
INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Patchogue-Medford Union Free School District

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of Patchogue-Medford Union Free School District (the "District"), as of and for the fiscal year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, during the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 changes in District's total other post-employment benefits liability, schedule of District's proportionate share of the net asset/(pension) liability, schedule of the District's contributions and related ratios on pages 1 through 16 and 65 through 69, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

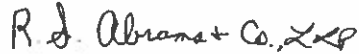
Supplementary Information

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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2022, 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.



R.S. Abrams & Co., LLP
Islandia, NY
October 11, 2022

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The following is a discussion and analysis of the Patchogue-Medford Union Free School District's (the "District") financial performance for the fiscal year ended June 30, 2022. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2022 are as follows:

- On the District-Wide Financials, real property taxes and other tax items and state sources accounted for 89.64% of total revenues, 55.24% and 34.40% respectively.
- On the District-Wide Financial Statements, expenses decreased by \$23,423,495 or 10.02%. This decrease is primarily the result of decreases in the expense amounts realized for other post-employment benefits and retirement expenses for the teachers' retirement system and employees' retirement system.
- The District refunded bonds originally issued on September 12, 2012 on April 5, 2022. As a result of this bond refunding, the District obtained an economic gain on the transaction (the difference between the present values of the debt service payments on the new and old debt) of \$554,175.
- As of June 30, 2022, the District has been awarded \$7,397,574 in federal grants revenue in relation to the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA). These grants started March 13, 2020 and end September 30, 2023. These funds are recorded in operating grants and contributions of the Statement of Activities on the District-Wide Financial Statements, and are included in the Special Aid Fund.
- As of June 30, 2022, the District has been awarded \$16,122,877 in federal grants revenue in relation to the American Rescue Plan (ARP). These grants started March 13, 2020 and end September 30, 2024. These funds are recorded in operating grants and contributions of the Statement of Activities on the District-Wide Financial Statements, and are included in the Special Aid Fund.
- The District adopted GASB Statement No. 87, *Leases*, in July of 2021. See Note 21 to the financial statements for additional information.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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 District:

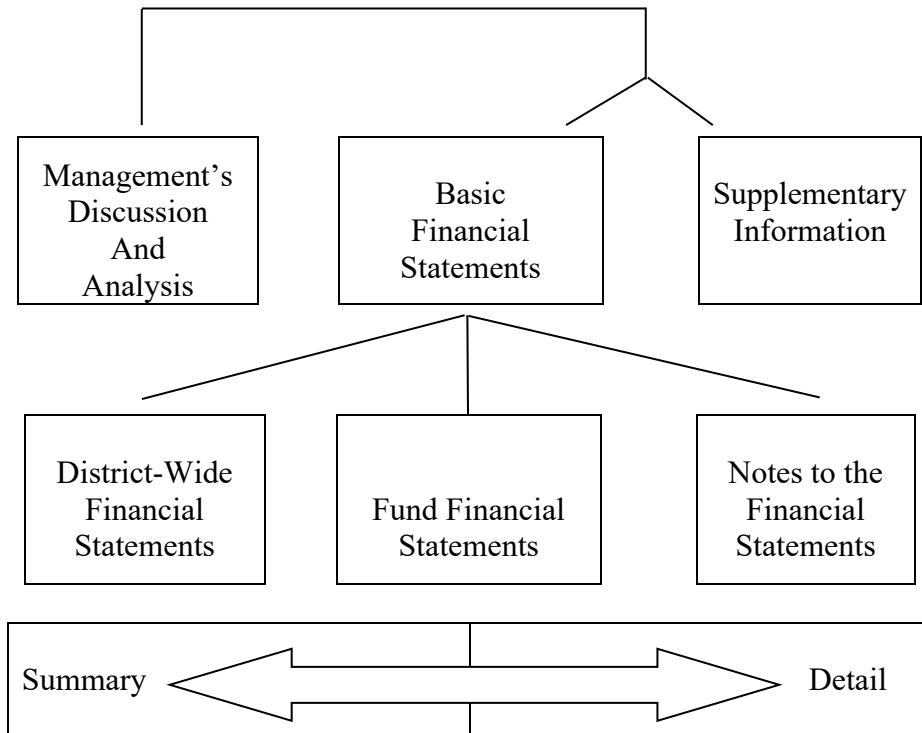
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
 - The *Governmental Fund Statements* tell how basic services such as instruction and support functions 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 District acts solely as a trustee or custodian 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 District's budget for the year. The following table shows how the various parts of this annual report are arranged and related to one another.

The notes to the basic financial statements provide additional information about the basic financial statements and the balances reported. The basic financial statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The following table shows how the various parts of this annual report are arranged and related to one another.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Organization of the District's Annual Financial Report



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The following table summarizes the major features of the District’s basic financial statements, including the portion of the District’s activities that they cover and the types of information that they contain. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others
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 Revenues, 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 measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/deferred inflows or resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; 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

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

A) District-Wide Financial Statements:

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two District-Wide Financial Statements report the District's net position and how it has changed. Net Position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources is one way to measure the financial health or position of the District.

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

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

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets and intangible lease assets;
- Report long-term debt as a liability;
- Depreciate capital assets, amortize intangible lease assets, and allocate the depreciation and amortization to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment* in capital assets;
 - *Restricted net position* is that with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation; and
 - *Unrestricted net position* is net position that does not meet any of the above restrictions.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

B) Fund Financial Statements:

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York.

The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that 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 fund 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 programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional schedules explain the relationship (or differences) between them. In summary, the government fund statements focus primarily on the sources, uses and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund, miscellaneous special revenue fund, and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary fund:* The District is the trustee or *fiduciary* for assets that belong to others. The 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 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. This fund reports real property taxes and payments in lieu of taxes (PILOT) collected on behalf of other governments and disbursed to those governments.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

Non-current assets, long-term liabilities, and deferred inflows of resources for 2021 have been restated to reflect the implementation of GASB Statement No. 87, *Leases*. See Note 21 to the financial statements for further information.

	As Restated 2021	As Reported 2021	Increase (Decrease)
Non-current assets	\$116,029,623	\$115,889,008	\$140,615
Long-term liabilities	591,972,410	591,910,238	62,172
Deferred inflows	73,353,565	73,275,122	78,443

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The District's net deficit decreased by \$6,485,836 in the fiscal year ended June 30, 2022 as detailed in the following table.

Condensed Statement of Net Position - Governmental Activities

	Fiscal Year 2022	As Restated Fiscal Year 2021	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 58,525,231	\$ 50,855,583	\$ 7,669,648	15.08%
Non-current assets	113,240,596	116,029,623	(2,789,027)	(2.40%)
Net pension asset, proportionate share	82,727,602		82,727,602	N/A
Total Assets	<u>254,493,429</u>	<u>166,885,206</u>	<u>87,608,223</u>	52.50%
Deferred outflows of resources	<u>162,651,228</u>	<u>188,065,026</u>	<u>(25,413,798)</u>	(13.51%)
Total Assets and Deferred Outflows of Resources	<u>417,144,657</u>	<u>354,950,232</u>	<u>62,194,425</u>	17.52%
Other liabilities	19,740,430	18,872,412	868,018	4.60%
Long-term liabilities	486,445,466	591,972,410	(105,526,944)	(17.83%)
Total Liabilities	<u>506,185,896</u>	<u>610,844,822</u>	<u>(104,658,926)</u>	(17.13%)
Deferred inflows of resources	<u>233,721,080</u>	<u>73,353,565</u>	<u>160,367,515</u>	218.62%
Total liabilities and deferred inflows of resources	<u>739,906,976</u>	<u>684,198,387</u>	<u>55,708,589</u>	8.14%
Net Position				
Net investment in capital assets	53,882,718	47,526,499	6,356,219	13.37%
Restricted	27,038,537	22,103,541	4,934,996	22.33%
Unrestricted (deficit)	(403,683,574)	(398,878,195)	(4,805,379)	1.20%
Total net position (deficit)	<u>\$ (322,762,319)</u>	<u>\$ (329,248,155)</u>	<u>\$ 6,485,836</u>	1.97%

Current assets and other assets increased by \$7,669,648. This was primarily due to an increase in receivables from state and federal as well as cash. Non-current assets decreased by \$2,789,027. This was primarily attributable to current year depreciation and amortization offset by current year capital outlay. The District's net pension asset – proportionate share – increased for both the teachers' retirement system, and employees' retirement system by \$78,535,774 and 4,191,828 respectively, as a result of the actuarial valuation provided by the State. The change in deferred outflows of resources represents amortization on the deferred charges on refundings, amortization on pension related items, as well as other post-employment benefits. The decrease was primarily due to a decrease in deferred outflows of resources for other post-employment benefits in the amount of \$26,900,125.

Long-term liabilities decreased by \$105,526,944 primarily due to decreases in net pension liabilities – proportionate share of \$12,284,237, as well as decreases in the total other post-employment benefits obligation of \$84,250,882, and a decrease in bonds payable inclusive of unamortized premiums of \$8,259,906. The changes in deferred inflows of resources represent the deferred inflows of resources related to pension related items and other post-employment benefit obligation, as discussed in Notes 15 and 17.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The net investment in capital assets, relates to the investment in capital assets and intangible lease assets at cost such as land, construction in progress, buildings and improvements, and machinery and equipment, net of depreciation and amortization and related debt. This number increased from the prior year by \$6,356,219 primarily due to the reduction in the principal balance of related debt and District Wide capital improvements, net of current year depreciation and amortization expense.

The restricted net position in the amount of \$27,038,537 is comprised of amounts with constraints placed on the use externally imposed by creditors, grantors and contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.

The unrestricted net deficit of \$403,683,574 relates to the balance of the District's net position. The unrestricted net deficit increased by \$4,805,379 from the prior year.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities. A summary of this Statement for the years ended June 30, 2022 and 2021 is as follows:

Change in Net Position from Operating Results Governmental Activities Only:

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$2,301,741	\$1,232,977	\$1,068,764	86.68%
Operating grants and contributions	17,947,956	9,831,820	8,116,136	82.55%
Capital grants and contributions		490,917	(490,917)	100.00%
General Revenues				
Real property taxes and other tax items	119,734,741	116,399,026	3,335,715	2.87%
Use of money & property	279,070	514,533	(235,463)	(45.76%)
Other	1,598,655	1,819,089	(220,434)	(12.12%)
State sources	74,557,557	69,694,472	4,863,085	6.98%
Medicaid reimbursement	319,755	285,589	34,166	11.96%
Total Revenues	216,739,475	200,268,423	16,471,052	8.22%
Expenses				
General support	29,494,295	30,441,525	(947,230)	(3.11%)
Instruction	164,037,721	185,974,889	(21,937,168)	(11.80%)
Pupil transportation	8,936,677	9,150,331	(213,654)	(2.33%)
Community services	2,991,994	3,160,609	(168,615)	(5.33%)
Debt service - interest	1,149,479	2,127,850	(978,371)	(45.98%)
Food service program	3,643,473	2,821,930	821,543	29.11%
Total Expenses	210,253,639	233,677,134	(23,423,495)	(10.02%)
Increase (Decrease) in Net Position	\$6,485,836	(\$33,408,711)	\$39,894,547	(119.41%)

