

**PATCHOGUE-MEDFORD  
UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

# PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

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



### ***Emphasis on Matter***

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that 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 pension liability, and the schedule of District's contributions on pages 1 through 15 and 61 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other 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 financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 5, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*R.S. Abrams & Co., LLP*

R.S. Abrams & Co., LLP  
Islandia, NY  
October 5, 2021



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021. 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 2021 are as follows:

- On the District-Wide Financials, real property taxes and other tax items and state sources accounted for 92.92% of total revenues, 58.12% and 34.80% respectively.
- On the District-Wide Financial Statements, expenses increased by \$120,832 or 0.05% as a result of increases in general support and community services, partially offset by decreases in instruction, and debt service interest.
- The District refunded bonds originally issued on 9/27/2012 and 1/5/2012 on 10/14/2020, and as a result of this 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 \$2,355,353.
- The District's total net position at June 30, 2020 was restated and increased by \$1,395,976, which was due to the required implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year.
- During the year, the District recognized \$1,098,852 in federal grants revenue in relation to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). These funds were recorded in operating grants and contributions of the Statement of Activities on the District-Wide Financial Statements, and were included in the General Fund.
- The District applied for funding under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in the amounts of \$6,750,997 for the Elementary and Secondary School Emergency Relief Program (ESSER), and the Governor's Emergency Education Relief Program (GEER) in the amount of \$646,577, which was approved in July of 2021.

**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:



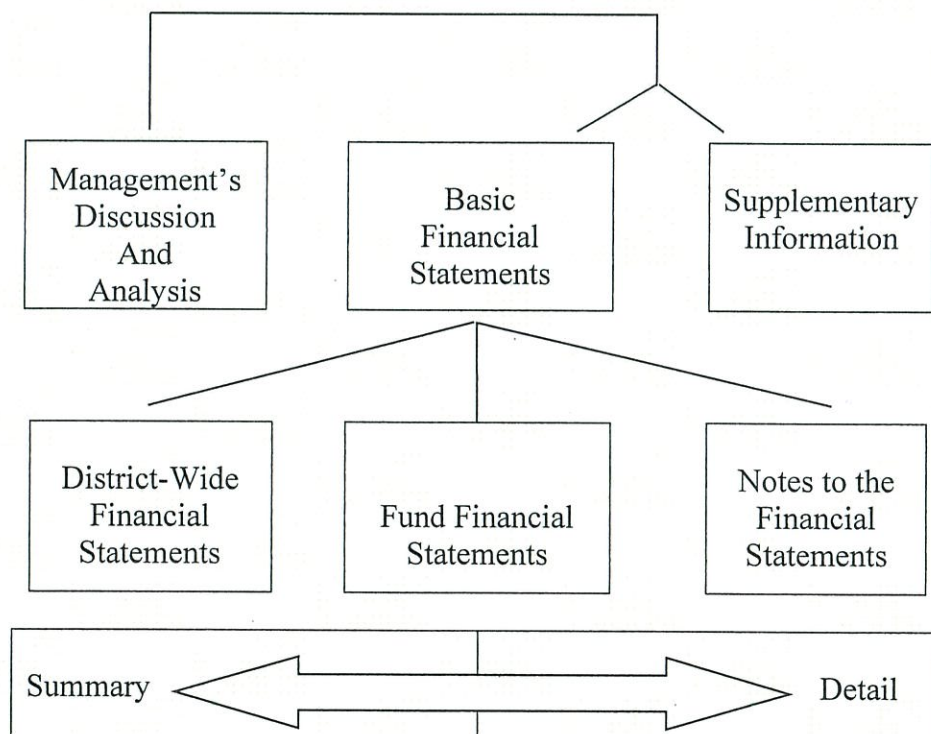
**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

- 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.

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, 2021**

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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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, 2021**

**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;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation 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, 2021**

**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:**

Current and other assets, other liabilities, restricted net position, and unrestricted net position for 2020 have been restated for the implementation of GASB Statement No. 84, *Fiduciary Activities*. This Statement eliminates the trust and agency and the private purpose trust funds and now records those activities in the general fund, miscellaneous special revenue fund, and custodial fund. See Note 20 for further information. In addition, deferred outflows of resources, long-term liabilities, and deferred inflows of resources have been reclassified. See Note 12 to the financial statements for further information.



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	As Restated 2020	As Reported 2020	Increase (Decrease)
Current and other assets	\$ 51,878,511	\$ 50,091,104	\$ 1,787,407
Deferred outflows of resources	185,796,260	184,563,874	1,232,386
Other liabilities	19,081,951	18,690,520	391,431
Long-term liabilities	568,770,266	565,474,081	3,296,185
Deferred inflows of resources	75,435,785	77,499,584	(2,063,799)
Net Position			
Restricted	20,887,332	19,818,514	1,068,818
Unrestricted (deficit)	(357,825,723)	(358,152,881)	327,158
Total net position (deficit)	(295,839,444)	(297,235,420)	1,395,976

The District's net deficit increased by \$33,408,711 in the fiscal year ended June 30, 2021 as detailed in the following table.

**Condensed Statement of Net Position - Governmental Activities**

	Fiscal Year 2021	As Restated Fiscal Year 2020	Increase (Decrease)	Total Percentage Change
Current assets and other assets	\$ 50,855,583	\$ 51,878,511	\$ (1,022,928)	(1.97%)
Capital assets, net	115,889,008	118,454,572	(2,565,564)	(2.17%)
Net pension asset, proportionate share		11,319,215	(11,319,215)	(100.00%)
Total Assets	166,744,591	181,652,298	(14,907,707)	(8.21%)
Deferred outflows of resources	188,065,026	185,796,260	2,268,766	1.22%
Total Assets and Deferred Outflows of Resources	354,809,617	367,448,558	(12,638,941)	(3.44%)
Other liabilities	18,872,412	19,081,951	(209,539)	(1.10%)
Long-term liabilities	591,910,238	568,770,266	23,139,972	4.07%
Total Liabilities	610,782,650	587,852,217	22,930,433	3.90%
Deferred inflows of resources	73,275,122	75,435,785	(2,160,663)	(2.86%)
Total liabilities and deferred inflows of resources	684,057,772	663,288,002	20,769,770	3.13%
Net Position				
Net investment in capital assets	47,526,499	41,098,947	6,427,552	15.64%
Restricted	22,103,541	20,887,332	1,216,209	5.82%
Unrestricted (deficit)	(398,878,195)	(357,825,723)	(41,052,472)	11.47%
Total net position (deficit)	\$ (329,248,155)	\$ (295,839,444)	\$ (33,408,711)	11.29%

Current assets and other assets decreased by \$1,022,928. This was primarily due to a decrease in receivables from state and federal as well as amounts due from other governments, offset partially by



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

an increase in cash. Capital assets (net of depreciation) decreased by \$2,565,564. This was primarily attributable to current year depreciation offset by current year capital outlay (construction in progress). The District's net pension asset – proportionate share – for the teachers' retirement system decreased by \$11,319,215 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.

Long-term liabilities increased by \$23,139,972 primarily due to an increase in the net pension liabilities – proportionate share, as well as an increase in the total other post-employment benefits obligation, net of a decrease in bonds payable. 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 14 and 16.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings and improvements, and machinery and equipment, net of depreciation and related debt. This number increased from the prior year by \$6,427,552 primarily due to the reduction in the principal balance of related debt and District Wide capital improvements, net of current year depreciation expense.

The restricted net position in the amount of \$22,103,541 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 \$398,878,195 relates to the balance of the District's net position. The unrestricted net deficit increased by \$41,052,472 from the prior year.

**B) Changes in Net Position:**

Prior year revenues for charges for services, operating grants and contributions, and use of money and property, as well as instruction expenses were increased due to the implementation of GASB Statement No. 84, *Fiduciary Activities*.

