

**MATTITUCK-CUTCHOGUE UNION FREE SCHOOL
DISTRICT**

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

Bonadio & Co., LLP
Certified Public Accountants

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

October 13, 2021

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Mattituck-Cutchoque Union Free School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Principle

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

Required Supplementary Information

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

Other Information

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

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

The other information included has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) June 30, 2021

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2021**

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

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the School District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the School District, reporting the School District’s operations in more detail than the entity-wide statements.
- The *governmental fund statements* tell how basic services such as regular and special education were financed in the *short-term* , as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a *trustee* or *agent* for the benefit of others.

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

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

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

	District-Wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The day-to-day operating activities of the District, such as instruction and special education	Instances in which the District administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balance 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred inflows-outflows of resources/liability information	All assets/deferred outflows and liabilities/inflows, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon after; no capital assets or long-term liabilities included	All assets/deferred outflows and liabilities/deferred inflows, both short-term and long-term
Type of inflow/outflow information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) June 30, 2021

District-Wide Statements

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

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

- Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the School District, additional nonfinancial factors such as changes in the property tax bases and the condition of buildings and other facilities should be considered.

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

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

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

- Capitalize current outlays for capital assets.
- Report long-term debt as a liability.
- Depreciate capital assets and allocate the depreciation to the proper function.
- Calculate revenue and expense using the economic resources measurement focus and the full accrual basis of accounting.
- Allocate net position balances as follows:
 - Net investment in capital assets.
 - Restricted net position has constraints placed on use by external sources or imposed by law.
 - Unrestricted net position is net position that does not meet any of the above restrictions.

Fund Financial Statements

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) June 30, 2021

The School District has two kinds of funds:

- *Governmental Funds*: Most of the School District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The governmental fund statements focus primarily on current financial resources and often have a budgetary orientation. Governmental funds include the General Fund, Special Aid Fund, School Lunch Fund, and Capital Projects Fund. Required financial statements are the balance sheet and the statement of revenue, expenditures, and changes in fund balance.
- *Fiduciary Funds*: The School District is the trustee, or fiduciary, for assets that belong to others. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Management's Discussion and Analysis (Unaudited)
June 30, 2021**

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

Net Position

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

Table A-2

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2021

Net pension asset - proportionate share decreased by \$2,525,501 during the year. This represents the District's share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 10 "Pension Plans - New York State", provides additional information.

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

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

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

Net pension liability proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 10 "Pension Plans -New York State", provides additional information.

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2021**

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

The unrestricted deficit amount of \$75,424,626 relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a pay as you go basis, and is not permitted to accumulate funds for the OPEB obligation. This deficit increased over the prior year by \$7,633,037.

Changes in Net Position

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

Table A-3 Changes in Net Position

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2021**

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

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

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

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

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

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

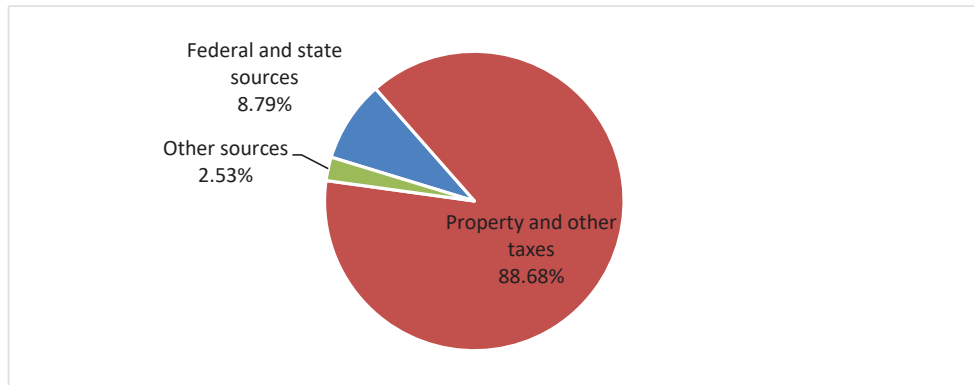
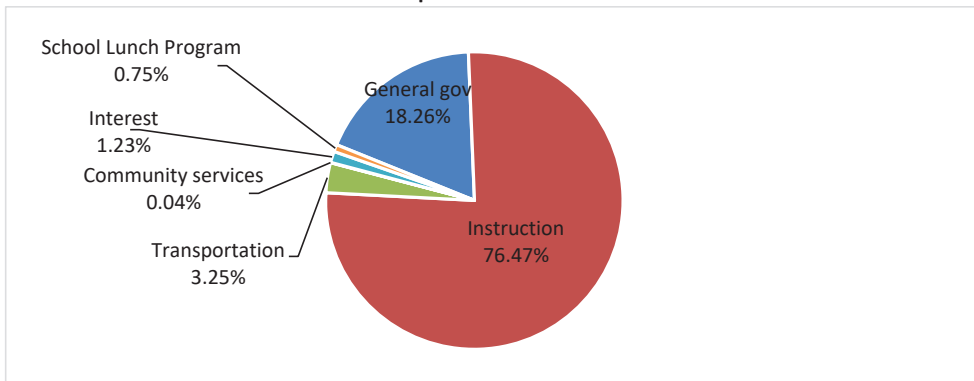