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

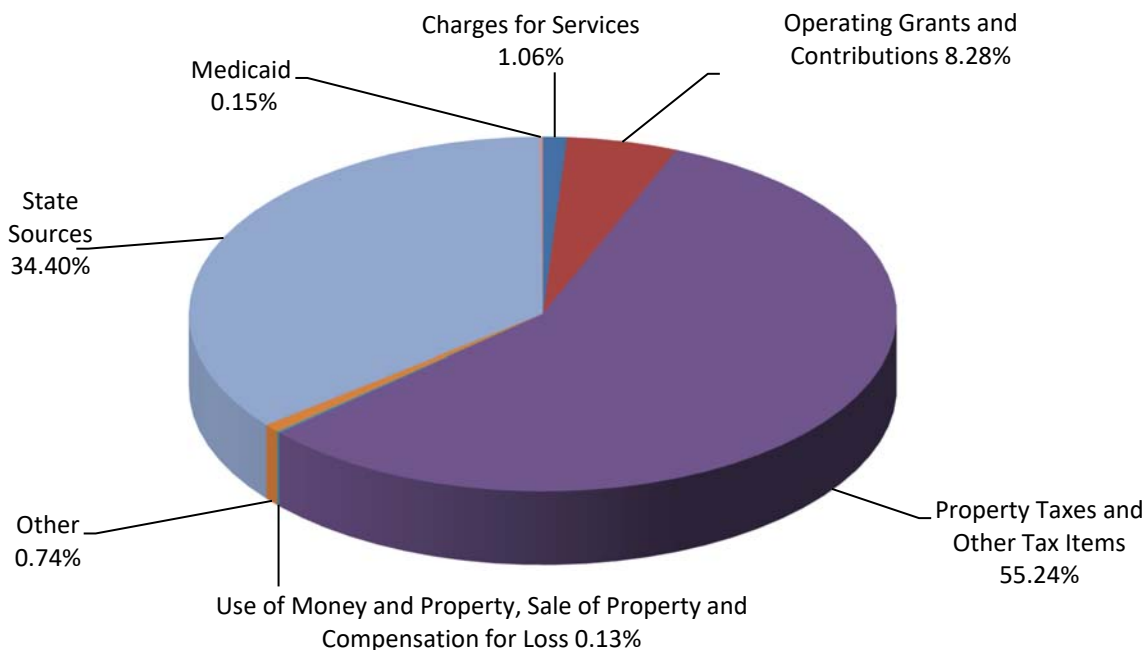
Information for 2021 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to beginning net position. See Note 21 for more information.

The District’s fiscal year 2022 revenues totaled \$216,739,475. Real property taxes and other tax items, and state sources accounted for most of the District’s revenue by contributing 55.24% and 34.40%, respectively of total revenue. The remainder resulted from fees charged for services, operating grants and contributions, use of money and property, and other miscellaneous sources. Total revenues increased by \$16,471,052 or 8.22%. This was primarily attributable to an increase in operating grants and contributions, real property taxes and other tax items, state sources, and charges for services.

The cost of all programs and services totaled \$210,253,639 for fiscal year 2022. These expenses are predominantly related to general instruction and transporting students, which account for 82.27% of district expenses. The District’s general support activities accounted for 14.03% of total costs.

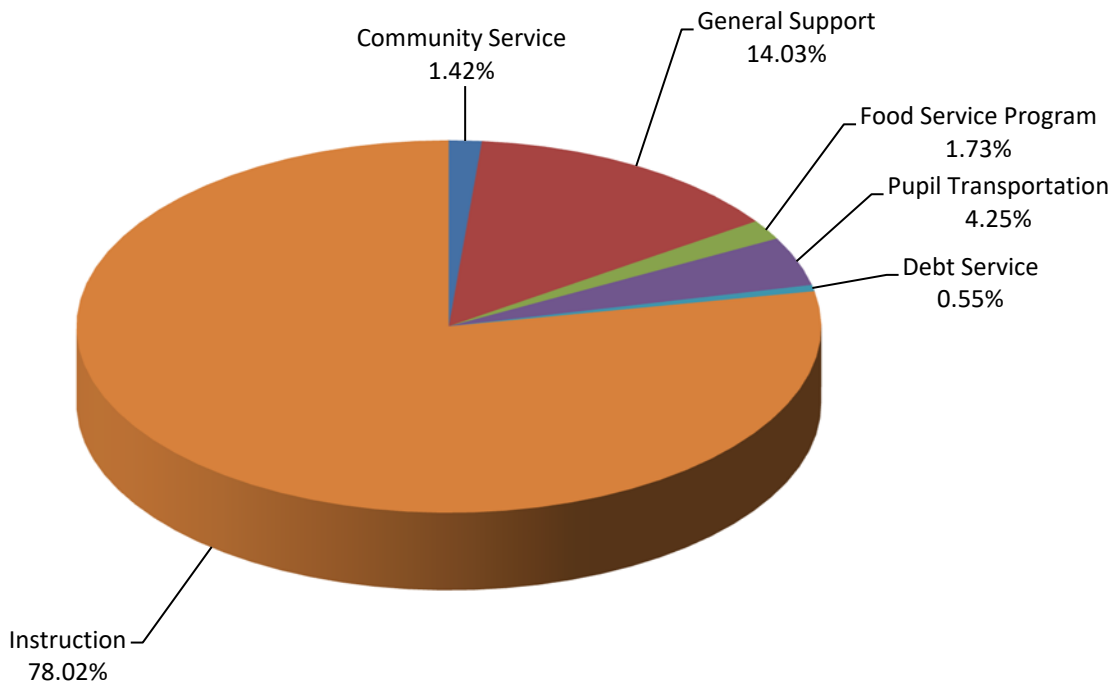
The users of the District’s programs financed \$2,301,741 of the cost. The federal and state governments subsidized certain programs with operating grants and contributions of \$17,947,956, which represents a 82.55% increase from the prior year. Most of the District’s net costs of \$190,003,942 were financed by District taxpayers and state sources.

Table A-5: Revenues for Fiscal Year 2022



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Table A-6: Expenses for Fiscal Year 2022



4. FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Variations between years for the Governmental Fund Financial Statements are not the same as variations between years for the District-Wide Financial Statements. The District’s governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds’ projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2022, the District’s combined governmental funds reported a total fund balance of \$39,366,412 which is an increase of \$6,570,544 from the prior year.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

A summary of the changes in fund balance for all funds are as follows:

	2022	2021	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted				
Employee benefit accrued liability	\$9,217,610	\$9,203,757	\$13,853	0.15%
Retirement contribution - ERS	5,429,133	5,423,640	5,493	0.10%
Retirement contribution - TRS	1,002,926	1,001,419	1,507	0.15%
Unemployment insurance	52,204	52,126	78	0.15%
Insurance	212,394	212,074	320	0.15%
Workers' compensation	1,018,960	1,017,428	1,532	0.15%
Capital	7,701,308	2,693,590	5,007,718	185.91%
Assigned				
General support	463,033	497,495	(34,462)	(6.93%)
Instruction	162,271	318,277	(156,006)	(49.02%)
Community services		174	(174)	100.00%
Unassigned	7,621,670	6,453,075	1,168,595	18.11%
Total Fund Balance - General Fund	<u>\$32,881,509</u>	<u>\$26,873,055</u>	<u>\$6,008,454</u>	22.36%
Special aid Fund				
Unassigned	\$ -	(\$97,173)	\$97,173	100.00%
Total Fund Balance - Special Aid Fund	<u>\$ -</u>	<u>\$ (97,173)</u>	<u>\$97,173</u>	100.00%
School Lunch Fund				
Nonspendable: inventory	\$101,600	\$53,637	\$47,963	89.42%
Assigned	1,290,011	82,164	1,207,847	1470.04%
Total Fund Balance - School Lunch Fund	<u>\$1,391,611</u>	<u>\$135,801</u>	<u>\$1,255,810</u>	924.74%
Debt Service Fund				
Restricted	\$17,286	\$17,256	\$30	0.17%
Total Fund Balance - Debt Service Fund	<u>\$17,286</u>	<u>\$17,256</u>	<u>\$30</u>	0.17%
Miscellaneous Special Revenue Fund				
Restricted - scholarships and donations	\$1,031,614	\$1,036,815	(\$5,201)	(0.50%)
Assigned - extraclassroom activities	322,327	285,239	37,088	13.00%
Total Fund Balance - Miscellaneous Special Revenue Fund	<u>\$1,353,941</u>	<u>\$1,322,054</u>	<u>\$31,887</u>	2.41%
Capital Projects Fund				
Restricted	\$1,355,102	\$1,445,436	(\$90,334)	(6.25%)
Assigned	2,366,963	3,099,439	(732,476)	(23.63%)
Total Fund Balance - Capital Projects Fund	<u>\$3,722,065</u>	<u>\$4,544,875</u>	<u>(\$822,810)</u>	(18.10%)
Total Fund Balances - All Funds	<u>\$39,366,412</u>	<u>\$32,795,868</u>	<u>\$6,570,544</u>	20.03%

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Changes to fund balances can be attributed to the following:

A) General Fund

Fund balance in the general fund increased by \$6,008,454. This change is a result of revenues and other financing sources of \$198,193,892, exceeding expenditures and other financing uses of \$192,185,438.

B) Special Aid Fund

Fund balance in the special aid fund increased by \$97,173. This increase is due to the District recognizing revenues related to the Federal CRRSA grants. Expenditures were recognized related to these revenues in the 2020-21 year when the grants were pending the formal award from the New York State Education Department.

C) School Lunch Fund

Fund balance in the school lunch fund increased by \$1,255,810. The increase for the current year is primarily related to the sale of ala carte items, and the increased federal and state reimbursements resulting from all meals being reimbursed at the free reimbursement rate.

D) Miscellaneous Special Revenue Fund:

The fund balance in the miscellaneous special revenue fund increased \$31,887. This increase is due to an increase in the balance for extraclassroom activities, net of scholarships awarded over scholarship donations received and interest earnings.

E) Capital Projects Fund

Fund balance in the capital projects fund decreased by \$822,810. This decrease was due to funds being spent on capital projects in the current year that were funded in the prior year. The capital projects fund recognized \$950,000 in revenues from an interfund transfer from the general fund, of which approximately \$750,000 was for improvements at the High School related to expansion of the in-house Career and Technical Education (CTE) program. The capital projects fund had \$1,529,355 in capital outlay expenditures and had unneeded authorizations for capital projects of \$243,455 that was transferred back to the general fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2021-2022 Budget:

The District's general fund original budget for the year ended June 30, 2022 was \$198,935,170. This amount was increased by encumbrances carried forward from the prior year in the amount of \$815,946, which resulted in a final budget of \$199,751,116. The majority of the funding was from

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

real property taxes and STAR revenue in the amount of \$119,129,254, and state and federal aid in the amount of \$72,168,816.

B) Change in the General Fund Unassigned Fund Balance (Budget to Actual):

The general fund’s unassigned fund balance is a component to total fund balance that is the residual of prior years’ excess revenues over expenditures, net from transfers to reserves and assignments to fund prior years’ budgets. It is this balance that is commonly referred to as “fund balance”. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

Opening, unassigned fund balance	\$6,453,075
Revenues and other financing sources over budget	1,258,722
Expenditures, other financing uses, and encumbrances under budget	6,940,374
Funding to reserves	(7,000,000)
Interest allocated to reserves	<u>(30,501)</u>
Closing, unassigned fund balance	<u>\$7,621,670</u>

The opening unassigned fund balance of \$6,453,075 is the June 30, 2021 unassigned fund balance.

The revenues and other financing sources over budget in the amount of \$1,258,722 was primarily due to state sources over budget net of federal aid under budget.