	As Restated 2020	As Reported 2020	Increase (Decrease)
Revenues			
Charges for services	\$ 2,531,169	\$ 2,040,785	\$ 490,384
Operating grants and contributions	7,705,243	7,665,922	39,321
Use of money and property	666,918	648,998	17,920
Expenses			
Instruction	187,223,847	186,663,439	560,408



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Change in Net Position from Operating Results Governmental Activities Only:

	Fiscal Year 2021	As Restated Fiscal Year 2020	Increase (Decrease)	Total Percentage Change
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for services	\$1,232,977	\$2,531,169	(\$1,298,192)	(51.29%)
Operating grants and contributions	9,831,820	7,705,243	2,126,577	27.60%
Capital grants	490,917		490,917	100.00%
<b>General Revenues</b>				
Real property taxes and other tax items	116,399,026	116,198,894	200,132	0.17%
Use of money & property	514,533	666,918	(152,385)	(22.85%)
Other	1,819,089	1,339,351	479,738	35.82%
State sources	69,694,472	72,327,786	(2,633,314)	(3.64%)
Medicaid reimbursement	285,589	493,326	(207,737)	(42.11%)
<b>Total Revenues</b>	<u>200,268,423</u>	<u>201,262,687</u>	<u>(994,264)</u>	<u>(0.49%)</u>
<b>Expenses</b>				
General support	30,441,525	28,664,264	1,777,261	6.20%
Instruction	185,974,889	187,223,847	(1,248,958)	(0.67%)
Pupil transportation	9,150,331	9,302,935	(152,604)	(1.64%)
Community services	3,160,609	2,839,267	321,342	11.32%
Debt service - interest	2,127,850	2,765,920	(638,070)	(23.07%)
Food service program	2,821,930	2,760,069	61,861	2.24%
<b>Total Expenses</b>	<u>233,677,134</u>	<u>233,556,302</u>	<u>120,832</u>	<u>0.05%</u>
<b>Increase (Decrease) in Net Position</b>	<u>(\$33,408,711)</u>	<u>(\$32,293,615)</u>	<u>(\$1,115,096)</u>	<u>3.45%</u>

The District's fiscal year 2021 revenues totaled \$200,268,423. Real property taxes and other tax items, and state sources accounted for most of the District's revenue by contributing 58.12% and 34.80%, respectively of total revenue. The remainder resulted from fees charged for services, operating grants, use of money and property, and other miscellaneous sources. Total revenues decreased by \$994,264 or 0.49%. This was primarily attributable to a decrease in state sources and charges for services offset by an increase in operating grants and contributions as well as other revenues (refund of prior year expenditures).

The cost of all programs and services totaled \$233,677,134 for fiscal year 2021. These expenses are predominantly related to general instruction and transporting students, which account for 83.50% of district expenses. The District's general support activities accounted for 13.03% of total costs.

The users of the District's programs financed \$1,232,977 of the cost. The federal and state governments subsidized certain programs with operating grants and contributions and capital grants of \$10,322,737, which represents a 34.0% increase from the prior year. Most of the District's net costs of \$222,121,420 were financed by District taxpayers and state sources.



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Table A-5: Revenues for Fiscal Year 2021

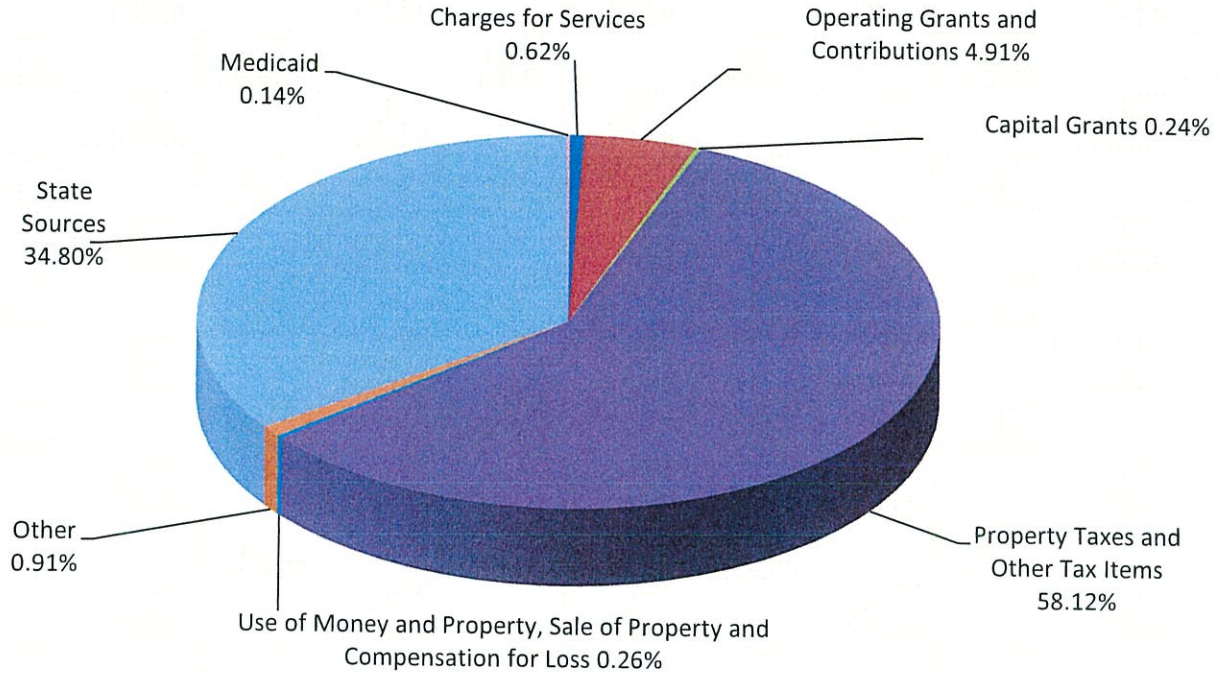
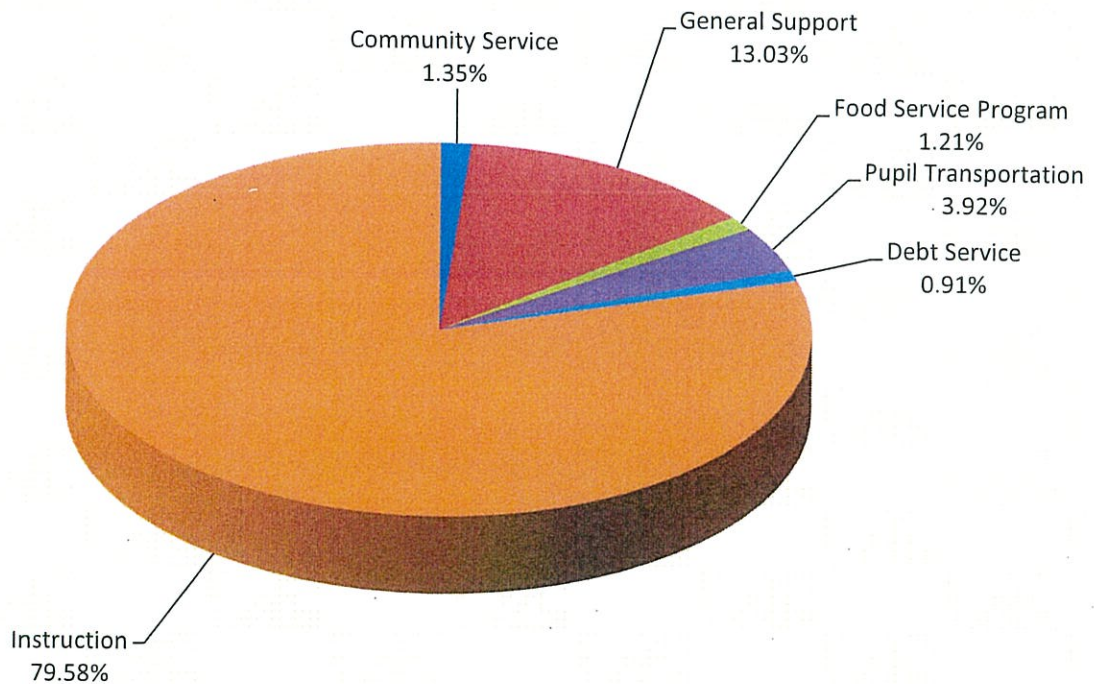


Table A-6: Expenses for Fiscal Year 2021



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

Variances between years for the Governmental Fund Financial Statements are not the same as variances 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, 2021, the District's combined governmental funds reported a total fund balance of \$32,795,868, which is a decrease of \$338,421 from the prior year. Fund balance for 2020 was restated to include a miscellaneous special revenue fund for scholarships and donations and extraclassroom activities due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. See Footnote 20.

