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

15. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

Employees' Retirement System

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October, and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 8.86% of covered payroll for the TRS' fiscal year ended June 30, 2020. The District's average contribution rate was 13.69% of covered payroll for the ERS' fiscal year ended March 31, 2021.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2021 was \$5,468,680 for TRS at the contribution rate of 9.53% and \$2,261,369 for ERS at an average contribution rate of 14.29%.

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

At June 30, 2021, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2020, for TRS and March 31, 2021 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
District's proportionate share of the net pension asset/(liability)	\$ (8,520,205)	\$ (51,031)
District's portion of the Plan's total net pension asset/(liability)	0.308338%	0.0512498%
Change in proportion since the prior measurement date	(0.000610)	(0.0010018)

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2021, the District recognized pension expense of \$11,440,339 for TRS and \$1,362,465 for ERS. At June 30, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 7,465,404	\$ 623,232	\$ 436,644	\$
Changes of assumptions	10,776,076	9,383,041	3,841,108	176,967
Net difference between projected and actual earnings on pension plan investments	5,564,441			14,659,242
Changes in proportion and differences between the District's contributions and proportionate share of contributions	229,256	406,325	298,507	119,621
District contributions subsequent to the measurement date	<u>5,468,680</u>	<u>653,854</u>		
Total	<u>\$ 29,503,857</u>	<u>\$ 11,066,452</u>	<u>\$ 4,576,259</u>	<u>\$ 14,955,830</u>

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

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2022	\$ 3,288,233	\$ (734,446)
2023	6,669,262	(246,550)
2024	5,508,377	(752,904)
2025	3,412,931	(2,809,332)
2026	177,404	
Thereafter	<u>402,711</u>	
	<u>\$ 19,458,918</u>	<u>\$ (4,543,232)</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

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

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

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

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

Discount Rate

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

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021, are paid to the system in September, October, and November 2021 through a state aid intercept. Accrued retirement contributions as of June 30, 2021, represent employer and employee contributions for the fiscal year ended June 30, 2021, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2021 amounted to \$4,930,085 of employer contributions on current covered salaries, \$538,595 on accrued covered salaries, and \$437,659 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2021, represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$653,854 of employer contributions. Employee contributions are remitted monthly.

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

16. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

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

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2021 totaled \$541,147.

17. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

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

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

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

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

B. Total OPEB Liability

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

The Plan has not had a formal actuarial experience study.

C. Changes in the Total OPEB Liability

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.60% to 3.10%) or 1 percentage point higher (7.60% to 5.10%) than the current healthcare cost trend rate:

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

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$15,569,776. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred	
	Outflows of Resources	Inflows of Resources
Differences between expected and actual experience	\$	\$ 8,221,322
Changes of assumptions or other inputs	<u>36,272,879</u>	<u>2,827,367</u>
Total	<u>\$ 36,272,879</u>	<u>\$ 11,048,689</u>

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

18. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

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

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

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

C. Public Entity Risk Pool

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

19. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

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

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

20. ASSIGNED: APPROPRIATED FUND BALANCE

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

21. RESTRICTED FOR CAPITAL RESERVE

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

22. RESTATEMENT OF FUND BALANCE AND NET POSITION

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, which resulted in an increase of \$142,644 in fund balance of the governmental funds, as well as the Statement of Net Position. The District's net fund balance and net position (deficit) have been restated as follows:

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

23. TAX ABATEMENTS

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

24. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

Assigned: Unappropriated Fund Balance:

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

B. Grants

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

C. Litigation

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

25. SUBSEQUENT EVENTS

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

A. Issuance of TANs

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

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Issuance of BANs

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

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

In September 2021, the District was awarded CRRSA funding of \$5,529,444 through the Elementary and Secondary School Emergency Relief (ESSER) Program and \$474,297 through the Governor's Emergency Education Relief (GEER) Program. The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The revenues, once the award takes place, are to be recognized in the special aid fun as expended.

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

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

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

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

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

Teachers' Retirement System

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

Employees' Retirement System

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

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

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

Teachers' Retirement System

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

Employees' Retirement System

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

RIVERHEAD CENTRAL SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Four Fiscal Years

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 8,183,420	\$ 5,710,006	\$ 2,917,073	\$ 3,040,214
Interest	3,512,585	4,643,556	4,032,662	3,654,836
Changes in benefit terms	-	-		-
Differences between expected and actual experience	-	(7,510,023)	(3,686,723)	-
Changes of assumptions or other inputs	1,323,977	24,029,856	25,012,462	(5,164,399)
Benefit payments	<u>(3,247,812)</u>	<u>(2,903,679)</u>	<u>(2,296,582)</u>	<u>(2,395,149)</u>
Net change in total OPEB liability	9,772,170	23,969,716	25,978,892	(864,498)
Total OPEB liability, beginning	<u>152,372,085</u>	<u>128,402,369</u>	<u>102,423,477</u>	<u>103,287,975</u>
Total OPEB liability, ending	<u>\$ 162,144,255</u>	<u>\$ 152,372,085</u>	<u>\$ 128,402,369</u>	<u>\$ 102,423,477</u>
Covered employee payroll	\$ 63,888,737	\$ 63,888,737	\$ 61,473,730	\$ 63,745,571
Total OPEB liability as a percentage of covered employee payroll	253.79%	238.50%	208.87%	160.68%
Discount rate	2.16%	2.21%	3.51%	3.87%
Health care trend rates	6.60% to 4.10% over 56 years	6.60% to 4.10% over 56 years	5.50% to 3.84% by 2075	5.50% to 3.84% by 2078

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

Note to Required Supplementary Information

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

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

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

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

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

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

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

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

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



VINCENT D. CULLEN, CPA
(1950 - 2013)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Riverhead Central School District (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2021. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Purpose of this Report

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

Cullen & Danowski, LLP

November 1, 2021