The expenditures, other financing uses, and encumbrances under budget in the amount of \$6,940,374 were primarily attributable to the following expenditures: central services, teaching regular school, programs for children with handicapping conditions, and pupil services (refer to Supplemental Schedule #1 for more detail).

The funding of reserves consisted of a \$5,000,000 transfer to the capital reserve and a \$2,000,000 transfer to the retirement contribution reserve. The District had budgeted for the use of the retirement contribution reserve for \$2,000,000, which resulted in no net effect on unassigned fund balance.

Interest of \$30,501 was also allocated to the reserves as follows: \$7,718 to the capital reserve, \$13,853 to the employee benefit accrued liability reserve, \$5,493 to the retirement contribution reserve, \$1,507 to the retirement contribution reserve TRS sub-fund, \$78 to the unemployment reserve, \$320 to the insurance reserve, and \$1,532 to the workers’ compensation reserve.

The closing unassigned fund balance represents the fund balance retained by the District that is not restricted or assigned for subsequent year’s taxes. This amount is limited to 4% of the 2022/2023 budget.

The change in fund balance is discussed further in Management Discussion and Analysis Section 4, Financial Analysis of the District’s Funds.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

6. CAPITAL ASSET, INTANGIBLE LEASE ASSETS, AND DEBT ADMINISTRATION

A) Capital Assets and Intangible Lease Assets:

The District paid for furniture and equipment, vehicles, and various additions and renovations during fiscal year 2022. A summary of the District's net capital assets is as follows:

Category	Fiscal Year	As Restated Fiscal Year	Increase	Percentage
	2022	2021	(Decrease)	Change
Land	\$2,827,925	\$2,827,925	\$ -	0.00%
Land improvements	5,970,838	5,970,838	-	0.00%
Construction in progress	330,267	9,665,828	(9,335,561)	(96.58%)
Buildings & building improvements	199,396,994	188,563,519	10,833,475	5.75%
Furniture & equipment	5,196,417	4,763,542	432,875	9.09%
Subtotal	213,722,441	211,791,652	1,930,789	0.91%
Less: Accumulated Depreciation	100,542,142	95,902,644	4,639,498	4.84%
Total Net Capital Assets, Net	\$113,180,299	\$115,889,008	(\$2,708,709)	(2.34%)
Intangible Lease Assets, Net	\$20,724	\$62,172	(\$41,448)	(66.67%)

Depreciation expense was \$4,662,435 and amortization expense was \$41,448 for fiscal year ended June 30, 2022. See Note 9 to the financial statements for additional detail.

B) Long-Term Debt

At June 30, 2022 the District had total long-term debt payable (inclusive of unamortized premiums) of \$60,182,893. The debt was issued for District-wide projects. The decrease in outstanding debt represents principal payments made during the fiscal year in addition to the current year's bond refunding. More detailed information about the District's long-term debt is presented in the Note 13 to the financial statements.

A summary of outstanding debt at June 30, 2022 and 2021 is as follows:

	2022	As Restated 2021	Increase (Decrease)
Construction serial bonds (inclusive of unamortized premiums)	\$53,943,139	\$62,203,045	(\$8,259,906)
Lease liability	20,948	62,172	(41,224)
Energy performance debt payable	6,218,806	6,912,937	(694,131)
Total	\$60,182,893	\$69,178,154	(\$8,995,261)

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) The District issued \$39,000,000 in tax anticipation notes on September 28, 2022, with a stated interest rate of 4.25% maturing on June 28, 2023. In addition, the District received a premium of \$357,240 on the note, which resulted in a net interest rate of 3.028667%.
- B) The general fund budget for the 2022/2023 fiscal year was approved by the voters on May 17, 2022 in the amount of \$211,181,877. This is an increase of \$12,246,707 or 6.16% over the previous year's budget.
- C) The District was awarded funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) through the Elementary and Secondary School Emergency Relief Program (ESSER), and the Governor's Emergency Education Relief Program (GEER). The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the special aid fund as they are expended. As of June 30, 2022, the District has expended funds as follows:

Funding Source	Grant Amount Awarded	Cumulative Amount Expended as of June 30, 2022
CRRSA - ESSER 2	\$ 6,750,997	\$ 3,691,348
CRRSA - GEER 2	646,577	298,570
	\$ 7,397,574	\$ 3,989,918

- D) The District was awarded funding as of June 30, 2022 from the American Rescue Plan (ARP) as noted below. The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the Special Aid Fund as they are expended.

Funding Source	Grant Amount Awarded	Cumulative Amount Expended as of June 30, 2022
ARP - ESSER 3	\$ 7,282,782	\$ 634,772
ARP - SLR Summer Enrichment	1,257,078	193,749
ARP - SLR Comprehensive A	1,257,078	89,816
ARP - SLR Learning Loss	6,285,214	440,998
ARP - Homeless II	40,725	0
	\$ 16,122,877	\$ 1,359,335

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

8. CONTACTING THE 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 District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Patchogue-Medford Union Free School District
Dr. Donna Jones, Superintendent of Schools
241 South Ocean Avenue
Patchogue, New York 11772
(631) 687-6380

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2022

ASSETS		
Current assets		
Cash		
Unrestricted		\$16,408,186
Restricted		27,029,766
Receivables		
State and federal aid		14,411,199
Due from other governments		551,945
Accounts receivable		22,535
Inventories		101,600
Non-current assets		
Lease receivable		39,573
Capital assets		
Not being depreciated		3,158,192
Being depreciated, net of accumulated depreciation		110,022,107
Net pension asset - proportionate share - teachers' retirement system		78,535,774
Net pension asset - proportionate share - employees' retirement system		4,191,828
Intangible lease assets, net of accumulated amortization		<u>20,724</u>
TOTAL ASSETS		<u>254,493,429</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions		53,612,061
Other post-employment benefits		108,174,579
Deferred charges on refundings		<u>864,588</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		<u>417,144,657</u>
LIABILITIES		
Payables		
Accounts payable		\$2,240,617
Accrued liabilities		1,374,671
Accrued interest payable		606,683
Compensated absences payable		846,584
Due to other governments		3,710,669
Due to fiduciary funds		8,007
Due to teachers' retirement system		8,939,693
Due to employees' retirement system		521,299
Unearned credits		
Collections in advance		1,492,207
Long-term liabilities		
Due and payable within one year		
Bonds payable (inclusive of unamortized premiums)		8,972,826
Lease liability		20,948
Energy performance debt payable		711,563
Claims payable		1,086,630
Compensated absences payable		1,801,569
Due and payable after one year		
Bonds payable (inclusive of unamortized premiums)		44,970,313
Energy performance debt payable		5,507,243
Claims payable		1,457,669
Compensated absences payable		8,428,453
Total other post-employment benefits obligation		<u>413,488,252</u>
TOTAL LIABILITIES		<u>506,185,896</u>
DEFERRED INFLOWS OF RESOURCES		
Leases		39,573
Pensions		102,601,386
Other post-employment benefits		<u>131,080,121</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		<u>739,906,976</u>
NET POSITION		
Net investment in capital assets		<u>53,882,718</u>
Restricted		
Employee benefit accrued liability		9,217,610
Retirement contribution		
Employees' retirement system		5,429,133
Teachers' retirement system		1,002,926
Unemployment insurance		52,204
Insurance		212,394
Workers' compensation		1,018,960
Debt service		17,286
Capital		9,056,410
Scholarships and donations		<u>1,031,614</u>
		<u>27,038,537</u>
Unrestricted (deficit)		<u>(403,683,574)</u>
TOTAL NET POSITION (DEFICIT)		<u>(\$322,762,319)</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
FUNCTIONS / PROGRAMS				
General support	(\$29,494,295)		\$2,910,722	(\$26,583,573)
Instruction	(164,037,721)	\$1,843,847	10,366,771	(151,827,103)
Pupil transportation	(8,936,677)		278,765	(8,657,912)
Community services	(2,991,994)			(2,991,994)
Debt service - interest	(1,149,479)			(1,149,479)
Food service program	(3,643,473)	457,894	4,391,698	1,206,119
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$210,253,639)</u>	<u>\$2,301,741</u>	<u>\$17,947,956</u>	<u>(190,003,942)</u>
GENERAL REVENUES				
Real property taxes				108,093,902
Other tax items - including STAR reimbursement				11,640,839
Use of money and property				90,504
Sale of property and compensation for loss				188,566
Miscellaneous				1,598,655
State sources				74,557,557
Medicaid reimbursement				319,755
TOTAL GENERAL REVENUES				<u>196,489,778</u>
CHANGE IN NET POSITION				6,485,836
TOTAL NET POSITION- BEGINNING OF YEAR				<u>(329,248,155)</u>
TOTAL NET POSITION - END OF YEAR				<u>(\$322,762,319)</u>

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Debt Service</u>	<u>Miscellaneous Special Revenue</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash							
Unrestricted	\$10,672,074	\$1,018	\$13,586	\$3,189,233	\$345,555	\$2,186,720	\$16,408,186
Restricted	24,634,535				1,040,129	1,355,102	27,029,766
Receivables							
State and federal aid	5,197,134	7,797,658	1,085,186			331,221	14,411,199
Due from other governments	551,945						551,945
Due from other funds	9,290,335		479,113	34,715		26,118	9,830,281
Accounts receivable	15,466		3,096		3,973		22,535
Leases Receivable	39,573						39,573
Inventories			101,600				101,600
TOTAL ASSETS	<u>\$50,401,062</u>	<u>\$7,798,676</u>	<u>\$1,682,581</u>	<u>\$3,223,948</u>	<u>\$1,389,657</u>	<u>\$3,899,161</u>	<u>\$68,395,085</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Payables							
Accounts payable	\$1,518,909	\$505,583	\$38,028		\$35,716	\$142,381	\$2,240,617
Accrued liabilities	1,304,300	42,470	27,901				1,374,671
Due to other governments	3,692,567	17,882	220				3,710,669
Due to other funds	513,238	6,083,673		\$3,206,662		34,715	9,838,288
Due to teachers' retirement system	8,939,693						8,939,693
Due to employees' retirement system	479,571		41,728				521,299
Compensated absences	846,584						846,584
Unearned credits							
Collections in advance	160,046	1,149,068	183,093				1,492,207
TOTAL LIABILITIES	<u>17,454,908</u>	<u>7,798,676</u>	<u>290,970</u>	<u>3,206,662</u>	<u>35,716</u>	<u>177,096</u>	<u>28,964,028</u>
DEFERRED INFLOWS OF RESOURCES							
State aid	25,072						25,072
Leases	39,573						39,573
TOTAL DEFERRED INFLOWS OR RESOURCES	<u>64,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,645</u>
FUND BALANCES							
Nonspendable: inventory			101,600				101,600
Restricted:							
Employee benefit accrued liability	9,217,610						9,217,610
Retirement contribution - ERS	5,429,133						5,429,133
Retirement contribution - TRS	1,002,926						1,002,926
Unemployment insurance	52,204						52,204
Insurance	212,394						212,394
Workers' compensation	1,018,960						1,018,960
Debt service				17,286			17,286
Capital	7,701,308					1,355,102	9,056,410
Scholarships and donations					1,031,614		1,031,614
Assigned:							
Unappropriated fund balance	625,304		1,290,011		322,327	2,366,963	4,604,605
Unassigned: fund balance	7,621,670						7,621,670
TOTAL FUND BALANCES	<u>32,881,509</u>	<u>-</u>	<u>1,391,611</u>	<u>17,286</u>	<u>1,353,941</u>	<u>3,722,065</u>	<u>39,366,412</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$50,401,062</u>	<u>\$7,798,676</u>	<u>\$1,682,581</u>	<u>\$3,223,948</u>	<u>\$1,389,657</u>	<u>\$3,899,161</u>	<u>\$68,395,085</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Governmental Fund Balances \$39,366,412

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

The cost 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 include 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	\$213,722,441	
Accumulated depreciation	<u>(100,542,142)</u>	113,180,299

The present value cost of leasing capital assets (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 include those leased capital assets among the assets of the district as a whole, and their original present value costs are expensed annually over the shorter of their useful lives or the length of the lease agreements.