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



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	2021	As Restated 2020	Increase (Decrease)	Total Percentage Change
<b>General Fund</b>				
Restricted				
Employee benefit accrued liability	\$9,203,757	\$9,177,711	\$26,046	0.28%
Retirement contribution - ERS	5,423,640	5,413,442	10,198	0.19%
Retirement contribution - TRS	1,001,419	500,000	501,419	100.28%
Unemployment insurance	52,126	86,978	(34,852)	(40.07%)
Insurance	212,074	211,474	600	0.28%
Workers' compensation	1,017,428	1,014,549	2,879	0.28%
Capital	2,693,590	186,722	2,506,868	1342.57%
Assigned				
General support	497,495	262,534	234,961	89.50%
Instruction	318,277	876,442	(558,165)	(63.69%)
Pupil transportation		10,762	(10,762)	(100.00%)
Community services	174		174	100.00%
Unassigned	6,453,075	6,836,316	(383,241)	(5.61%)
Total Fund Balance - General Fund	<u>\$26,873,055</u>	<u>\$24,576,930</u>	<u>\$2,296,125</u>	9.34%
<b>Special aid Fund</b>				
Unassigned	(97,173)		(97,173)	100.00%
Total Fund Balance - Special Aid Fund	<u>(97,173)</u>	<u>\$ -</u>	<u>(97,173)</u>	100.00%
<b>School Lunch Fund</b>				
Nonspendable: inventory	\$53,637	\$129,223	(\$75,586)	(58.49%)
Assigned	82,164	333,136	(250,972)	(75.34%)
Total Fund Balance - School Lunch Fund	<u>\$135,801</u>	<u>\$462,359</u>	<u>(\$326,558)</u>	(70.63%)
<b>Debt Service Fund</b>				
Restricted	\$17,256	\$17,249	\$7	0.04%
Total Fund Balance - Debt Service Fund	<u>\$17,256</u>	<u>\$17,249</u>	<u>\$7</u>	0.04%
<b>Miscellaneous Special Revenue Fund</b>				
Restricted - scholarships and donations	\$1,036,815	\$1,068,818	(\$32,003)	(2.99%)
Assigned - extraclassroom activities	285,239	327,158	(41,919)	(12.81%)
Total Fund Balance - Miscellaneous Special Revenue Fund	<u>\$1,322,054</u>	<u>\$1,395,976</u>	<u>(\$73,922)</u>	(5.30%)
<b>Capital Projects Fund</b>				
Restricted	\$1,445,436	\$3,210,389	(\$1,764,953)	(54.98%)
Assigned	3,099,439	3,471,386	(371,947)	(10.71%)
Total Fund Balance - Capital Projects Fund	<u>\$4,544,875</u>	<u>\$6,681,775</u>	<u>(\$2,136,900)</u>	(31.98%)
Total Fund Balances - All Funds	<u>\$32,795,868</u>	<u>\$33,134,289</u>	<u>(\$338,421)</u>	(1.02%)

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Changes to fund balances can be attributed to the following:

**A) General Fund**

Fund balance in the general fund increased by \$2,296,125. This change is a result of revenues of \$191,301,808, exceeding expenditures and other financing uses of \$189,005,683.

**B) Special Aid Fund**

Fund Balance in the special aid fund decreased by \$97,173. This decrease is due to the District incurring expenditures related to the Federal CRRSA grants. Revenues will be recognized related to these expenditures in the 2021-22 year when the grants are formally awarded.

**C) School Lunch Fund**

Fund balance in the school lunch fund decreased by \$326,558. The decrease for the current year is directly related to the loss of revenues as a result of the COVID-19 pandemic, and the Hybrid learning model which was used for the majority of the fiscal year, whereby students would alternate days in school and remote. This resulted in a net operating loss of \$376,558, partially offset by a \$50,000 subsidy from the general fund.

**D) Miscellaneous Special Revenue Fund:**

The fund balance in the miscellaneous special revenue fund decreased \$73,922. This decrease is due to a reduction in the balance for extraclassroom activities, coupled with an excess of scholarships awarded over scholarship donations received and interest earnings.

**E) Capital Projects Fund**

Fund balance in the capital projects fund decreased by \$2,136,900. 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 \$490,917 in revenues from the state for Smart Schools Bond Act expenditures incurred. The capital projects fund had \$2,627,817 in capital outlay expenditures, which included expenditures for the Smart Schools Bond Act projects.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2020-2021 Budget:**

The District's general fund original budget for the year ended June 30, 2021 was \$195,172,581. This amount was increased by encumbrances carried forward from the prior year in the amount of \$1,149,738, which resulted in a final budget of \$196,322,319. The majority of the funding was from real property taxes and STAR revenue in the amount of \$116,159,331, and state aid in the amount of \$70,514,915.



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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	\$6,836,316
Revenues under budget	(1,835,773)
Expenditures and encumbrances under budget	6,500,690
Funding to reserves	(5,000,000)
Interest allocated to reserves	(48,158)
Closing, unassigned fund balance	<u>\$6,453,075</u>

The opening unassigned fund balance of \$6,836,316 is the June 30, 2020 unassigned fund balance.

The revenues under budget in the amount of \$1,835,773 was primarily due to charges for services, use of money and property, state sources and Medicaid revenues under budget.

The expenditures and encumbrances under budget in the amount of \$6,500,690 were primarily attributable to the following expenditures: central services, teaching regular school, and pupil services (see Supplemental Schedule #1 for detail).

The funding of reserves consisted of a \$2,000,000 transfer to the retirement contribution reserve, a \$500,000 transfer to the retirement contribution reserve TRS sub-fund, and a \$2,500,000 transfer to the capital reserve.

The District also budgeted for the use of reserves in the amount of \$2,035,000 as follows: \$2,000,000 from the retirement contribution reserve and \$35,000 from the unemployment reserve. These reserve usages resulted in no net effect on ending unassigned fund balance.

Interest of \$48,158 was also allocated to the reserves as follows: \$6,868 to the capital reserve, \$26,046 to the employee benefit accrued liability reserve, \$10,198 to the retirement contribution reserve, \$1,419 to the retirement contribution reserve TRS sub-fund, \$148 to the unemployment reserve, \$600 to the insurance reserve, and \$2,879 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 2021/2022 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, 2021**

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A) Capital Assets:**

The District paid for equipment and various building additions and renovations during fiscal year 2021. A summary of the District's capital assets, net of depreciation is as follows:

**Capital Assets (Net of Depreciation)**

Category	Fiscal Year 2021	Fiscal Year 2020	Dollar Change	Percentage Change
Land	\$2,827,925	\$2,827,925	\$ -	0.00%
Land improvements	5,970,838	5,970,838	-	0.00%
Construction in progress	9,665,828	7,547,720	2,118,108	28.06%
Buildings & building improvements	188,563,519	188,563,519	-	0.00%
Furniture & equipment	4,763,542	4,259,811	503,731	11.83%
Subtotal	211,791,652	209,169,813	2,621,839	1.25%
Less: Accumulated depreciation	95,902,644	90,715,241	5,187,403	5.72%
Total Net Capital Assets	<u>\$115,889,008</u>	<u>\$118,454,572</u>	<u>(\$2,565,564)</u>	(2.17%)

The decrease in capital assets is attributable to current year's depreciation expense exceeding current year's additions and capital outlay. Capital improvements during the year included window replacements at Oregon Middle School, renovations at the High School to accommodate expansion of the in-house Career and Technical Education Program (CTE), and a fire alarm upgrade at the High School.

**B) Long-Term Debt**

At June 30, 2021 the District had total long-term debt payable (inclusive of unamortized premiums) of \$69,115,982. 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 advanced bond refunding. More detailed information about the District's long-term debt is presented in the Note 12 to the financial statements.

A summary of outstanding debt at June 30, 2021 and 2020 is as follows:

	2021	As Restated 2020	Increase (Decrease)
Construction serial bonds (inclusive of unamortized premiums)	\$62,203,045	\$71,286,185	(\$9,083,140)
Energy performance debt	6,912,937	7,590,062	(677,125)
Total	<u>\$69,115,982</u>	<u>\$78,876,247</u>	<u>(\$9,760,265)</u>



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**7. FACTORS BEARING ON THE DISTRICT'S FUTURE**

- A) The District issued \$41,000,000 in tax anticipation notes on September 22, 2021, with a stated interest rate of 1.50% maturing on June 24, 2022. In addition, the District received a premium of \$421,890 on the note, which resulted in a net interest rate of 0.13809%.
- B) The general fund budget for the 2021/2022 fiscal year was approved by the voters on May 18, 2021 in the amount of \$198,935,170. This is an increase of \$3,762,589 or 1.93% over the previous year's budget. The tax cap discussed below, as well as uncertainty in state aid and federal funds, as well as potential operating adjustments that may be needed due to COVID-19 may impact the District's future budgets.
- C) Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising health care premiums, increased costs associated with meeting the requirements for instructional services and the property tax cap which will continue to impact the District's ability to fund its current cost of services.
- D) The federal government has passed several laws in the past year to address the economic and health consequences of the COVID-19 pandemic, including the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act. The District expects to receive non-recurring revenues to be used to fund expenditures that meet the requirements set forth by the U.S. Department of Education.
- E) The District applied for funding under the American Rescue Plan (ARP) in the amount of \$16,082,152 for the Elementary and Secondary School Emergency Relief Program (ESSER), which is pending approval as of September 24, 2021.