Table A-5 Expenses for Fiscal Year 2021:



MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)
June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT FUNDS

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

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2021**

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

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

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

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

Opening, Unassigned Fund Balance

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2021

Revenues Over Budget

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

Expenditures and Encumbrances Under Budget

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

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do however, reduce the District's discretion regarding the use of these transferred monies, and thus reduce the unassigned fund balance by the amount of the transfers.

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

Unused Appropriated Amounts and Reserves

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

Interest Earned in Restricted Reserves

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2021**

Appropriated Fund Balance

The District has chosen to use \$250,000 of the available June 30, 2021 unassigned fund balance to partially fund the 2021-22 approved operating budget. As such, the June 30, 2021 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the summary table, the unassigned fund balance at June 30, 2021 was \$1,688,670. This amount is under the New York State Real Property Tax Law §1318 limit, which restricts unassigned fund balance to an amount not greater than 4% of the District's budget for the upcoming year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Management’s Discussion and Analysis (Unaudited)
June 30, 2021**

Debt Administration

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

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

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

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited) June 30, 2021

FACTORS BEARING ON THE FUTURE OF THE DISTRICT

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

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

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

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. The District's 2020-2021 property tax increase of 1.75% was less than the tax cap of 2.29% and did not require an override vote.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Statement of Net Position
June 30, 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

CURRENT ASSETS:

Cash and cash equivalents - Unrestricted	\$ 3,601,957
Cash and cash equivalents - Restricted	13,479,511
Accounts receivable	9,516
Taxes receivable	1,977,011
State and federal aid receivable	327,650
Due from other governments	174,634
Inventories	6,668
Other assets	<u>225,789</u>

Total current assets 19,802,736

NON CURRENT ASSETS:

Capital assets, net	<u>37,372,055</u>
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Total non current assets 37,372,055

Total assets 57,174,791

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows of resources - pensions ERS	2,038,798
Deferred outflows of resources - pensions TRS	9,509,411
Deferred outflows of resources - other postemployment benefits	13,410,304
Deferred outflows of resources - deferred changes from advance refunding	<u>380,767</u>

Total deferred outflows of resources 25,339,280

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

CURRENT LIABILITIES:

Accounts payable and accrued liabilities	870,827
Accrued interest	237,295
Due to other governments	3
Due to Teachers' Retirement System	1,663,193
Due to Employees' Retirement System	103,691
Unearned revenue	57,819
Current portion of long term liabilities	<u>1,189,107</u>

Total current liabilities 4,121,935

LONG-TERM LIABILITIES:

Bonds payable, net of current portion and unamortized premium	10,665,757
Energy performance contract payable	1,467,092
Net pension liability - ERS	8,963
Net pension liability - TRS	2,622,555
Total OPEB liability	95,259,472
Workers' compensation liability	583,649
Compensated absences payable	<u>1,088,728</u>

Total long-term liabilities 111,696,216

Total liabilities 115,818,151

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows of resources - pensions ERS	2,622,437
Deferred inflows of resources - pensions TRS	<u>1,316,711</u>

Total deferred inflows of resources 3,939,148

NET POSITION

Net investment in capital assets	24,880,856
Restricted	13,300,542
Unrestricted	<u>(75,424,626)</u>

Total net position \$ (37,243,228)

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Statement of Activities
For the Year Ended June 30, 2021**

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

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

**Balance Sheets - Governmental Funds
June 30, 2021**

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

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

Total governmental fund balance \$ 15,904,658

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

Cash held by a third-party administrator is treated as a long-term asset and is included in net position. 225,789