Original present value cost of intangible lease assets	\$62,172	
Accumulated amortization	<u>(41,448)</u>	20,724

Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset - proportionate share at year end consisted of

Net pension asset - proportionate share - employees' retirement system	\$4,191,828	
Net pension asset - proportionate share - teachers' retirement system	<u>78,535,774</u>	82,727,602

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to

53,612,061

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to other post-employment benefits that will be recognized as expenditures in future periods amounted to

108,174,579

Deferred outflows of resources - loss on defeasance on refundings. The Statement of Net Position will amortize the loss on defeasance on refundings over the life of the bond. Governmental funds recorded the loss on defeasance on refundings as an expenditure in the current year.

864,588

Deferred inflow of resources - state aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.

25,072

Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to

(102,601,386)

Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to other post-employment benefits that will be recognized as a reduction in other post-employment benefit expense in future periods amounted to

(131,080,121)

Payables that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest payable		(606,683)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable (inclusive of unamortized premiums)	\$ (53,943,139)	
Lease liability	(20,948)	
Energy performance debt payable	(6,218,806)	
Claims payable	(2,544,299)	
Compensated absences payable	(10,230,022)	
Total other post-employment benefits obligation	<u>(413,488,252)</u>	<u>(486,445,466)</u>

Total Net Position

\$ (322,762,319)

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	General	Special Aid	School Lunch	Debt Service	Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
REVENUES							
Real property taxes	\$108,093,902						\$108,093,902
Other tax items - including STAR reimbursement	11,640,839						11,640,839
Charges for services	1,473,101				\$370,746		1,843,847
Use of money and property	90,407			\$30	67		90,504
Sale of property and compensation for loss	188,566						188,566
Miscellaneous	1,586,310		\$12,345				1,598,655
Local sources					45,157		45,157
State sources	74,557,557	\$2,576,578	76,182				77,210,317
Federal sources	319,755	10,934,523	4,047,489				15,301,767
Surplus food			268,027				268,027
Sales - school lunch			457,894				457,894
TOTAL REVENUES	<u>197,950,437</u>	<u>13,511,101</u>	<u>4,861,937</u>	<u>30</u>	<u>415,970</u>	<u>-</u>	<u>216,739,475</u>
EXPENDITURES							
General support	20,956,592	2,910,722					23,867,314
Instruction	101,470,524	10,497,485			384,083		112,352,092
Pupil transportation	8,148,242	278,765					8,427,007
Community service	1,997,531						1,997,531
Employee benefits	47,760,682						47,760,682
Debt service principal	41,224			8,379,131			8,420,355
Debt service interest	43,713			2,114,755			2,158,468
Cost of sales			3,656,127				3,656,127
Capital outlay						\$1,529,355	1,529,355
TOTAL EXPENDITURES	<u>180,418,508</u>	<u>13,686,972</u>	<u>3,656,127</u>	<u>10,493,886</u>	<u>384,083</u>	<u>1,529,355</u>	<u>210,168,931</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>17,531,929</u>	<u>(175,871)</u>	<u>1,205,810</u>	<u>(10,493,856)</u>	<u>31,887</u>	<u>(1,529,355)</u>	<u>6,570,544</u>
OTHER FINANCING SOURCES AND (USES)							
Proceeds from long-term debt				13,465,000			13,465,000
Premium from bond refunding				1,456,132			1,456,132
Bond issuance costs				(91,882)			(91,882)
Payment to escrow agent (refunding bonds)				(14,829,250)			(14,829,250)
Operating transfers in	243,455	273,044	50,000	10,493,886		950,000	12,010,385
Operating transfers (out)	(11,766,930)					(243,455)	(12,010,385)
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(11,523,475)</u>	<u>273,044</u>	<u>50,000</u>	<u>10,493,886</u>	<u>-</u>	<u>706,545</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	6,008,454	97,173	1,255,810	30	31,887	(822,810)	6,570,544
FUND BALANCES - BEGINNING OF YEAR	26,873,055	(97,173)	135,801	17,256	1,322,054	4,544,875	32,795,868
FUND BALANCES - END OF YEAR	<u>\$32,881,509</u>	<u>\$ -</u>	<u>\$1,391,611</u>	<u>\$17,286</u>	<u>\$1,353,941</u>	<u>\$3,722,065</u>	<u>\$39,366,412</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balance \$6,570,544

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

Long-Term Revenue and Expense Differences

Worker's compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Workers' compensation claims payable for the year ended June 30, 2022 changed by (427,161)

In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the year ended June 30, 2022 changed by 423,725

Total other post-employment benefits obligation in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Total other post-employment benefits obligation and related deferred inflows for the year ended June 30, 2022 changed by (21,044,363)

Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teachers' retirement system	\$12,717,553	
Employees' retirement system	<u>1,658,233</u>	14,375,786

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.

Capital outlays	\$1,953,726	
Depreciation expense	<u>(4,662,435)</u>	(2,708,709)

Capital outlays to lease capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual amortization expense in the Statement of Activities.

Intangible lease capital outlays	\$ -	
Amortization expense	<u>(41,448)</u>	(41,448)

Long-Term Debt Transaction Differences

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 7,685,000

Repayment of lease obligations principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 41,224

Repayment of energy performance debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 694,131

Governmental funds may report premiums, discounts, and similar items on the refunded bonds as revenues or expenditures. These amounts are deferred and amortized in the Statement of Activities. Amortization for the fiscal year ended June 30, 2022 was

Amortization on bond premiums	\$916,038	
Amortization on deferred charges on refundings	<u>(138,135)</u>	777,903

Bond issuance costs related to the refunding of debt are expensed in the current year. The amount of bond issuance costs related to the refunding of debt for the fiscal year ended June 30, 2022 was (91,882)

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2021 to June 30, 2022 changed by 231,086

Change in Net Position \$6,485,836

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2022**

	Custodial
ASSETS	
Cash - Restricted	
Due from governmental funds	\$8,007
TOTAL ASSETS	\$8,007
LIABILITIES	
Due to other governments - Public Library	
TOTAL LIABILITIES	-
NET POSITION	
Restricted	\$8,007
TOTAL NET POSITION	8,007
TOTAL LIABILITIES AND NET POSITION	\$8,007

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Custodial
ADDITIONS	
Public Library - real property taxes and PILOT collections	\$8,905,178
TOTAL ADDITIONS	8,905,178
DEDUCTIONS	
Payments of real property taxes and PILOT to Public Library	8,897,459
TOTAL DEDUCTIONS	8,897,459
CHANGE IN NET POSITION	7,719
NET POSITION - BEGINNING OF THE YEAR	288
NET POSITION - END OF THE YEAR	\$8,007

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Patchogue-Medford Union Free School District (the “District”) have been prepared in conformity with generally accepted accounting principles (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.

Significant accounting principles and policies utilized by the District are described below:

A) Reporting entity:

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

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus-An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

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

B) Joint venture:

The District is a component district in the Eastern Suffolk Board of Cooperative Educational Services (BOCES). A 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 is 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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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.

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

C) Basis of presentation:

District-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, 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, if applicable.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include 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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

School Lunch Fund: This fund is used to account for the activities of the District's food service operations. The school lunch operations are supported by federal and state grants and charges to participants for its services.

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

Miscellaneous Special Revenue Fund: This fund is used to account for assets held by the District in accordance with grantor or contributor stipulations. Other activities included in this fund are extraclassroom activities.

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

The District reports the following fiduciary fund:

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or custodian for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. The District's fiduciary fund includes the custodial funds. This fund is custodial in nature and is used to account for real property taxes collected on behalf of other governments and disbursed to other governments.

D) Measurement focus and basis of accounting:

The District-Wide and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the 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 fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 six months after the

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, pension liabilities, other post-employment benefits obligation, lease liabilities, 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 of leases with terms greater than one year are reported as other financing sources.

E) Real Property taxes:

Calendar:

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. Taxes are collected by the Town of Brookhaven. Tax collections are remitted to the District and Town comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act.

Enforcement:

Uncollected real property taxes are subsequently enforced by the County. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the Town of Brookhaven no later than the following July 1.

F) Restricted resources:

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

G) Interfund transactions:

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

In the District-Wide Financial Statements, eliminations have been made for all interfund receivables and payables between the funds.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 10 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) 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 deferred outflows, liabilities and deferred inflows, disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, other post-employment benefits, workers' compensation claims, potential contingent liabilities, other post-employment benefits, net pension asset/liability, lease liability, lease receivable and the corresponding deferred inflows of resources, and useful lives of capital assets and intangible lease assets.

I) Cash and investments:

The District's cash and investments consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

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

J) Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenses/expenditures at the time of purchase, and are considered immaterial in amount.

A nonspendable fund balance for these non-liquid assets (inventories) has been recognized in the school lunch fund to signify that a portion of fund balance is not available for other subsequent expenditures.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items as of June 30, 2022.

L) Capital assets:

Capital assets are reported at actual cost for acquisitions made within the last 20 years. For assets acquired prior to 20 years, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at acquisition value at the time received.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & Building Improvements	\$15,000	Straight-line	30 years
Land Improvements	\$15,000	Straight-line	20 years
Furniture & Equipment	\$5,000	Straight-line	5 years

M) Intangible lease assets:

Intangible lease assets are reported at the present value of remaining future lease payments to be made during the lease term. The discount rate utilized is either the interest rate implicit within the lease agreement, or if not readily determinable, the District's estimated incremental borrowing rate. These intangible lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Capitalization thresholds (the dollar value above which intangible lease asset acquisitions are added to the intangible lease asset accounts), amortization methods, and estimated useful lives of intangible lease assets reported in the District-Wide Financial Statements follow the same thresholds as noted above for capital assets.

N) Unearned credits:

The District reports unearned credits on its Statement of Net Position and its Balance Sheet. Unearned credits consist of collections in advance. Unearned credits arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to incurrence of qualifying expenditures. In subsequent periods, when the

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

District has legal claim to resources, the liability for unearned credits is removed and revenue is recognized.

Collections in advance consist of amounts received in advance for child care summer tuition in the general fund, for amounts received in advance for grants in the special aid fund, and for grant advances and meals that have not yet been purchased in the school lunch fund.

O) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. The District reported amounts related to pensions and other post-employment benefits obligation, which are reported in the District-Wide Statement of Net Position, which are detailed further in Notes 15 and 17. In addition, the District reported deferred outflows of resources relating to the unamortized amount of deferred charges from refundings of bonds that are being amortized as a component of interest expense on a straight-line over the remaining life of the new debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reported deferred inflows of resources related to pensions and OPEB reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17. The District also reported deferred inflows of resources related to lease receivable, which are reported in the District-Wide Statement of Net Position as well as in the general fund, and is detailed further in Note 8.