**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, 2021**

<b>ASSETS</b>	
Current assets	
Cash	
Unrestricted	\$21,572,478
Restricted	20,649,850
Receivables	
State and federal aid	8,372,956
Due from other governments	68,763
Accounts receivable	137,899
Inventories	53,637
Non-current assets	
Capital assets not being depreciated	12,493,753
Capital assets being depreciated, net of accumulated depreciation	103,395,255
<b>TOTAL ASSETS</b>	<b>166,744,591</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	52,236,849
Other post-employment benefits	135,074,704
Deferred charges on refundings	753,473
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>354,809,617</b>
<b>LIABILITIES</b>	
Payables	
Accounts payable	\$2,548,684
Accrued liabilities	1,510,755
Accrued interest payable	837,769
Compensated absences payable	1,123,557
Due to other governments	4,030,160
Due to fiduciary funds	288
Due to teachers' retirement system	7,970,995
Due to employees' retirement system	660,884
Unearned credits	
Collections in advance	189,320
Long-term liabilities	
Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	8,532,782
Energy performance debt	694,131
Claims payable	913,541
Compensated absences payable	1,733,660
Due and payable after one year	
Bonds payable (inclusive of unamortized premiums)	53,670,263
Energy performance debt	6,218,806
Claims payable	1,203,597
Compensated absences payable	8,920,087
Total other post-employment benefits obligation	497,739,134
Net pension liability - proportionate share - employees' retirement system	45,976
Net pension liability - proportionate share - teachers' retirement system	12,238,261
<b>TOTAL LIABILITIES</b>	<b>610,782,650</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	20,590,121
Other post-employment benefits	52,685,001
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>684,057,772</b>
<b>NET POSITION</b>	
Net investment in capital assets	47,526,499
Restricted	
Employee benefit accrued liability	9,203,757
Retirement contribution	
Employees' retirement system	5,423,640
Teachers' retirement system	1,001,419
Unemployment insurance	52,126
Insurance	212,074
Workers' compensation	1,017,428
Debt service	17,256
Capital	4,139,026
Scholarships and donations	1,036,815
	<u>22,103,541</u>
Unrestricted (deficit)	<u>(398,878,195)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<b><u>(\$329,248,155)</u></b>



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants	
<b>FUNCTIONS / PROGRAMS</b>					
General support	(\$30,441,525)		\$2,065,374		(\$28,376,151)
Instruction	(185,974,889)	\$1,114,752	5,318,791	\$490,917	(179,050,429)
Pupil transportation	(9,150,331)		121,613		(9,028,718)
Community services	(3,160,609)				(3,160,609)
Debt service - interest	(2,127,850)				(2,127,850)
Food service program	(2,821,930)	118,225	2,326,042		(377,663)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>(\$233,677,134)</u>	<u>\$1,232,977</u>	<u>\$9,831,820</u>	<u>\$490,917</u>	<u>(222,121,420)</u>
<b>GENERAL REVENUES</b>					
Real property taxes					104,784,052
Other tax items - including STAR reimbursement					11,614,974
Use of money and property					96,075
Sale of property and compensation for loss					418,458
Miscellaneous					1,819,089
State sources					69,694,472
Medicaid reimbursement					285,589
<b>TOTAL GENERAL REVENUES</b>					<u>188,712,709</u>
<b>CHANGE IN NET POSITION</b>					(33,408,711)
<b>TOTAL NET POSITION- BEGINNING OF YEAR, AS RESTATED (SEE NOTE 20)</b>					<u>(295,839,444)</u>
<b>TOTAL NET POSITION - END OF YEAR</b>					<u>(\$329,248,155)</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2021**

	General	Special Aid	School Lunch	Debt Service	Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
<b>ASSETS</b>							
Cash							
Unrestricted	\$13,847,772	\$4,136	\$12,817	\$3,208,039	\$287,921	\$4,211,793	\$21,572,478
Restricted	19,604,034				1,045,816		20,649,850
Receivables							
State and federal aid	5,106,681	2,102,531	672,827			490,917	8,372,956
Due from other governments	68,763						68,763
Due from other funds	5,674,510			34,715			5,709,225
Accounts receivables	109,694	628	7,372		20,205		137,899
Inventories			53,637				53,637
<b>TOTAL ASSETS</b>	<u>\$44,411,454</u>	<u>\$2,107,295</u>	<u>\$746,653</u>	<u>\$3,242,754</u>	<u>\$1,353,942</u>	<u>\$4,702,710</u>	<u>\$56,564,808</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
Payables							
Accounts payable	\$2,233,263	\$160,316	\$22,165		\$31,888	\$101,052	\$2,548,684
Accrued liabilities	1,446,201	38,673	25,881				1,510,755
Due to other governments	4,009,094	21,058	8				4,030,160
Due to other funds	288	1,977,963	448,981	\$3,225,498		56,783	5,709,513
Due to teachers' retirement system	7,970,995						7,970,995
Due to employees' retirement system	603,555		57,329				660,884
Compensated absences	1,123,557						1,123,557
Unearned credits							
Collections in advance	126,374	6,458	56,488				189,320
<b>TOTAL LIABILITIES</b>	<u>\$17,513,327</u>	<u>\$2,204,468</u>	<u>\$610,852</u>	<u>\$3,225,498</u>	<u>\$31,888</u>	<u>\$157,835</u>	<u>\$23,743,868</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
State aid	25,072						25,072
<b>TOTAL DEFERRED INFLOWS OR RESOURCES</b>	<u>25,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,072</u>
<b>FUND BALANCES</b>							
Nonspendable: inventory			53,637				53,637
Restricted:							
Employee benefit accrued liability	9,203,757						9,203,757
Retirement contribution - ERS	5,423,640						5,423,640
Retirement contribution - TRS	1,001,419						1,001,419
Unemployment insurance	52,126						52,126
Insurance	212,074						212,074
Workers' compensation	1,017,428						1,017,428
Debt service				17,256			17,256
Capital	2,693,590					1,445,436	4,139,026
Scholarships and donations					1,036,815		1,036,815
Assigned:							
Unappropriated fund balance	815,946		82,164		285,239	3,099,439	4,282,788
Unassigned: fund balance	6,453,075	(97,173)					6,355,902
<b>TOTAL FUND BALANCES</b>	<u>26,873,055</u>	<u>(97,173)</u>	<u>135,801</u>	<u>17,256</u>	<u>1,322,054</u>	<u>4,544,875</u>	<u>32,795,868</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$44,411,454</u>	<u>\$2,107,295</u>	<u>\$746,653</u>	<u>\$3,242,754</u>	<u>\$1,353,942</u>	<u>\$4,702,710</u>	<u>\$56,564,808</u>



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**RECONCILIATION OF GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO STATEMENT OF NET POSITION**  
**JUNE 30, 2021**

Total Governmental Fund Balances	\$32,795,868
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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	\$211,791,652	
Accumulated depreciation	<u>(95,902,644)</u>	115,889,008

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	52,236,849
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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	135,074,704
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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.	753,473
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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
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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	(20,590,121)
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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	(52,685,001)
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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	(837,769)
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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)	(\$62,203,045)	
Energy performance debt	(6,912,937)	
Claims payable	(2,117,138)	
Compensated absences payable	(10,653,747)	
Total other post-employment benefits obligation	(497,739,134)	
Net pension liability - proportionate share - employees' retirement system	(45,976)	
Net pension liability - proportionate share - teachers' retirement system	<u>(12,238,261)</u>	
		<u>(591,910,238)</u>

Total Net Position	<u>(\$329,248,155)</u>
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**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General	Special Aid	School Lunch	Debt Service	Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
<b>REVENUES</b>							
Real property taxes	\$104,784,052						\$104,784,052
Other tax items - including STAR reimbursement	11,614,974						11,614,974
Charges for services	930,038				\$184,714		1,114,752
Use of money and property	94,922			\$6	1,147		96,075
Sale of property and compensation for loss	418,458						418,458
Miscellaneous	1,817,984		\$1,105		27,649		1,846,738
Local sources		\$56,660					56,660
State sources	70,256,939	1,661,404	77,286			\$490,917	72,486,546
Federal sources	1,384,441	4,661,213	2,170,371				8,216,025
Surplus food			78,385				78,385
Sales - school lunch			118,225				118,225
<b>TOTAL REVENUES</b>	<b>191,301,808</b>	<b>6,379,277</b>	<b>2,445,372</b>	<b>6</b>	<b>213,510</b>	<b>490,917</b>	<b>200,830,890</b>
<b>EXPENDITURES</b>							
General support	19,493,732	2,065,374					21,559,106
Instruction	102,319,123	4,542,773			287,432		107,149,328
Pupil transportation	8,247,408	121,613					8,369,021
Community service	1,818,773						1,818,773
Employee benefits	45,473,496						45,473,496
Debt service principal				8,837,125			8,837,125
Debt service interest	106,876			2,405,839			2,512,715
Cost of sales			2,821,930				2,821,930
Capital outlay						\$2,627,817	2,627,817
<b>TOTAL EXPENDITURES</b>	<b>177,459,408</b>	<b>6,729,760</b>	<b>2,821,930</b>	<b>11,242,964</b>	<b>287,432</b>	<b>2,627,817</b>	<b>201,169,311</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>13,842,400</b>	<b>(350,483)</b>	<b>(376,558)</b>	<b>(11,242,958)</b>	<b>(73,922)</b>	<b>(2,136,900)</b>	<b>(338,421)</b>
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Proceeds from long-term debt				19,925,000			19,925,000
Premium from bond refunding				2,902,912			2,902,912
Bond issuance costs				(141,375)			(141,375)
Payment to escrow agent (advanced refunding bonds)				(22,686,537)			(22,686,537)
Operating transfers in		253,310	50,000	11,242,965			11,546,275
Operating transfers (out)	(11,546,275)						(11,546,275)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>(11,546,275)</b>	<b>253,310</b>	<b>50,000</b>	<b>11,242,965</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,296,125</b>	<b>(97,173)</b>	<b>(326,558)</b>	<b>7</b>	<b>(73,922)</b>	<b>(2,136,900)</b>	<b>(338,421)</b>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 20)</b>	<b>24,576,930</b>	<b>-</b>	<b>462,359</b>	<b>17,249</b>	<b>1,395,976</b>	<b>6,681,775</b>	<b>33,134,289</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$26,873,055</b>	<b>(\$97,173)</b>	<b>\$135,801</b>	<b>\$17,256</b>	<b>\$1,322,054</b>	<b>\$4,544,875</b>	<b>\$32,795,868</b>