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

Original cost of capital assets	70,230,667	
Accumulated depreciation	<u>(32,858,612)</u>	
		37,372,055

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

Net pension liability -teachers' retirement system	(2,622,555)	
Deferred outflows of resources	11,548,209	
Net pension liability - employees' retirement system	(8,963)	
Deferred inflows of resources	<u>(3,939,148)</u>	
		4,977,543

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds. 380,767

Total other postemployment benefits obligation and deferred outflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	13,410,304	
Total other postemployment benefits obligation	<u>(95,259,472)</u>	
		(81,849,168)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. 976,756

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

Accrued interest on bonds payable	(237,295)	
Bonds payable, net	(11,750,757)	
Energy performance contract payable	(1,571,199)	
Compensated absences payable	(1,088,728)	
Workers' compensation liabilities	<u>(583,649)</u>	
		<u>(15,231,628)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (37,243,228)

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

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

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

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

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

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

The accompanying notes are an integral part of these statements.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2021

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

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

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

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

Reporting Entity

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

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

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

Extraclassroom Activity Funds

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

Joint Venture

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

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

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

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

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2. SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Government-Wide Statements

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

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

Fund Financial Statements

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

The School District reports the following major governmental funds:

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

The School District Reports the following non major governmental funds:

- *Capital Project Fund* - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.
- *Special Aid Fund* - This is a special revenue fund that accounts for the proceeds of specific revenue sources, such as federal, state, or local grants, that are legally restricted to expenditures for specified purposes and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.
- *School Lunch Fund* - This is a special revenue fund that is used to record the operations of the breakfast and lunch programs of the School District.
- *Miscellaneous Special Revenue Fund* - Used to account for and report those revenues that are restricted or committed to expenditures for specified purposes.

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Notes to the Financial Statements

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

There is one type of fiduciary funds:

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

Measurement Focus and Basis of Accounting

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

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

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

Cash and Cash Equivalents

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and are obligations of the State and its municipalities and districts.

State law governs the School District's deposit and investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements, and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance.

Restricted Cash and Cash Equivalents

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Notes to the Financial Statements

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Property Taxes

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

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

Accounts Receivable and Due from Other Governments

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

Inventories

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

Interfund transactions

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

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

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

Capital Assets, Net

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

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**Notes to the Financial Statements
June 30, 2021**

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

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

Other Assets

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

Deferred Outflows and Inflows of Resources

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

Compensated Absences

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

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

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

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

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

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

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Total Other Post-Employment Benefits Liability

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

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

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

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

Short-Term Debt

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

Unearned Revenue

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

Accrued Liabilities and Long-Term Obligations

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

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

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

Restricted Resources

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2021

Fund Balance/Net Position Classifications

Government-Wide Statements

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

Net investment in capital assets – consists of net capital assets (cost less accumulated depreciation) plus unspent bond proceeds reduced by outstanding balances of related debt obligations from the acquisition, construction, or improvements of those assets.

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

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

Fund Balance – Reservations and Designations

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

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

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

Capital

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

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Repair

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

Workers' Compensation

Workers' compensation reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated.

Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund under restricted fund balance.

Unemployment Insurance

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

Restricted - Unspent Debt Proceeds

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

Debt Service

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

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Insurance

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

Liability Claims and Property Loss

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

Tax Certiorari

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

Employee Benefit Accrued Liability

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

Retirement Contribution

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

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Restricted fund balance includes the following:

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

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

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

General support	\$ 415,977
Instruction	194,986
Pupil transportation	<u>673</u>
Total encumbrances	<u>\$ 611,636</u>

Encumbrances

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

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

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

Order of Fund Balance Spending Policy

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

Use of Estimates

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

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

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

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

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

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

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

- **Long-Term Revenue and Expense Differences**

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

- **Capital Related Differences**

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

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- **Long-Term Debt Transaction Differences**

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

- **Pension Differences**

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

- **OPEB Differences**

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

Appropriations are adopted at the program line item level.