The deferred inflows on the governmental funds balance sheet is unavailable revenues, which is reported when potential revenues do not meet the availability criterion for recognition in the current period. This includes receivables of certain state aid allocations. In subsequent periods, when the availability criterion is met, the liability for deferred revenues is removed and revenues are recorded. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

P) Vested employee benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, and sabbatical time:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability 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 only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Q) Other benefits:

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 plans established under Internal Revenue Code Sections 403(b). Certain collectively bargained agreements allow district employees to participate in the District's elective deferred compensation plans established under Internal Revenue Code Section 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements 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 accrual basis of accounting in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

R) 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 liabilities of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent liabilities that will be extinguished by the use of expendable, available resources of the fund.

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

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 dated.

The District has issued and redeemed \$41,000,000 in TANs in the fiscal year ended June 30, 2022. See Note 12 for further detail.

S) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-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, net pension liability, other post-employment benefits obligation, compensated absences, and lease liability that will be paid from governmental funds, are reported as a liability in the funds 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 District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

T) Equity classifications:

District-Wide Financial Statements:

In the District-Wide Financial Statements there are three classes of net position:

Net investment in capital assets - consists of net capital assets and intangible lease assets (cost less accumulated depreciation and accumulated amortization) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, loss and gain on refunding).

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 or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Financial Statements:

There are five classifications of fund balance as detailed below, however, in the Fund Financial Statement, there are four classifications of fund balance presented.

Nonspendable 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. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$101,600.

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.

Currently, New York State laws still use the terminology “reserves” and Districts are only allowed to use reserves authorized by law. The District has classified the following reserves as restricted:

Employee Benefit Accrued Liability

Employee benefit accrued liability (GML §6-p), must be used 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. This reserve is accounted for in the general fund.

Retirement Contribution

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees’ Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers’ Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund.

Unemployment Insurance Reserve

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

Insurance Reserve

Insurance reserve (GML §6-n), must be 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, e.g., 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. This reserve is accounted for in the general fund.

Workers' Compensation

Workers' compensation reserve (GML §6-j), must be 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 appropriations of the next succeeding fiscal year's budget. This reserve is accounted for in the general fund.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Debt Service

Unexpended balances of proceeds from borrowings for capital projects; interest and earnings from investing proceeds of obligations, and premium and accrued interest are reordered as amounts restricted for debt service and held until appropriated for debt payments. The restricted funds are accounted for in the debt service fund.

Capital Reserve

Capital reserve (EL§3651), must be 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.

Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by the capital reserve.

Restricted for Scholarships and Donations

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

Committed fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2022.

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

The District has adopted policy 3480, *Fund Balance*, which authorizes the Board of Education, or its designee, to assign amounts for a specific purpose.

Unassigned fund balance –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be

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eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. The District's unassigned fund balance in the general fund at June 30, 2022 is within the legal limit.

Order of Use of Fund Balance

The order by which the District will spend restricted and unrestricted (unassigned) fund balance will be evaluated on an annual basis based on the current financial conditions by the Assistant Superintendent for Business. After evaluation, if adjustments are required, a recommendation will be made to the Board of Education for consideration.

Minimum Fund Balance Amount

The fund balance of the District's general fund has been accumulated to provide stability and flexibility and to respond to unexpected adversity and/or opportunities.

The target is to maintain an unassigned fund balance of 4% of the estimated annual operating expenditures for the ensuing fiscal year.

The District's basic goal is to maintain annual expenditure increases at a growth rate, and to limit expenditures to anticipated revenue in order to maintain a balanced budget. The decision to retain an unrestricted fund balance of 4% of the expected expenditures stems from the need to support normal operating costs for the District and provide fiscal stability.

U) New accounting pronouncements:

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2022. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has adopted and implemented GASB Statement No. 87, *Leases*, in 2022. See Note 21 for further consideration.

V) Future accounting pronouncements:

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, defines a subscription-based technology arrangement as a contract that conveys control of the right to use a vendor's software, alone or in combination with tangible capital assets requiring governments to recognize a right-to-use subscription asset and a corresponding

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Statements and depreciation and/or amortization expense on those items as recorded in the Statement of Activities.

Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial 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.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board for the following governmental funds for which legal (appropriated) budgets are adopted.

The voters of the 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), which 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 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. There were no supplemental appropriations that occurred during the year.

Budgets are adopted annually on a basis consistent with GAAP. 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 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.

B) Encumbrances:

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations.

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Outstanding encumbrances as of year-end are presented as restrictions or assignments of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash and Cash Equivalents:

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Company (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 obligations of the state and its municipalities and districts.

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

B) Restricted Cash and Cash Equivalents:

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 at June 30, 2022 included \$26,853,151 within the governmental funds for general reserves, capital projects, and scholarships and donations.

C) Investments:

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for

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these investments is also governed by New York State statutes. Investments are stated at fair value and are accounted for within the special revenue fund.

Type of Investment	Value
United States Treasury Bills	\$700,745
Total investments	\$700,745

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2022 the District was billed \$15,280,713 for BOCES administrative and program costs. The District’s share of BOCES aid amounted to \$2,042,812. Financial statements for the BOCES are available from the Eastern Suffolk BOCES administrative office at James Hines Administration Center, 201 Sunrise Highway, Patchogue, New York 11772.

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NOTE 6 – STATE AND FEDERAL AID RECEIVABLES:

State and federal aid receivables at June 30, 2022 consisted of the following:

General Fund	
Excess cost aid	\$1,771,217
General Aid	227,483
BOCES aid	2,138,670
Child and Adult Care Food Program	2,915
Building Aid	1,005,329
Federal Sources	51,520
Total - General Fund	5,197,134
Special Aid Fund	
Federal aid	6,095,862
State aid	1,701,796
Total - Special Aid Fund	7,797,658
School Lunch Fund	
Federal aid	1,052,852
State aid	32,334
Total - School Lunch Fund	1,085,186
Capital Projects Fund	
State aid	331,221
Total - Capital Projects Fund	331,221
Total State and Federal Aid Receivables	\$14,411,199

District management has deemed these amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2022 consisted of the following:

Foster care tuition	\$303,242
Suffolk County IDA	237,726
Other	10,977
Total	\$551,945

District management has deemed the amounts to be fully collectible.

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NOTE 8 – LEASE RECEIVABLE:

In addition, as a result of adopting and implementing GASB Statement No. 87, *Leases*, the District recognized a lease receivable and deferred inflow of resources – leases, for an agreement whereby the District leases building space to another entity, with an interest rate of 2.16%. The lease receivable and associated deferred inflow of resources will be reduced as the lease revenue is earned in future periods.

Principal and interest income received for the District’s lease receivable amounted to \$38,870 and \$1,241, respectively, for the fiscal year ended June 30, 2022.

The following is a summary of the principal and interest requirements to maturity for the District’s lease receivable:

Fiscal Year Ended	Principal	Interest	Total
<u>June 30,</u>			
2023	<u>\$ 39,573</u>	<u>\$ 537</u>	<u>\$ 40,110</u>
Total	<u><u>\$ 39,573</u></u>	<u><u>\$ 537</u></u>	<u><u>\$ 40,110</u></u>

District management has deemed the amounts to be fully collectible.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 9 - CAPITAL ASSETS:

A) Capital Assets

Capital asset balances and activity for the year ended June 30, 2022 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$2,827,925			\$2,827,925
Construction in progress	9,665,828	\$330,267	(\$9,665,828)	330,267
Total capital assets not being depreciated	<u>12,493,753</u>	<u>330,267</u>	<u>(9,665,828)</u>	<u>3,158,192</u>
Capital assets being depreciated:				
Land improvements	5,970,838			5,970,838
Building & building improvements	188,563,519	1,167,647	9,665,828	199,396,994
Furniture and equipment	4,763,542	455,812	(22,937)	5,196,417
Total capital assets being depreciated	<u>199,297,899</u>	<u>1,623,459</u>	<u>9,642,891</u>	<u>210,564,249</u>
Less accumulated depreciation:				
Land improvements	3,581,983	131,250		3,713,233
Building & building improvements	89,036,225	4,326,875		93,363,100
Furniture and equipment	3,284,436	204,310	(22,937)	3,465,809
Total accumulated depreciation	<u>95,902,644</u>	<u>4,662,435</u>	<u>(22,937)</u>	<u>100,542,142</u>
Total capital assets being depreciated, net	<u>103,395,255</u>	<u>(3,038,976)</u>	<u>9,665,828</u>	<u>110,022,107</u>
Capital assets, net	<u>\$115,889,008</u>	<u>(\$2,708,709)</u>	<u>-</u>	<u>\$113,180,299</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$113,048
Instruction	4,516,787
Pupil transportation	32,600
	<u>\$4,662,435</u>

B) Intangible Lease Assets

In 2022, the District adopted and implemented the provisions of GASB Statement No. 87, *Leases*. As such, the District recognized a lease liability obligation and an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use

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for a period of one year or greater. The District has entered into such lease agreements for various copiers with an implicit interest rate of 2.16%.

The following schedule summarizes the district's intangible lease asset activity for the fiscal year ended June 30, 2022:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Intangible lease assets				
Furniture & equipment	\$ 62,172		\$ -	\$ 62,172
Total intangible lease assets being amortized	62,172	-	-	62,172
Less accumulated amortization:				
Furniture & equipment	-	41,448	-	41,448
Total accumulated amortization	-	41,448	-	41,448
Total intangible lease assets, net	\$ 62,172	\$ (41,448)	\$ -	\$ 20,724

Amortization expense was charged to governmental functions as follows:

General support	\$ 41,448
	<u>\$ 41,448</u>

NOTE 10 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$9,290,335	\$513,238	\$243,455	\$11,766,930
Special aid fund		6,083,673	273,044	
School lunch fund	479,113		50,000	
Miscellaneous special revenue fund				
Debt service fund	34,715	3,206,662	10,493,886	
Capital projects fund	26,118	34,715	950,000	243,455
Total government activities	9,830,281	9,838,288	12,010,385	12,010,385
Fiduciary fund - custodial	8,007			
Totals	<u>\$ 9,838,288</u>	<u>\$ 9,838,288</u>	<u>\$ 12,010,385</u>	<u>\$ 12,010,385</u>

The District typically transfers from the general fund to the special aid fund to fund the District's local share of the summer program for students with disabilities and to fund the State Supported Section 4201 schools. The District transferred from the general fund to the school lunch fund to help support the program. The District typically transfers from the general fund to the debt service fund to finance debt service requirements. The District transferred from the general fund to the capital projects fund to finance capital construction projects. The District transferred from the capital projects fund to the general fund to return unused funds on completed projects.

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The 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.

NOTE 11 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2022 consisted of the following:

General Fund		
Summer programs 2022-2023	\$160,046	
Total General Fund	160,046	
Special Aid Fund		
Other local grants	\$1,149,068	
Total Special Aid Fund	1,149,068	
School Lunch Fund		
Prepaid account balances	33,211	
Supply chain assistance grant	149,882	
Total School Lunch Fund	183,093	
Total collections in advance	\$1,492,207	

NOTE 12 - SHORT-TERM DEBT:

Transactions in short-term debt for the year are summarized below:

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Note	6/24/22	1.50%	\$ -	\$41,000,000	\$41,000,000	\$ -
Total			\$ -	\$41,000,000	\$41,000,000	\$ -

Interest expense on short-term debt for the year was \$42,777.