**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, 2021**

Net Change in Fund Balance (\$338,421)

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

**Long-Term Revenue and Expense Differences**

Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. The difference in the revenues recognized under the full accrual method for the year ended June 30, 2021 is (562,467)

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, 2021 changed by (166,674)

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, 2021 changed by (104,176)

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, 2021 changed by (30,385,556)

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	(\$9,061,997)	
Employees' retirement system	<u>695,529</u>	(8,366,468)

**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	2,621,839	
Depreciation expense	<u>(5,187,403)</u>	(2,565,564)

**Long-Term Debt 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. 8,160,000

Proceeds from serial bonds is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

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. 677,125

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, 2021 was

Amortization on bond premiums	1,151,052	
Amortization on deferred charges on refundings	<u>(853,686)</u>	297,366

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, 2021 was (141,375)

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, 2020 to June 30, 2021 changed by 87,499

Change in Net Position (\$33,408,711)

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2021**

	<u>Custodial</u>
<b>ASSETS</b>	
Cash - Restricted	
Due from governmental funds	\$288
<b>TOTAL ASSETS</b>	<u>\$288</u>
<b>LIABILITIES</b>	
Due to other governments - Public Library	\$288
<b>TOTAL LIABILITIES</b>	<u>288</u>
<b>NET POSITION</b>	
Restricted	
<b>TOTAL NET POSITION</b>	<u>-</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$288</u>



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Custodial</u>
<b>ADDITIONS</b>	
Public Library - real property taxes and PILOT collections	\$8,817,518
<b>TOTAL ADDITIONS</b>	<u>8,817,518</u>
<b>DEDUCTIONS</b>	
Payments of real property taxes and PILOT to Public Library	8,817,230
<b>TOTAL DEDUCTIONS</b>	<u>8,817,230</u>
<b>CHANGE IN NET POSITION</b>	288
<b>NET POSITION - BEGINNING OF THE YEAR</b>	<u>-</u>
<b>NET POSITION - END OF THE YEAR</b>	<u><u>\$288</u></u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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, 2021**

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, 2021**

**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, 2021**

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, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**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.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 9 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, net pension liabilities, potential contingent liabilities and useful lives of capital 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.

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.



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021.

**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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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) 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 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 meals that have not yet been purchased in the school lunch fund, and for amounts received in advance for grants in the special aid fund.

**N) 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 14 and 16. In addition, the District reported deferred outflows of resources relating to the unamortized amount of



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

deferred charges from prior years' 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 has two items that qualify for reporting in this category. The reported amounts related to pensions and other post-employment benefits (OPEB) reported in the District-Wide Statement of Net Position, which are detailed further in Notes 14 and 16.

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.

**O) Vested employee benefits:**

Compensated absences:

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

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.



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**P) 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*.

**Q) 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.



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**R) 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, pension liabilities, other post-employment benefits obligation, and compensated absences 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.

**S) 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 (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of 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 \$53,637.



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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 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:



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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.

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.



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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, 2021.

**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 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.

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.



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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.

**T) New accounting pronouncements:**

GASB has issued Statement No. 84, *Fiduciary Activities* (GASB Statement No.84), effective for the fiscal year ended June 30, 2021. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported. The District has adopted and implemented GASB Statement No. 84, *Fiduciary Activities*, in 2021. See Note 20 for further consideration.

**U) Future 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 right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**NOTE 2 – EXPLANATION OF CERTAIN DIFFERENCES BETWEEN FUND FINANCIAL STATEMENTS AND DISTRICT-WIDE FINANCIAL STATEMENTS:**

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

**A) Total fund balances of governmental funds vs. net position of governmental activities:**

Total fund balances of the District's governmental funds differ from "net position" of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.



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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of the three broad categories. The amounts shown below represent:

Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available”, whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accruals basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital related differences:

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

Long-term debt transaction differences:

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



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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. 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



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- 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, 2021 included \$20,649,850 within the governmental funds for general reserve, capital projects, scholarships and donations purposes.

**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 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.

<u>Type of Investment</u>	<u>Value</u>
United States Treasury Bills	<u>\$704,653</u>
Total investments	<u><u>\$704,653</u></u>

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, 2021 the District was billed \$16,984,731 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,235,390. 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, 2021 consisted of the following:

General Fund	
Excess cost aid	\$1,697,901
BOCES aid	2,235,390
Building Aid	1,005,329
Federal Sources	168,061
Total - General Fund	<u>5,106,681</u>
Special Aid Fund	
Federal aid	1,251,051
State aid	851,480
Total - Special Aid Fund	<u>2,102,531</u>
School Lunch Fund	
Federal aid	650,062
State aid	22,765
Total - School Lunch Fund	<u>672,827</u>
Capital Projects Fund	
State aid	490,917
Total - Capital Projects Fund	<u>490,917</u>
Total - All Funds	<u><u>\$8,372,956</u></u>

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, 2021 consisted of the following:

Foster care tuition	\$63,738
Other	5,025
Total	<u><u>\$68,763</u></u>

District management has deemed the amounts to be fully collectible.



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**NOTE 8 - CAPITAL ASSETS:**

Capital asset balances and activity for the fiscal year ended June 30, 2021 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	7,547,720	\$2,118,108		9,665,828
Total capital assets not being depreciated	10,375,645	2,118,108	-	12,493,753
Capital assets being depreciated:				
Land improvements	5,970,838			5,970,838
Building & building improvements	188,563,519			188,563,519
Furniture and equipment	4,259,811	503,731		4,763,542
Total capital assets being depreciated	198,794,168	503,731	-	199,297,899
Less accumulated depreciation:				
Land improvements	3,439,718	142,265		3,581,983
Building & building improvements	84,190,549	4,845,676		89,036,225
Furniture and equipment	3,084,974	199,462		3,284,436
Total accumulated depreciation	90,715,241	5,187,403	-	95,902,644
Total capital assets being depreciated, net	108,078,927	(4,683,672)	-	103,395,255
Capital assets, net	\$118,454,572	(\$2,565,564)	-	\$115,889,008

Depreciation expense was charged to governmental functions as follows:

General support	\$88,603
Instruction	5,043,263
Pupil transportation	55,537
	<u>\$5,187,403</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
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**NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General fund	\$5,674,510	\$288		\$11,546,275
Special aid fund		1,977,963	\$253,310	
School lunch fund		448,981	50,000	
Miscellaneous special revenue fund				
Debt service fund	34,715	3,225,498	11,242,965	
Capital projects fund		56,783		
Total government activities	<u>5,709,225</u>	<u>5,709,513</u>	<u>11,546,275</u>	<u>11,546,275</u>
Fiduciary fund - custodial	288			
Totals	<u><u>5,709,513</u></u>	<u><u>5,709,513</u></u>	<u><u>11,546,275</u></u>	<u><u>11,546,275</u></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 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 10 – COLLECTIONS IN ADVANCE:**

Collections in advance at June 30, 2021 consisted of the following:

General Fund	
Summer programs 2021-2022	\$126,374
Total General Fund	<u>126,374</u>
Special Aid Fund	
Other local grants	\$6,458
Total Special Aid Fund	<u>6,458</u>
School Lunch Fund	
Prepaid account balances	56,488
Total School Lunch Fund	<u>56,488</u>
Total All Funds	<u><u>\$189,320</u></u>



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**NOTE 11 - SHORT-TERM DEBT:**

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

	Maturity	Stated Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Note	6/25/21	3.00%	\$ -	\$44,000,000	\$44,000,000	\$ -
Total			\$ -	\$44,000,000	\$44,000,000	\$ -

Interest expense on short-term debt for the year was \$106,876.