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
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Fund Balance

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

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

5. CASH AND CASH EQUIVALENTS

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

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

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

Restricted cash consists of the following:

General fund	\$ <u>12,521,494</u>
Capital fund	\$ <u>639,816</u>
Special aid fund	\$ <u>88,811</u>
Miscellaneous special revenue fund	\$ <u>229,390</u>

6. PARTICIPATION IN BOCES

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

7. CAPITAL ASSETS, NET

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

8. LONG-TERM DEBT

Interest on all debt for the year was composed of:

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

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

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

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

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

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

9. INTERFUND BALANCES AND ACTIVITY

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

10. PENSION PLANS

New York State and Local Retirement System

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

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

Contributions

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

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

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

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

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

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

Actuarial Assumptions

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

The actuarial valuation used the following actuarial assumptions:

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2019 used a long-term expected rate of return of 6.8%.

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

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

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

Discount Rate

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

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

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

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

Pension Plan Fiduciary Net Position

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2021

New York State Teachers' Retirement System

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

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

Contributions

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

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

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

	<u>TRS</u>
2021	\$ 1,573,769
2020	\$ 1,427,243
2019	\$ 1,723,180

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Notes to the Financial Statements
June 30, 2021

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

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

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

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

Plan's Year Ended June 30:	
2021	\$ 1,153,696
2022	2,194,391
2023	1,797,914
2024	1,126,098
2025	110,735
Thereafter	<u>146,673</u>
Total	<u>\$ 6,529,507</u>

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

Actuarial Assumptions

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

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

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

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

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

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

Discount Rate

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

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

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

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

Pension Plan Fiduciary Net Position (000's)

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

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

Payables to the Pension Plans

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

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

	<u>June 30, 2021</u>
ERS Liability	\$ 103,691
TRS Liability	<u>\$ 1,663,193</u>

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

11. OTHER POST EMPLOYMENT BENEFITS

Plan Description

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

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

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

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

Inactive employees or beneficiaries currently receiving benefits	213
Active employees	163
Survivors	<u>2</u>
Total participant	<u>378</u>

Total OPEB Liability

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

Actuarial Assumptions and Other Inputs

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

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

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

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>0.90%</u>	<u>1.90%</u>	<u>2.90%</u>
Total OPEB Liability	<u>\$ 114,587,342</u>	<u>\$ 95,259,472</u>	<u>\$ 80,291,738</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 or 1 percentage point higher than the current healthcare cost trend rate:

	Decrease	Current Trend Rate	Increase
	<u>72,236,111</u>	<u>95,259,472</u>	<u>119,484,561</u>
Total OPEB Liability	<u>\$ 72,236,111</u>	<u>\$ 95,259,472</u>	<u>\$ 119,484,561</u>

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Notes to the Financial Statements
June 30, 2021**

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

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

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

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

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

12. RISK MANAGEMENT

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Notes to the Financial Statements June 30, 2021

13. TAX ABATEMENTS

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

14. CONTINGENCIES AND COMMITMENTS

General Information

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

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

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

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

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

16. CHANGE IN ACCOUNTING PRINCIPLE

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

Notes to the Financial Statements
For the year ended June 30, 2021

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

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

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

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

MATTITUCK - CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

Notes to schedule:

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

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

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

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

Plan Assets: No assets are accumulated in a trust that meets the criteria in GASB 75, paragraph 4, to pay related benefits:

Contributions from the employer and any nonemployer contributing entities, and earnings thereon, must be irrevocable.

Plan assets must be dedicated to providing OPEB to Plan members in accordance with the benefit terms.

Plan assets must be legally protected from the creditors of the employer, nonemployer contributing entities, the Plan administrator, and Plan members.

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

SUPPLEMENTARY INFORMATION

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

**Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2021**

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

MATTITUCK-CUTCHOQUE UNION FREE SCHOOL DISTRICT

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

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

OTHER INFORMATION (UNAUDITED)

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

CHANGE FROM ADOPTED BUDGET TO REVISED BUDGET

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

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-22 voter-approved expenditure budget	\$ 42,216,806	
Maximum allowed (4% of 2021-22 budget)		<u>1,688,672</u>

General Fund Balance Subject to Section 1318 of Real Property Tax Law *:

Total fund balance:	<u>\$ 15,071,800</u>
Less:	
Restricted fund balance	12,521,494
Assigned fund balance:	
Appropriated fund balance	250,000
Encumbrances included in assigned fund balance	<u>611,636</u>
Total adjustments	<u>\$ 13,383,130</u>
General Fund Balance Subject to Section 1318 of Real Property Tax Law	<u>\$ 1,688,670</u>
Actual percentage	4.00%

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

MATTITUCK-CUTCHOGUE UNION FREE SCHOOL DISTRICT

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

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

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

October 13, 2021

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

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

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

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

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