The tax anticipation note was issued for interim financing of general fund operations.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

NOTE 13 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Reclassified and Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Serial bonds	\$57,155,000	\$13,465,000	\$22,265,000	\$48,355,000	\$8,070,000
Add: Premiums on obligations	5,048,045	1,456,132	916,038	5,588,139	902,826
Total bonds payable	<u>62,203,045</u>	<u>14,921,132</u>	<u>23,181,038</u>	<u>53,943,139</u>	<u>8,972,826</u>
Other long-term liabilities:					
Lease liability*	62,172		41,224	20,948	20,948
Energy performance debt payable	6,912,937		694,131	6,218,806	711,563
Claims payable	2,117,138	\$1,721,486	1,294,325	2,544,299	1,086,630
Compensated absences payable	10,653,747	1,184,119	1,607,844	10,230,022	1,801,569
Total other post-employment benefits	497,739,134	34,709,640	118,960,522	413,488,252	
Net pension liability-proportionate share - ERS	45,976		45,976	-	
Net pension liability-proportionate share - TRS	<u>12,238,261</u>		<u>12,238,261</u>	-	
Total long-term liabilities	<u>\$591,972,410</u>	<u>\$52,536,377</u>	<u>\$158,063,321</u>	<u>\$486,445,466</u>	<u>\$12,593,536</u>

*Beginning balance as restated. See Note 21 for further details.

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, lease liability, energy performance debt payable, claims payable, compensated absences payable, and other post-employment benefits.

A) Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Refunding serial bond	9/12/2012	7/1/2027	3.50 - 4.25%	\$2,535,000
Refunding serial bond	6/17/2015	10/1/2026	2.00% - 5.00%	15,025,000
Refunding serial bond	10/14/2020	9/15/2028	4.00%	17,330,000
Refunding serial bond	4/5/2022	7/1/2027	5.00%	13,465,000
				<u>\$48,355,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$8,070,000	\$1,577,982	\$9,647,982
2024	8,170,000	1,425,150	9,595,150
2025	8,525,000	1,107,513	9,632,513
2026	8,890,000	782,575	9,672,575
2027	8,810,000	440,000	9,250,000
2028	5,890,000	132,750	6,022,750
	<u>\$48,355,000</u>	<u>\$5,465,970</u>	<u>\$53,820,970</u>

Upon default of the payment of principal or interest on the serial bonds of the District, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance of the District and apply the amount so withheld to the payment of the defaulted principal or interest with respect to the serial bonds.

On April 5, 2022, \$13,465,000 in general obligation bonds with an interest rate of 5.00% were issued to advance refund \$14,580,000 of the 2012 outstanding bonds with an interest rate between 3.00%-5.00%. The net proceeds of \$14,829,250 (after premium received of \$1,456,132 and payment of \$91,882 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the 2012 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements. The District refunded the 2012 bonds to reduce its total debt service payments over the next six (6) years by \$576,618 resulting in a net present value cashflow savings of \$554,175.

B) Lease Liability

In 2022, the District adopted and implemented the provisions of GASB Statement No. 87, *Leases*. As such, the District recognized a lease liability obligation and an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various copiers with an implicit interest rate of 2.16%.

Principal and interest expense paid on the District's lease liability amounted to \$41,224 and \$936, respectively, for the fiscal year ended June 30, 2022.

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 20,948	\$ 132	\$ 21,080
Total	<u>\$ 20,948</u>	<u>\$ 132</u>	<u>\$ 21,080</u>

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C) Energy Performance Debt Payable:

Energy performance debt payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Energy performance debt	7/3/2014	1/3/2030	2.496%	\$6,218,806
				<u>\$6,218,806</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$711,563	\$150,798	\$862,361
2024	729,433	132,928	862,361
2025	747,752	114,609	862,361
2026	766,531	95,830	862,361
2027	785,782	76,579	862,361
2028-2030	2,477,745	109,338	2,587,083
	<u>\$6,218,806</u>	<u>\$680,082</u>	<u>\$6,898,888</u>

D) Long-Term Interest

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

Interest paid	<u>\$2,115,691</u>
Less interest accrued in the prior year	(837,769)
Plus interest accrued in the current year	606,683
Plus amortized prepaid bond refunding costs	138,135
Less amortized deferred amounts on refunding	(916,038)
Total expense	<u>\$1,106,702</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
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NOTE 14 – DEFERRED OUTFLOWS OF RESOURCES:

The deferred charges on refunding recorded in the District-Wide Financial Statements as deferred outflow of resources at June 30, 2022 consisted of the following:

	<u>Total Years Amortized</u>	<u>Initial Amount at Refunding</u>	<u>Amortization To Date</u>	<u>Balance at June 30, 2022</u>
2013 Bond Refunding	14.5	\$ 1,349,261	\$ 878,949	\$ 470,312
2015 Bond Refunding	11	242,743	151,718	91,025
2021 Bond Refunding	7	86,537	20,852	65,685
2022 Bond Refunding	6	249,250	11,684	237,566
Total deferred charges on refunding		<u>\$ 1,927,791</u>	<u>\$ 1,063,203</u>	<u>\$ 864,588</u>

The deferred charges on the refundings are being amortized over the lives of the refunding bonds. Amortization is included as a component of interest expense on the District-Wide Financial Statements.

NOTE 15 – PENSION PLANS:

A) Plan description and benefits provided:

i) Teachers’ Retirement System

The District participates in the New York State Teachers’ Retirement System (TRS) (the System). 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 which can be found on the System’s website at www.nystrs.org.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
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ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple –employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law. 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. The District also participates in the Public Employees' Group Life Insurance Plan 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.

B) Funding policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.
2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012

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- i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31st. The District's average contribution rate for ERS' fiscal year ended March 31, 2022 for covered payroll was 16.2%. The contribution rate for Tier 2, 22.90%, for Tiers 3 & 4, 18.1%, for Tier 5, 15.10%, and for Tier 6, 10.60%.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2022 was 9.80% of covered payroll.

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

	NYSTRS	NYSERS
2022	\$8,045,624	\$2,173,028
2021	\$7,330,773	\$2,119,749
2020	\$6,660,287	\$2,150,194

C) Pension assets, liabilities, pension expense, and deferred outflows and inflows of resources related to pensions:

At June 30, 2022, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2022 for ERS and June 30, 2021 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	ERS	TRS
Measurement date	March 31, 2022	June 30, 2021
Net pension asset/(liability)	\$4,191,828	\$78,535,774
District's portion of the Plan's total net pension asset/(liability)	0.0512788%	0.453203%
Change in proportion since the prior measurement date	0.0051058%	0.010313%

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For the year ended June 30, 2022, the District recognized pension expense (credit) of \$586,274 for ERS and (\$4,667,894) for TRS. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 317,453	\$ 10,825,323	\$ 411,755	\$ 408,027
Changes of assumptions	6,995,691	25,832,058	118,045	4,574,477
Net difference between projected and actual earnings on pension plan investments			13,726,480	82,195,813
Changes in proportion and differences between the District's contributions and proportionate share of contributions	923,284	151,329	8,341	1,158,448
District's contributions subsequent to the measurement date	521,299	8,045,624		
	<u>\$ 8,757,727</u>	<u>\$ 44,854,334</u>	<u>\$ 14,264,621</u>	<u>\$ 88,336,765</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2022		\$ (10,303,483)
2023	\$ (721,468)	(12,126,131)
2024	(1,291,628)	(15,271,344)
2025	(3,378,088)	(19,996,797)
2026	(637,009)	3,602,751
Thereafter		<u>2,566,949</u>
Total	<u>\$ (6,028,193)</u>	<u>\$ (51,528,055)</u>

Actuarial Assumptions

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

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Actuarial valuation date	April 1, 2021	June 30, 2020
Interest rate	5.90%	6.95%
Salary scale	4.40%	5.18% - 1.95%
Cost of living adjustments	1.4% annually	1.3%, annually
Decrement tables	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation rate	2.70%	2.40%

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

For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. The Long-Term Expected Real Rates of Return are presented by asset allocation classification, which differs from the financial statement presentation. Best estimates of the arithmetic real rates of return for each major asset class included in the System’s target asset allocation as of the valuation date are summarized below:

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>March 31, 2022</u>		<u>June 30, 2021</u>	
	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
<u>Asset type</u>	<u>Allocation</u>	<u>expected real</u>	<u>Allocation</u>	<u>expected real</u>
		<u>rate of return</u>		<u>rate of return</u>
Domestic equity	32%	3.30%	33%	6.80%
International equity	15%	5.85%	16%	7.60%
Global equity			4%	7.10%
Private equity	10%	6.50%	8%	10.00%
Real estate	9%	5.00%	11%	6.50%
Opportunistic/Absolute return strategy	3%	4.10%		
Credit	4%	3.78%		
Real assets	3%	5.80%		
Fixed income	23%	0.00%		
Cash	1%	-1.00%		
Domestic fixed income securities			16%	1.30%
Global bonds			2%	0.80%
High-yield bonds			1%	3.80%
Private debt			1%	5.90%
Real estate debt			7%	3.30%
Cash equivalents			1%	-0.20%
	100%		100%	

The expected real rate of return is net of the long-term inflation assumptions of 2.50% for ERS, and 2.40% for TRS.

Discount Rate

The discount rate used to calculate the total pension asset/(liability) was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/(liability).

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9% for ERS and 5.95%

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for TRS) or 1-percentage-point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease (4.9)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset/(liability)	(\$10,789,719)	\$4,191,828	\$16,723,169
TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension asset/(liability)	\$8,241,184	\$78,535,774	\$137,613,275

Pension Plan Fiduciary Net Position

The components of the current-year net pension asset/(liability) of the employers as of the respective measurement dates, were as follows:

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2019
Employers' total pension liability	\$ (223,874,888)	\$ (130,819,415)
Plan Net Position	232,049,473	148,148,457
Employers' net pension asset/(liability)	<u>\$ 8,174,585</u>	<u>\$ 17,329,042</u>
Ratio of plan net position to the Employers' total pension asset/(liability)	103.65%	113.2%

Payables to the Pension Plan

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, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate. Accrued retirement contributions as of June 30, 2022 amounted to \$521,299.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 based on paid TRS wages multiplied by the employer's contribution rate and

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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2022 amounted to \$8,939,693.

NOTE 16 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2022, totaled \$1,221,479 and \$4,502,713 respectively.

B) Deferred Compensation Plan:

The District has adopted a 457 plan covering select bargaining unit employees. Employees in these units may defer a percentage of their compensation subject to Internal Revenue Code elective deferral limitations. Contributions made by employees for the year ended June 30, 2022 totaled \$124,769.

NOTE 17 – POST-EMPLOYMENT (HEALTH INSURANCE) BENEFITS:

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "OPEB Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with provisions of various employment contracts. Medicare Part B benefits are also provided. Benefits are provided through the New York State Health Insurance Program (NYSHIP), and are administered by the Empire Plan (Core Plus Enhancements). Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand-alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. The contribution requirements of Plan members and the District are established and may be amended by the District. Benefit terms provide for the District to contribute between 80.5% and 100% of the premiums for individual and family coverage, 0%

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of the premiums for surviving spouses, and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. For fiscal year 2022, the District contributed an estimated \$12,050,398 to the Plan, including \$12,050,398 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

At June 30, 2020, the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	787
Inactive employees entitled to but not yet receiving benefits	0
Active employees	889
Total Membership	1,676

B) Total OPEB Liability:

The District’s total other post-employment benefit (OPEB) liability of \$413,488,252 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount rate	
Prior measurement date	2.16%
Measurement date	3.54%
Mortality table	Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-20
Health care cost trends	
Medical	Actual premium increases from 2020 to 2022, followed by 5.10% decreasing to an ultimate rate of 4.04% by 2075
Part B Reimbursement	2.70% for 2020 decreasing to an ultimate rate of 4.04% by 2075

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
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The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount Weighted table projected fully generationally using MP-2020.