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

**NOTE 12 – 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	\$67,990,000	\$19,925,000	\$30,760,000	\$57,155,000	\$7,685,000
Add: Premiums on obligations	3,296,185	2,902,912	1,151,052	5,048,045	847,782
Total bonds payable	71,286,185	22,827,912	31,911,052	62,203,045	8,532,782
Other long-term liabilities:					
Energy performance debt	7,590,062		677,125	6,912,937	694,131
Claims payable	1,950,464	\$1,045,609	878,935	2,117,138	913,541
Compensated absences payable	10,549,571	2,099,470	1,995,294	10,653,747	1,733,660
Total other post-employment benefits	465,746,065	43,724,832	11,731,763	497,739,134	
Net pension liability-proportionate share - ERS	11,647,919		11,601,943	45,976	
Net pension liability-proportionate share - TRS	-	19,569,034	7,330,773	12,238,261	
Total long-term liabilities	\$568,770,266	\$89,266,857	\$66,126,885	\$591,910,238	\$11,874,114

\*Deferred premiums on refunding, net of accumulated amortization, have been reclassified to meet reporting requirements for bond refunding.

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

**A) Bonds Payable**

Bonds payable is comprised of the following:

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Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Refunding serial bond	9/12/2012	7/1/2027	3.50 - 4.25%	\$19,515,000
Refunding serial bond	6/17/2015	10/1/2026	2.00% - 5.00%	17,715,000
Refunding serial bond	10/14/2020	9/15/2028	4.00%	19,925,000
				<u>\$57,155,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$7,685,000	\$1,946,525	\$9,631,525
2023	8,065,000	1,599,650	9,664,650
2024	8,445,000	1,264,275	9,709,275
2025	8,795,000	947,063	9,742,063
2026	9,130,000	652,725	9,782,725
2027-2028	15,035,000	463,875	15,498,875
	<u>\$57,155,000</u>	<u>\$6,874,113</u>	<u>\$64,029,113</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.

**B) Energy Performance Debt:**

Energy performance debt is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Energy performance debt	7/3/2014	1/3/2030	2.496%	\$6,912,937
				<u>\$6,912,937</u>

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



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<u>Fiscal Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$694,131	\$168,230	\$862,361
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
2027-2030	3,263,527	185,918	3,449,445
	<u>\$6,912,937</u>	<u>\$848,313</u>	<u>\$7,761,250</u>

**C) Long-Term Interest**

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

	<u>Total</u>
Interest paid	\$2,405,839
Less interest accrued in the prior year	(925,268)
Plus interest accrued in the current year	837,769
Plus amortized prepaid bond refunding costs	288,236
Less amortized deferred amounts on refunding	(585,602)
Total expense	<u>\$2,020,974</u>

**NOTE 13 – DEFERRED OUTFLOWS OF RESOURCES:**

The deferred charges on refunding recorded in the District-Wide Financial Statements as deferred outflow of resources at June 30, 2021 consisted of the following:

	<u>Total Years</u> <u>Amortized</u>	<u>Initial Amount</u> <u>at Refunding</u>	<u>Amortization</u> <u>To Date</u>	<u>Balance at</u> <u>June 30, 2021</u>
2013 Bond Refunding	14.5	\$ 1,349,261	\$ 786,428	\$ 562,833
2015 Bond Refunding	11	242,743	130,299	112,444
2021 Bond Refunding	7	86,537	8,341	78,196
Total deferred charges on refunding		<u>\$ 1,678,541</u>	<u>\$ 925,068</u>	<u>\$ 753,473</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.

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**NOTE 14 – 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](http://www.nystrs.org).

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](http://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.



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
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**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
    - 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 31<sup>st</sup>. The District's average contribution rate for ERS' fiscal year ended March 31, 2021 for covered payroll was 21.6% for Tier 1, 19.8% for Tier 2, 16.2% for Tiers 3 & 4, 13.5% for Tier 5, and 9.7% for Tier 6.

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, 2021 was 9.53% 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:

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	<u>NYSTRS</u>	<u>NYSERS</u>
2021	\$7,330,773	\$2,119,749
2020	\$6,660,287	\$2,150,194
2019	\$7,723,234	\$1,983,492

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

At June 30, 2021, the District reported the following liability for its proportionate share of the net pension asset liability for each of the Systems. The net pension liability was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the 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.

Measurement date	March 31, 2021	June 30, 2020
Net pension liability	\$45,976	\$12,238,261
District's portion of the Plan's total		
net pension liability	0.0461730%	0.442890%
Change in proportion since the prior	0.0021864%	0.007202%
measurement date		

For the year ended June 30, 2021, the District recognized pension expense of \$1,426,135 for ERS and \$16,396,602 for TRS. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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	<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	\$ 561,495	\$ 10,723,166		\$ 627,187
Changes of assumptions	8,453,557	15,478,552	\$ 159,437	5,517,295
Net difference between projected and actual earnings on pension plan investments		7,992,658	13,207,099	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	788,298	247,466	25,021	1,054,082
District's contributions subsequent to the measurement date	660,884	7,330,773		
	<u>\$ 10,464,234</u>	<u>\$ 41,772,615</u>	<u>\$ 13,391,557</u>	<u>\$ 7,198,564</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred 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:		
2021		\$ 4,687,071
2022	\$ (501,986)	9,543,516
2023	(52,658)	7,761,293
2024	(574,335)	4,686,632
2025	(2,459,228)	70,105
Thereafter		494,661
Total	<u>\$ (3,588,207)</u>	<u>\$ 27,243,278</u>

Actuarial Assumptions

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

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.90%	7.10%
Salary scale	4.40%	4.72% - 1.90%
Cost of living adjustments	1.4% annually	1.3%, annually
Decrement tables	April 1, 2015 - March 31, 2020	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.70%	2.20%

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-2019, 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, 2020 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, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term 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 investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:



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<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>March 31, 2021</u>		<u>June 30, 2020</u>	
<u>Asset type</u>	<u>Target</u>	<u>Long-term</u> <u>expected real</u>	<u>Target</u>	<u>Long-term</u> <u>expected real</u>
	<u>Allocation</u>	<u>rate of return</u>	<u>Allocation</u>	<u>rate of return</u>
Domestic equity	32%	4.05%	33%	7.10%
International equity	15%	6.30%	16%	7.70%
Global equity			4%	7.40%
Private equity	10%	6.75%	8%	10.40%
Real estate	9%	4.95%	11%	6.80%
Opportunistic/Absolute return strategy	3%	4.50%		
Credit	4%	3.63%		
Real assets	3%	5.95%		
Fixed income	23%	0.00%		
Cash	1%	0.50%		
Domestic fixed income securities			16%	1.80%
Global bonds			2%	1.00%
High-yield bonds			1%	3.90%
Private debt			1%	5.20%
Real estate debt			7%	3.60%
Cash equivalents			1%	0.70%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.00% for ERS, and 2.20% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 5.0% for ERS and 7.10% 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 liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9% for ERS and 7.1% 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-percentagepoint lower (4.9% for ERS and 6.1% for TRS ) or 1-percentagepoint higher (6.9% for ERS and 8.1% for TRS) than the current rate:

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	1% Decrease (4.9)	Current Assumption (5.9%)	1% Increase (6.9%)
<u>ERS</u>			
Employer's proportionate share of the net pension asset (liability)	<u>(\$12,761,241)</u>	<u>(\$45,976)</u>	<u>\$11,680,473</u>
	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
<u>TRS</u>			
Employer's proportionate share of the net pension asset (liability)	<u>(\$77,304,881)</u>	<u>(\$12,238,261)</u>	<u>\$42,369,121</u>

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, 2021	June 30, 2019
Employers' total pension liability	\$ (220,680,157)	\$ (123,242,776)
Plan Net Position	220,580,583	120,479,505
Employers' net pension asset/(liability)	<u>\$ (99,574)</u>	<u>\$ (2,763,271)</u>
Ratio of plan net position to the		
Employers' total pension asset/(liability)	99.95%	97.8%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate. Accrued retirement contributions as of June 30, 2021 amounted to \$660,884.

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



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employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2021 amounted to \$7,970,995.

**NOTE 15 – 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, 2021, totaled \$1,495,213 and \$4,364,255 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, 2021 totaled \$361,529.

**NOTE 16 – 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 81.5% 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 2021, the District contributed an estimated \$11,731,763 to the Plan, including \$11,731,763 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	<u>1,676</u>

**B) Total OPEB Liability:**

The District's total other post-employment benefit (OPEB) liability of \$497,739,134 was measured as of June 30, 2021, 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, 2021 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	2.21%
Measurement date	2.16%
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 2021, followed by 5.40% 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



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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, 2020	<u>\$ 465,746,065</u>
Changes for the fiscal year:	
Service cost	18,748,417
Interest	10,578,401
Change in benefit terms	(3,973,895)
Difference between expected and actual experience	(6,715,132)
Changes of assumptions or other inputs	25,087,041
Benefit payments	<u>(11,731,763)</u>
Net Changes	31,993,069
Balance as of June 30, 2021	<u><u>\$ 497,739,134</u></u>

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

1. Discount rate changed from 2.21% in 2020 to 2.16% in 2021.
2. 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.
3. 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. The net impact of this change is a slight decrease in liability.
4. Health care trend rates have been updated as follows, which caused a decrease in liabilities:
  - a. Medical trend rates have been updated to 2020 Getzen model with an initial rate that is based on the actual NYSHIP premium increases from 2020 to 2021.
  - b. Part B reimbursement trend rates have been updated to an initial rate of 2.70% in 2020 increasing to an ultimate rate of 4.04% in 2075.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
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**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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 (1.16%), or 1 percentage point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Current Assumption (2.16%)	1% Increase (3.16%)
Total OPEB Liability	<u>\$597,331,627</u>	<u>\$497,739,134</u>	<u>\$419,680,866</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:

	1% Decrease	Current Assumption	1% Increase
Total OPEB Liability	<u>\$406,636,683</u>	<u>\$497,739,134</u>	<u>\$618,838,764</u>

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$42,117,319. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,717,353	\$ (45,093,505)
Changes of assumptions or other inputs	128,357,351	(7,591,496)
Total	<u>\$ 135,074,704</u>	<u>\$ (52,685,001)</u>



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
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**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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
2022	\$ 16,764,396
2023	16,764,396
2024	16,764,396
2025	18,167,096
2026	13,929,419
Thereafter	-
	<u>\$ 82,389,703</u>

**NOTE 17 – 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, 2021, the District has recorded a workers' compensation claims liability of \$2,117,138 and has a workers' compensation reserve balance of \$1,017,428.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT**  
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Claims activity is as follows:

<u>Fiscal Year Ending</u>	<u>Unpaid Claims at the Beginning of the Year</u>	<u>Incurred Claims</u>	<u>Paid Claims and Adjustments</u>	<u>Unpaid Claims at the End of the Year</u>
June 30, 2020	\$2,385,031	\$488,305	(\$922,872)	\$1,950,464
June 30, 2021	\$1,950,464	\$1,045,609	(\$878,935)	\$2,117,138

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

**NOTE 18 – 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 \$233,785 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$233,785 from the Town of Brookhaven and the County of Suffolk during the fiscal year ending June 30, 2021.

**NOTE 19 – 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, 2021 were \$815,946. Significant encumbrances were assigned as follows; \$63,041 for equipment, \$276,831 for professional services, \$15,545 for BOCES services, and \$460,529 for supplies and materials.
- ii. **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2021 were \$556,730.
- iii. **Special Aid Fund** - Total encumbrances of the special aid fund as of June 30, 2021 were \$175,456. Encumbrances totaling \$169,456 were for supplies and materials, and \$6,000 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.



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Based on prior years' experience, the District's administration believes disallowances, if any, will be immaterial.

**C) Leases:**

The District leases copy equipment under the terms of various non-cancelable leases. Rental expense for the year was \$305,181. Minimum annual rentals for each of the remaining years of the lease are:

<u>Fiscal Year Ending June 30,</u>	<u>Annual Lease Cost</u>
2022	\$301,944
2023	218,126
2024	127,362
2025	8,687
Total	<u>\$656,119</u>

**D) Litigation:**

As of June 30, 2021, we are unaware of any pending or threatened litigation or unasserted claims or assessments against the District which requires disclosure.

**NOTE 20 – RESTATEMENT OF FUND BALANCE AND NET POSITION**

During the year ended June 30, 2021, the District implemented GASB Statement No. 84. The adoption and implementation of this Statement resulted in the reporting changes in current assets and other assets and other liabilities. The District's net fund balance and net position have been restated as follows:

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**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General Fund	Miscellaneous Special Revenue Fund	Statement of Net Position
Fund Balance/Net Position (Deficit)			
Beginning of Year, as Reported	\$ 24,576,930	\$ -	\$ (297,235,420)
Assets			
Cash	391,431	327,158	718,589
Cash - restricted		1,068,818	1,068,818
Total Assets	391,431	1,395,976	1,787,407
Liabilities			
Other liabilities	391,431		391,431
Extracurricular			
Total Liabilities	391,431	-	391,431
Fund Balance/Net Position (Deficit)			
Restricted for scholarships and donations		1,068,818	1,068,818
Assigned unappropriated fund balance		327,158	327,158
Total Fund Balance	-	1,395,976	1,395,976
Net increase (decrease) in Fund Balance / Net Position	-	1,395,976	1,395,976
Fund Balance/Net Position (Deficit)			
Beginning of Year, as Restated	\$ 24,576,930	\$ 1,395,976	\$ (295,839,444)

**NOTE 21 – SUBSEQUENT EVENTS:**

- A) The District issued \$41,000,000 in tax anticipation notes on September 22, 2021, with a stated interest rate of 1.50% maturing on June 24, 2022. In addition, the District received a premium of \$421,890 on the note, which resulted in a net interest rate of 0.13809%.
- B) In July 2021, the District was awarded funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) of \$6,750,997 through the Elementary and Secondary School Emergency Relief Program (ESSER) and \$646,577 through 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.
- C) The District was allocated funding from the American Rescue Plan (ARP) in the amount of \$16,082,152 through the Elementary and Secondary School Emergency Relief Program (ESSER). 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 September 24, 2021, the District is waiting for approval from the New York State Education Department for the grant application submitted by the District.



## **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, 2021**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$116,159,331	\$116,159,331	\$104,784,052	(\$11,375,279)
Other real property tax items	309,555	309,555	11,614,974	11,305,419
Charges for services	1,856,332	1,856,332	930,038	(926,294)
Use of money & property	801,384	801,384	94,922	(706,462)
Sale of property & compensation for loss	127,770	127,770	418,458	290,688
Miscellaneous	1,625,000	1,625,000	1,817,984	192,984
Interfund revenues	50,000	50,000		(50,000)
State Sources				
Basic formula	62,433,315	62,433,315	43,087,890	(19,345,425)
Excess cost aid	4,662,804	4,662,804	11,934,168	7,271,364
Lottery Aid			11,140,000	11,140,000
BOCES aid	2,165,050	2,165,050	2,235,390	70,340
Tuition for students with disabilities aid	150,000	150,000	122,162	(27,838)
Textbook aid	446,587	446,587	448,700	2,113
Computer software and hardware aid	233,825	233,825	231,653	(2,172)
Library A/V loan program aid	48,750	48,750	47,900	(850)
Other state aid	374,584	374,584	1,009,076	634,492
Other Federal Aid	1,093,294	1,093,294	1,098,852	5,558
Medicaid reimbursement	600,000	600,000	285,589	(314,411)
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<u>193,137,581</u>	<u>193,137,581</u>	<u>\$191,301,808</u>	<u>(\$1,835,773)</u>
Appropriated reserves	<u>3,184,738</u>	<u>3,184,738</u>		
<b>TOTAL REVENUES &amp; APPROPRIATED FUND BALANCE</b>	<u>\$196,322,319</u>	<u>\$196,322,319</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, 2021