C) Changes in the Total OPEB Liability:

Balance as of June 30, 2021	\$ 497,739,134
Changes for the fiscal year:	
Service cost	20,031,119
Interest	11,054,388
Change in benefit terms	-
Difference between expected and actual experience	3,624,133
Changes of assumptions or other inputs	(106,910,124)
Benefit payments	(12,050,398)
Net Changes	(84,250,882)
Balance as of June 30, 2022	\$ 413,488,252

The following assumptions have been updated since the last full valuation:

1. Discount rate changed from 2.16% in 2021 to 3.54% in 2022 based on the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2022.
2. Liabilities projected on a no gain/loss basis
3. Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2020. This change caused an increase in liabilities.
4. Termination and retirement rates have been updated based NYS ERS assumptions first adopted on April 1, 2020 and NYS TRS assumptions first adopted on June 30, 2015.
5. Health care trend rates have been updated from 2020 to 2022 based on known premium rate increases.

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

The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.54%), or 1 percentage point higher (4.54%) than the current discount rate:

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
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FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>1% Decrease (2.54%)</u>	<u>Current Assumption (3.54%)</u>	<u>1% Increase (4.54%)</u>
Total OPEB Liability	<u>\$487,404,654</u>	<u>\$413,488,252</u>	<u>\$354,655,806</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table 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:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Total OPEB Liability	<u>\$341,673,158</u>	<u>\$413,488,252</u>	<u>\$507,449,236</u>

D) OPEB Expense and Deferred Inflows and Outflows of Resources:

For the year ended June 30, 2022, the District recognized OPEB expense of \$33,094,761. At June 30, 2022, 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>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,480,282	\$ 34,099,926
Changes of assumptions or other inputs	<u>99,694,297</u>	<u>96,980,195</u>
Total	<u>\$ 108,174,579</u>	<u>\$ 131,080,121</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

Year Ended June 30:	Amount
2023	\$ 2,009,254
2024	2,009,254
2025	3,411,954
2026	(825,723)
2027	(14,755,142)
Thereafter	(14,755,139)
	\$ (22,905,542)

NOTE 18 – RISK MANAGEMENT:

A) General:

The 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 three years.

B) Risk Retention:

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unpaid claims which were incurred on or before year-end. Liabilities do not include an amount for reported claims which were incurred on or before year-end but not reported (IBNR). Had an actuary valuation been performed, the liability amount may significantly change. As of June 30, 2022, the District has recorded a workers' compensation claims liability of \$2,544,299 and has a workers' compensation reserve balance of \$1,018,960.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Claims activity is as follows:

Fiscal Year Ending	Unpaid Claims at the Beginning of the Year	Incurred Claims	Paid Claims and Adjustments	Unpaid Claims at the End of the Year
June 30, 2021	\$1,950,464	\$1,045,609	(\$878,935)	\$2,117,138
June 30, 2022	\$2,117,138	\$1,721,486	(\$1,294,325)	\$2,544,299

The program is accounted for in the general fund of the District.

NOTE 19 – TAX ABATEMENTS:

The Town of Brookhaven and the County of Suffolk enter into various property tax abatement programs for the purpose of economic development. The District's property tax revenue was reduced by \$603,782 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$603,782 from the Town of Brookhaven and the County of Suffolk during the fiscal year ending June 30, 2022.

NOTE 20 – COMMITMENTS AND CONTINGENCIES:

A) Encumbrances:

Significant encumbrances included in governmental fund balances have been classified as restricted or assigned fund balance and are as follows:

- i. **General Fund** - Total encumbrances of the general fund as of June 30, 2022 were \$625,304. Significant encumbrances were assigned as follows; \$190,493 for equipment, \$262,315 for professional services, \$57,834 for BOCES services, and \$114,662 for supplies and materials.
- ii. **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2022 were \$1,178,487.
- iii. **Special Aid Fund** - Total encumbrances of the special aid fund as of June 30, 2022 were \$596,909. Encumbrances totaling \$545,125 were for supplies and materials, \$48,635 was for purchased services and \$3,149 were for BOCES services.

B) Grants:

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

C) Litigation:

As of June 30, 2022, we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which requires disclosure.

NOTE 21 – RESTATEMENT

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. The adoption and implementation of this Statement resulted in the restatement of opening balances of non-current assets, long-term liabilities, and deferred inflows of resources. There was no impact on the opening net position. These changes have been restated as follows:

	Statement of Net Position
Net Deficit, Beginning of the Year	\$ (329,248,155)
Intangible lease assets	62,172
Lease receivable	78,443
Total Non-Current Assets	140,615
Lease liability	62,172
Total Long-term Liabilities	62,172
Deferred inflows of resources	78,443
Net Deficit, Beginning of the Year	\$ (329,248,155)

NOTE 22 – SUBSEQUENT EVENTS:

- A) The District issued \$39,000,000 in tax anticipation notes on September 28, 2022, with a stated interest rate of 4.25% maturing on June 28, 2023. In addition, the District received a premium of \$357,240 on the note, which resulted in a net interest rate of 3.028667%.
- B) The District was awarded funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) through the Elementary and Secondary School Emergency Relief Program (ESSER), and the Governor's Emergency Education Relief Program (GEER).

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the special aid fund as they are expended. As of June 30, 2022, the District has expended funds as follows:

Funding Source	Grant Amount Awarded	Cumulative Amount Expended as of June 30, 2022
CRRSA - ESSER 2	\$ 6,750,997	\$ 3,691,348
CRRSA - GEER 2	646,577	298,570
	\$ 7,397,574	\$ 3,989,918

- C) The District was awarded funding as of June 30, 2022 from the American Rescue Plan (ARP) as noted below. The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the Special Aid Fund as they are expended.

Funding Source	Grant Amount Awarded	Cumulative Amount Expended as of June 30, 2022
ARP - ESSER 3	\$ 7,282,782	\$ 634,772
ARP - SLR Summer Enrichment	1,257,078	193,749
ARP - SLR Comprehensive A	1,257,078	89,816
ARP - SLR Learning Loss	6,285,214	440,998
ARP - Homeless II	40,725	0
	\$ 16,122,877	\$ 1,359,335

SUPPLEMENTARY INFORMATION

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$119,129,254	\$119,129,254	\$108,093,902	(\$11,035,352)
Other real property tax items	333,159	333,159	11,640,839	11,307,680
Charges for services	1,856,332	1,856,332	1,473,101	(383,231)
Use of money & property	801,384	801,384	90,407	(710,977)
Sale of property & compensation for loss	127,770	127,770	188,566	60,796
Miscellaneous	1,625,000	1,625,000	1,586,310	(38,690)
Interfund revenues	50,000	50,000		(50,000)
State Sources				
Basic formula	59,621,734	59,621,734	48,814,474	(10,807,260)
Excess cost aid	4,585,256	4,585,256	11,815,410	7,230,154
Lottery Aid			10,704,327	10,704,327
BOCES aid			2,042,812	2,042,812
Tuition for students with disabilities aid	150,000	150,000	138,462	(11,538)
Textbook aid			442,526	442,526
Computer software and hardware aid			226,718	226,718
Library A/V loan program aid			46,581	46,581
Other state aid	374,584	374,584	326,247	(48,337)
Other Federal Aid	7,437,242	7,437,242		(7,437,242)
Medicaid reimbursement	600,000	600,000	319,755	(280,245)
Other Financing Sources				
Transfers from other funds	243,455	243,455	243,455	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>196,935,170</u>	<u>196,935,170</u>	<u>\$198,193,892</u>	<u>\$1,258,722</u>
Appropriated reserves	<u>2,815,946</u>	<u>2,815,946</u>		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	<u>\$199,751,116</u>	<u>\$199,751,116</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$166,128	\$169,062	\$146,303		\$22,759
Central administration	426,038	437,018	430,330		6,688
Finance	1,326,686	1,349,449	1,329,667	\$4,804	14,978
Staff	866,919	1,026,243	989,674	7,168	29,401
Central services	16,089,750	16,787,721	15,789,230	451,061	547,430
Special items	2,296,428	2,284,875	2,271,388		13,487
	<u>21,171,949</u>	<u>22,054,368</u>	<u>20,956,592</u>	<u>463,033</u>	<u>634,743</u>
Instructional					
Instruction, adm. & imp.	7,308,107	7,362,629	7,184,685		177,944
Teaching - regular school	54,483,364	55,651,293	54,923,696	69,505	658,092
Programs for children with handicapping conditions	31,672,152	29,694,490	26,338,881	3,069	3,352,540
Occupational education	1,831,461	1,819,513	1,807,389		12,124
Teaching special schools	649,065	576,665	378,140		198,525
Instructional media	3,369,751	3,459,484	3,310,341	52,581	96,562
Pupil services	8,241,855	8,102,316	7,527,392	37,116	537,808
	<u>107,555,755</u>	<u>106,666,390</u>	<u>101,470,524</u>	<u>162,271</u>	<u>5,033,595</u>
Pupil transportation	9,610,996	8,652,724	8,148,242		504,482
Community services	2,126,385	2,259,835	1,997,531		262,304
Employee benefits	46,964,578	48,211,819	47,760,682		451,137
Debt service					
Debt service principal			41,224		(41,224)
Debt service interest	458,334	42,861	43,713		(852)
TOTAL EXPENDITURES	<u>187,887,997</u>	<u>187,887,997</u>	<u>180,418,508</u>	<u>625,304</u>	<u>6,844,185</u>
Other Financing Uses					
Interfund transfers	11,863,119	11,863,119	11,766,930		96,189
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$199,751,116</u>	<u>\$199,751,116</u>	<u>192,185,438</u>	<u>\$625,304</u>	<u>\$6,940,374</u>
NET CHANGE IN FUND BALANCE			6,008,454		
FUND BALANCE - BEGINNING OF YEAR			26,873,055		
FUND BALANCE - END OF YEAR			<u>\$32,881,509</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service Cost at end of year	\$20,031,119	\$18,748,417	\$14,223,247	\$6,975,699	\$7,257,844
Interest	11,054,388	10,578,401	14,951,026	12,583,133	11,691,075
Changes of benefit terms	-	(3,973,895)	-	(1,652,121)	-
Difference between expected and actual experience	3,624,133	(6,715,132)	(59,246,342)	10,747,766	-
Changes of assumptions or other inputs	(106,910,124)	25,087,041	89,747,494	76,191,714	(16,585,696)
Benefit payments	<u>(12,050,398)</u>	<u>(11,731,763)</u>	<u>(11,225,723)</u>	<u>(11,331,824)</u>	<u>(10,295,153)</u>
Net change in Total OPEB Liability	(84,250,882)	31,993,069	48,449,702	93,514,367	(7,931,930)
Total OPEB Liability - beginning	<u>497,739,134</u>	<u>465,746,065</u>	<u>417,296,363</u>	<u>323,781,996</u>	<u>331,713,926</u>
Total OPEB Liability - ending	<u>\$413,488,252</u>	<u>\$497,739,134</u>	<u>\$465,746,065</u>	<u>\$417,296,363</u>	<u>\$323,781,996</u>
Covered employee payroll	\$91,240,988	\$86,040,283	\$84,064,514	\$81,335,258	\$76,494,781
Total OPEB Liability as a percentage of covered employee payroll	453.18%	578.50%	554.03%	513.06%	423.27%

Notes to Schedule:*Trust Assets*

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

Changes of Assumptions and Changes in Benefits Terms

Discount rate changed from 3.87% in 2018 to 3.51% in 2019 to 2.21% in 2020 to 2.16% in 2021.