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$158,373	\$168,695	\$149,158		\$19,537
Central administration	412,613	419,333	405,144		14,189
Finance	1,319,302	1,322,637	1,286,263	\$5,189	31,185
Staff	841,609	887,074	858,554		28,520
Central services	15,439,708	15,890,037	14,600,995	492,306	796,736
Special items	2,251,678	2,239,178	2,193,618		45,560
	<u>20,423,283</u>	<u>20,926,954</u>	<u>19,493,732</u>	<u>497,495</u>	<u>935,727</u>
Instructional					
Instruction, adm. & imp.	7,206,599	7,228,457	6,952,548	10,827	265,082
Teaching - regular school	54,684,502	54,143,208	52,879,914	267,056	996,238
Programs for children with handicapping conditions	30,935,796	29,538,658	27,374,528	6,861	2,157,269
Occupational education	1,844,067	1,883,067	1,864,152		18,915
Teaching special schools	692,259	675,451	490,819		184,632
Instructional media	3,952,693	5,546,694	5,419,683	2,535	124,476
Pupil services	8,197,350	8,291,100	7,337,479	30,998	922,623
	<u>107,513,266</u>	<u>107,306,635</u>	<u>102,319,123</u>	<u>318,277</u>	<u>4,669,235</u>
Pupil transportation	9,282,478	8,725,854	8,247,408		478,446
Community services	1,984,259	1,944,967	1,818,773	174	126,020
Employee benefits	44,937,027	45,732,027	45,473,496		258,531
Debt service					
Debt service interest	487,500	106,876	106,876		-
<b>TOTAL EXPENDITURES</b>	<u>184,627,813</u>	<u>184,743,313</u>	<u>177,459,408</u>	<u>815,946</u>	<u>6,467,959</u>
Other Financing Uses					
Interfund transfers	11,694,506	11,579,006	11,546,275		32,731
<b>TOTAL EXPENDITURES AND OTHER USES</b>	<u>\$196,322,319</u>	<u>\$196,322,319</u>	<u>189,005,683</u>	<u>\$815,946</u>	<u>\$6,500,690</u>
<b>NET CHANGE IN FUND BALANCE</b>			2,296,125		
<b>FUND BALANCE - BEGINNING OF YEAR</b>			24,576,930		
<b>FUND BALANCE - END OF YEAR</b>			<u>\$26,873,055</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service Cost at end of year	\$18,748,417	\$14,223,247	\$6,975,699	\$7,257,844
Interest	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	(6,715,132)	(59,246,342)	10,747,766	-
Changes of assumptions or other inputs	25,087,041	89,747,494	76,191,714	(16,585,696)
Benefit payments	<u>(11,731,763)</u>	<u>(11,225,723)</u>	<u>(11,331,824)</u>	<u>(10,295,153)</u>
<b>Net change in Total OPEB Liability</b>	\$31,993,069	\$48,449,702	\$93,514,367	(\$7,931,930)
<b>Total OPEB Liability - beginning</b>	<u>\$465,746,065</u>	<u>\$417,296,363</u>	<u>\$323,781,996</u>	<u>\$331,713,926</u>
<b>Total OPEB Liability - ending</b>	<u><u>\$497,739,134</u></u>	<u><u>\$465,746,065</u></u>	<u><u>\$417,296,363</u></u>	<u><u>\$323,781,996</u></u>
<b>Covered employee payroll</b>	\$86,040,283	\$84,064,514	\$81,335,258	\$76,494,781
<b>Total OPEB Liability as a percentage of covered employee payroll</b>	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 (LIABILITY) ASSET  
FOR THE FISCAL YEARS ENDED JUNE 30, \*

NYSERS Pension Plan									
	2021	2020	2019	2018	2017	2016	2015	2014	
District's proportion of the net pension (liability) asset	0.0461730%	0.0439866%	0.0443228%	0.0430146%	0.0441517%	0.0428285%	0.0428188%	0.0428188%	
District's proportionate share of the net pension (liability) asset	\$ (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	\$ 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 (liability) asset as a percentage of its covered payroll	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 (liability) asset	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%	

NYSTRS Pension Plan									
	2021	2020	2019	2018	2017	2016	2015	2014	
District's proportion of the net pension (liability) asset	0.442890%	0.435688%	0.428133%	0.420665%	0.423565%	0.429273%	0.430833%	0.441540%	
District's proportionate share of the net pension (liability) asset	\$ (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	\$ 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 (liability) asset as a percentage of its covered payroll	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 (liability) asset	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									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 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	\$ 1,934,788
Contributions in relation to the contractually required contribution	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	1,934,788
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 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	\$ 12,417,842
Contributions as a percentage of covered payroll	12.95%	13.01%	13.25%	13.53%	14.76%	14.67%	24.73%	22.01%	12.52%	15.58%

	NYSTRS Pension Plan									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 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	\$ 6,970,100
Contributions in relation to the contractually required contribution	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	6,970,100
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ 63,777,204
Contributions as a percentage of covered payroll	9.34%	8.67%	10.36%	9.59%	11.35%	13.08%	17.27%	15.96%	11.64%	10.93%



**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, 2021**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$195,172,581
Add: Prior year's encumbrances	<u>1,149,738</u>
Original Budget	<u>196,322,319</u>
Final Budget	<u><u>\$196,322,319</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2021-2022 voter approved expenditure budget	<u><u>\$198,935,170</u></u>
Maximum allowed (4% of 2021-2022 budget)	<u><u>\$7,957,407</u></u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	
Assigned fund balance	\$815,946
Unassigned fund balance	<u>6,453,075</u>
Total unrestricted fund balance	7,269,021
Less:	
Appropriated fund balance	
Encumbrances	<u>815,946</u>
Total adjustments	<u>815,946</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$6,453,075</u></u>
Actual percentage	3.24%

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND  
JUNE 30, 2021

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date		Unexpended Balance	Methods of Financing		Total	Fund Balance June 30, 2021
			Prior Year's	Current Year		Proceeds of Obligations	State Aid		
2007 EXCEL Bond Referendum	\$10,334,240	\$10,334,240	\$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	-
Energy Performance Contract	10,602,531	10,602,531	10,602,531		-	10,602,531		10,602,531	-
Smart Schools Bond Act	373,942	2,099,653	406,356	439,004	1,254,293	-	845,360	845,360	-
2015-16 Interfund Transfer	500,000	499,951	499,849		102	-		499,849	-
2016-17 Interfund Transfer	550,000	550,000	338,011		211,989	-		550,000	-
2017-18 Interfund Transfer - ADA Renovations District-Wide	1,124,584	1,124,584	983,837	33,526	107,221	-		1,124,584	211,989
2017-18 Interfund Transfer - FEMA	243,455	243,455	-		243,455	-		243,455	107,221
2018-19 Interfund Transfer - Playground Renovation Plan	2,450,000	2,450,000	2,288,869	6,807	154,324	-		2,450,000	243,455
2019-20 Interfund Transfer - Miscellaneous Projects	3,000,000	3,000,000	234,024	383,526	2,382,450	-		3,000,000	154,324
2015 Capital Reserve - Bay Roof	365,565	147,314	147,314		-	-		147,314	2,382,450
2015 Capital Reserve - Medford Windows	511,752	443,622	443,308		314	-		443,622	314
2015 Capital Reserve - Saxton Roof	1,097,682	208,353	208,353		-	-		208,353	-
2015 Capital Reserve - Barton Roof	639,714	465,169	465,169		-	-		465,169	-
2015 Capital Reserve - Tremont Roof	731,131	243,165	243,165		-	-		243,165	-
2015 Capital Reserve - Eagle Roof	594,006	315,645	315,645		-	-		315,645	-
2015 Capital Reserve - Canaan Roof	548,398	250,055	250,055		-	-		250,055	-
2015 Capital Reserve - River Roof		237,162	237,162		-	-		237,162	-
2015 Capital Reserve - South Ocean Lockers		129,390	129,390		159	-		129,390	159
2015 Capital Reserve - Saxton Lockers		144,639	144,639		-	-		144,639	-
2015 Capital Reserve - HS Roof and Tennis Courts		200,181	200,181		-	-		200,181	-
2015 Capital Reserve - Security		1,469,361	1,454,211		-	-		1,469,361	-
2018 Capital Reserve - Canaan Vestibule	350,000	745,944	665,280	70,478	15,150	-		745,944	15,150
2018 Capital Reserve - Medford Loop, Playground Supplement, ADA Supplement	500,000	432,900	336,631	1,672	10,186	-		432,900	10,186
2018 Capital Reserve - High School Greenhouse Supplement	500,000	784,000	653,851	6,324	94,597	-		784,000	94,597
2018 Capital Reserve - High School Dust Collection	200,000	277,150	235,743	(132)	123,825	-		277,151	123,825
2018 Capital Reserve - Playground Renovation Plan Supplement	550,000	331,050	304,355	4,352	41,539	-		331,050	41,540
2018 Capital Reserve - ADA Renovations District-Wide Supplement	500,000	389,898	57,964	10,501	321,433	-		389,898	22,343
2018 Capital Reserve - Oregon ADA and Track	1,000,000	1,204,002	1,194,834	4,688	4,480	-		1,204,002	-
2018 Capital Reserve - Saxton ADA and Track	1,000,000	1,181,000	1,168,161	2,933	9,906	-		1,181,000	4,480
2018 Capital Reserve - Projects Approved 5/21/2019	2,500,000	2,500,000	34,359	1,664,138	801,503	-		2,500,000	9,906
<b>TOTAL</b>	<b>\$42,878,752</b>	<b>\$44,340,403</b>	<b>\$35,704,738</b>	<b>\$2,627,817</b>	<b>\$6,007,848</b>	<b>\$18,062,531</b>	<b>\$3,511,021</b>	<b>\$42,877,430</b>	<b>\$4,544,875</b>



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2021**

<b>Capital assets, net</b>			<b>\$115,889,008</b>
<b>Add:</b>			
Deferred charges on refundings		<u>\$753,473</u>	753,473
<b>Deduct:</b>			
Short-term portion of bonds payable (inclusive of unamortized premiums)		8,532,782	
Long-term portion of bonds payable (inclusive of unamortized premiums)		<u>53,670,263</u>	62,203,045
Short-term portion of energy performance debt		694,131	
Long-term portion of energy performance debt		<u>6,218,806</u>	<u>6,912,937</u>
<b>Net investment in capital assets</b>			<u><u>\$47,526,499</u></u>



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

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 Patchogue-Medford Union Free School District (the "District"), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 5, 2021.

**Internal Control over Financial Reporting**

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

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

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

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## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial 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 5, 2021