Aging subsidy has been added to the post-65 periods as a reflection of healthcare costs that vary by age (higher cost as the participant gets older). This change caused an increase in the District's liability.

Mortality improvement scale has been updated from MP-2018 and MP-2020, which caused a decrease in liability.

Health care trend rates have been updated as follows, which caused a decrease in the District's liability.

- a. Medical and prescription drug trend rates have been updated from 2018 Getzen to 2020 Getzen model, with an initial rate that is based on the actual NYSHIP premium increases from 2020 to 2021.
- b. Medicare Part B trend rates have been updated to an initial rate of 2.70% in 2020, followed by projected Part B premium increase shown in the 2020 Medicare Trustees report, decreasing gradually to an ultimate rate of 4.04% by 2075.

Salary scale, termination, and retirement rates have been updated based NYS ERS assumptions first adopted on April 1, 2020.

The net impact of this change is a slight decrease in liability.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/(LIABILITY)
FOR THE FISCAL YEARS ENDED JUNE 30, *

	NYSERS Pension Plan								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.5127880%	0.0461730%	0.0439866%	0.0443228%	0.0430146%	0.0441517%	0.0428285%	0.0428188%	0.0428188%
District's proportionate share of the net pension asset/(liability)	\$ 4,191,828	\$ (45,976)	\$(11,647,919)	\$ (3,140,406)	\$ (1,388,273)	\$ (4,148,588)	\$ (6,874,102)	\$ (1,446,523)	\$ (1,934,921)
District's covered payroll	\$ 17,184,363	\$ 16,423,475	\$ 15,828,951	\$ 15,568,506	\$ 14,491,832	\$ 14,202,033	\$ 13,995,350	\$ 13,032,483	\$ 12,836,071
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	24.39%	0.28%	73.59%	20.17%	9.58%	29.21%	49.12%	11.10%	15.07%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
	NYSTRS Pension Plan								
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.453203%	0.442890%	0.435688%	0.428133%	0.420665%	0.423565%	0.429273%	0.430833%	0.441540%
District's proportionate share of the net pension asset/(liability)	\$ 78,535,774	\$(12,238,261)	\$ 11,319,215	\$ 7,741,782	\$ 3,197,468	\$ (4,536,556)	\$ 44,587,735	\$ 47,992,057	\$ 2,906,453
District's covered payroll	\$ 78,507,771	\$ 76,810,301	\$ 74,549,554	\$ 71,259,740	\$ 68,829,412	\$ 66,282,405	\$ 65,447,539	\$ 64,783,002	\$ 65,811,589
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	100.04%	15.93%	15.18%	10.86%	4.65%	6.84%	68.13%	74.08%	4.42%
Plan fiduciary net position as a percentage of the total pension asset/(liability)	113.20%	97.80%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,**

NYSERS Pension Plan										
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 2,173,028	\$ 2,119,749	\$ 2,150,194	\$ 1,983,492	\$ 2,021,624	\$ 2,134,840	\$ 2,071,934	\$ 3,308,634	\$ 2,813,250	\$ 1,605,109
Contributions in relation to the contractually required contribution	<u>2,173,028</u>	<u>2,119,749</u>	<u>2,150,194</u>	<u>1,983,492</u>	<u>2,021,624</u>	<u>2,134,840</u>	<u>2,071,934</u>	<u>3,308,634</u>	<u>2,813,250</u>	<u>1,605,109</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 17,953,941	\$ 16,370,164	\$ 16,526,834	\$ 14,968,849	\$ 14,946,141	\$ 14,459,827	\$ 14,127,816	\$ 13,378,662	\$ 12,779,733	\$ 12,817,802
Contributions as a percentage of covered payroll	12.10%	12.95%	13.01%	13.25%	13.53%	14.76%	14.67%	24.73%	22.01%	12.52%
NYSTRS Pension Plan										
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 8,045,624	\$ 7,330,773	\$ 6,660,287	\$ 7,723,234	\$ 6,834,337	\$ 7,812,724	\$ 8,666,777	\$ 11,303,793	\$ 10,341,609	\$ 7,657,645
Contributions in relation to the contractually required contribution	<u>8,045,624</u>	<u>7,330,773</u>	<u>6,660,287</u>	<u>7,723,234</u>	<u>6,834,337</u>	<u>7,812,724</u>	<u>8,666,777</u>	<u>11,303,793</u>	<u>10,341,609</u>	<u>7,657,645</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 84,040,009	\$ 78,507,771	\$ 76,810,301	\$ 74,549,554	\$ 71,259,740	\$ 68,829,412	\$ 66,282,405	\$ 65,447,539	\$ 64,783,002	\$ 65,811,589
Contributions as a percentage of covered payroll	9.57%	9.34%	8.67%	10.36%	9.59%	11.35%	13.08%	17.27%	15.96%	11.64%

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$198,935,170
Add: Prior year's encumbrances	<u>815,946</u>
Original Budget	<u>199,751,116</u>
Final Budget	<u><u>199,751,116</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2022-2023 voter approved expenditure budget	<u>\$211,181,877</u>
Maximum allowed (4% of 2022-2023 budget)	<u><u>\$8,447,275</u></u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	
Assigned fund balance	\$625,304
Unassigned fund balance	<u>7,621,670</u>
Total unrestricted fund balance	8,246,974
Less:	
Appropriated fund balance	
Encumbrances	<u>625,304</u>
Total adjustments	<u>625,304</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$7,621,670</u></u>
Actual percentage	3.61%

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
JUNE 30, 2022**

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2022
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2007 EXCEL Bond Referendum	\$10,334,240	\$10,334,240	\$10,125,661		\$10,125,661	\$208,579	\$7,460,000	\$2,665,661		\$10,125,661	\$ -
2013-14 High School Track and Field	1,600,000	1,335,989	1,335,989		1,335,989	-			\$1,335,989	1,335,989	-
Energy Performance Contract	10,602,531	10,602,531	10,602,531		10,602,531	-	10,602,531			10,602,531	-
Smart Schools Bond Act	373,942	2,099,653	845,360	\$3,816	849,176	1,250,477		845,360		845,360	(3,816)
2015-16 Interfund Transfer	500,000	499,951	499,849		499,849	102			499,849	499,849	-
2016-17 Interfund Transfer	550,000	550,000	338,011		338,011	211,989			550,000	550,000	211,989
2017-18 Interfund Transfer - ADA Renovations District-Wide	1,124,584	1,124,584	1,017,363	107,221	1,124,584	-			1,124,584	1,124,584	-
2017-18 Interfund Transfer - FEMA	243,455	243,455	-	243,455	243,455	-			243,455	243,455	-
2018-19 Interfund Transfer - Playground Renovation Plan	2,450,000	2,450,000	2,295,676	154,324	2,450,000	-			2,450,000	2,450,000	-
2019-20 Interfund Transfer - Miscellaneous Projects	3,000,000	3,000,000	617,550	398,474	1,016,024	1,983,976			3,000,000	3,000,000	1,983,976
2021-22 Interfund Transfer - Career and Technical Ed, Solar Initiative, Security	950,000	950,000	-	775,186	775,186	174,814			950,000	950,000	174,814
2015 Capital Reserve - Bay Roof	365,565	147,314	147,314		147,314	-			147,314	147,314	-
2015 Capital Reserve - Medford Windows	511,752	443,622	443,308		443,308	314			443,622	443,622	314
2015 Capital Reserve - Medford Roof	511,752	208,353	208,353		208,353	-			208,353	208,353	-
2015 Capital Reserve - Saxton Roof	1,097,682	465,169	465,169		465,169	-			465,169	465,169	-
2015 Capital Reserve - Barton Roof	639,714	243,165	243,165		243,165	-			243,165	243,165	-
2015 Capital Reserve - Tremont Roof	731,131	315,645	315,645		315,645	-			315,645	315,645	-
2015 Capital Reserve - Eagle Roof	594,006	250,055	250,055		250,055	-			250,055	250,055	-
2015 Capital Reserve - Canaan Roof	548,398	237,162	237,162		237,162	-			237,162	237,162	-
2015 Capital Reserve - River Roof		129,390	129,231		129,231	159			129,390	129,390	159
2015 Capital Reserve - South Ocean Lockers		144,639	144,639		144,639	-			144,639	144,639	-
2015 Capital Reserve - Saxton Lockers		200,181	200,181		200,181	-			200,181	200,181	-
2015 Capital Reserve - HS Roof and Tennis Courts		1,469,361	1,454,211		1,454,211	15,150			1,469,361	1,469,361	15,150
2015 Capital Reserve - Security		745,944	735,758		735,758	10,186			745,944	745,944	10,186
2018 Capital Reserve - Canaan Vestibule	350,000	432,900	338,303	44,832	383,135	49,765			432,900	432,900	49,765
2018 Capital Reserve - Medford Loop, Payground Supplemt, ADA Supplement	500,000	784,000	660,175	(124,384)	535,791	248,209			784,000	784,000	248,209
2018 Capital Reserve - High School Greenhouse Supplement	500,000	277,150	235,611		235,611	41,539			277,151	277,151	41,540
2018 Capital Reserve - High School Dust Collection	200,000	331,050	308,707		308,707	22,343			331,050	331,050	22,343
2018 Capital Reserve - Playground Renovation Plan Supplement	550,000	389,898	68,465	(50,822)	17,643	372,255			389,898	389,898	372,255
2018 Capital Reserve - ADA Renovations District-Wide Supplement	500,000		-		-	-			-	-	-
2018 Capital Reserve - Oregon ADA and Track	1,000,000	1,204,002	1,199,522	(43,680)	1,155,842	48,160			1,204,002	1,204,002	48,160
2018 Capital Reserve - Saxton ADA and Track	1,000,000	1,181,000	1,171,094	720	1,171,814	9,186			1,181,000	1,181,000	9,186
2018 Capital Reserve - Projects Approved 5/21/2019	2,500,000	2,500,000	1,698,497	263,668	1,962,165	537,835			2,500,000	2,500,000	537,835
TOTAL	\$43,828,752	\$45,290,403	\$38,332,555	\$1,772,810	\$40,105,365	\$5,185,038	\$18,062,531	\$3,511,021	\$22,253,878	\$43,827,430	\$3,722,065

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2022**

Capital assets, net		\$113,180,299
Intangible lease assets, net		20,724
Add:		
Deferred charges on refundings	\$864,588	864,588
Deduct:		
Short-term portion of lease liability	20,948	20,948
Short-term portion of bonds payable (inclusive of unamortized premiums)	8,972,826	
Long-term portion of bonds payable (inclusive of unamortized premiums)	44,970,313	53,943,139
Short-term portion of energy performance debt	711,563	
Long-term portion of energy performance debt	5,507,243	6,218,806
Net investment in capital assets		\$53,882,718

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

To the Board of Education
Patchogue-Medford 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 fiduciary fund of the Patchogue-Medford Union Free School District (the "District") as of and for the fiscal year ended June 30, 2022, 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 11, 2022.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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 statements. 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.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 11, 2022