This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 1, 2022

NEW ISSUE **TAX ANTICIPATION NOTES**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. (See "Tax Matters" herein).

The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$39,000,000* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES
(the "Notes")

Date of Issue: September 28, 2022 **Maturity Date: June 28, 2023**

The Notes are general obligations of the Patchogue-Medford Union Free School District, in Suffolk County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations. (See "*The Tax Levy Limit Law*" herein.)

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

The Notes will be issued in registered form and, at the option of the purchaser(s), the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

If the Notes are registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidders.

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of $5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See *"Book-Entry-Only System"* herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on September 14, 2022 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about September 28, 2022.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

September , 2022

*Preliminary, subject to change.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

241 South Ocean Avenue
Patchogue, New York 11772
Telephone: (631) 687-6300

BOARD OF EDUCATION

Kelli Anne Jennings, President
Marc A. Negrin, Vice President

Diana Andrade
Thomas P. Donofrio
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Francis J. Salazar
Bernadette M. Smith

Superintendent of Schools
Donna Jones, Ed.D.

School Business Administrator
Francis Mazzie

District Clerk
Dennis M. Logan

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: http://www.munistat.com

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

TABLE OF CONTENTS

Page

THE NOTES **1**
- DESCRIPTION 1
- OPTIONAL REDEMPTION 1
- BOOK-ENTRY-ONLY SYSTEM 1
- AUTHORIZATION FOR AND PURPOSE OF NOTES 3
- SECURITY AND SOURCE OF PAYMENT 3

REMEDIES UPON DEFAULT **3**

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS **5**

NO PAST DUE DEBT **5**

BANKRUPTCY **5**

THE DISTRICT **6**
- DESCRIPTION 6
- DISTRICT ORGANIZATION 6
- ENROLLMENT HISTORY 7
- PROJECTED FUTURE ENROLLMENT 7
- DISTRICT FACILITIES 7
- EMPLOYEES 8

ECONOMIC AND DEMOGRAPHIC INFORMATION **8**
- POPULATION TRENDS 8
- INCOME DATA 8
- SELECTED LISTING OF LARGER EMPLOYERS IN THE TOWN OF BROOKHAVEN 9
- UNEMPLOYMENT RATE STATISTICS 9

INDEBTEDNESS OF THE DISTRICT **9**
- CONSTITUTIONAL AND STATUTORY REQUIREMENTS 9
- STATUTORY PROCEDURE 10
- COMPUTATION OF DEBT LIMIT AND DEBT CONTRACTING MARGIN 11
- DETAILS OF SHORT-TERM INDEBTEDNESS OUTSTANDING 11
- TREND OF OUTSTANDING INDEBTEDNESS 11
- DEBT SERVICE REQUIREMENTS – OUTSTANDING BONDS 12
- DEBT SERVICE REQUIREMENT - ENERGY PERFORMANCE CONTRACT LEASE 12
- TAX ANTICIPATION NOTES 13
- AUTHORIZED AND UNISSUED DEBT 13
- CALCULATION OF ESTIMATED OVERLAPPING AND UNDERLYING INDEBTEDNESS 13
- DEBT RATIOS 13

FINANCES OF THE DISTRICT **14**
- IMPACT OF COVID-19 14
- INDEPENDENT AUDIT 14
- INVESTMENT POLICY 14
- FUND STRUCTURE AND ACCOUNTS 15

TABLE OF CONTENTS - CONTINUED

Page

BASIS OF ACCOUNTING 15
BUDGET PROCESS 15
REVENUES 15
Real Property Taxes 15
State Aid 15
State Aid Litigation 17
EVENTS AFFECTING STATE AID TO NEW YORK SCHOOL DISTRICTS 18
EXPENDITURES 19
THE STATE COMPTROLLER'S FISCAL STRESS MONITORING SYSTEM AND OSC COMPLIANCE REVIEWS 19
EMPLOYEE PENSION SYSTEM 20
OTHER POST-EMPLOYMENT BENEFITS 21

TAX INFORMATION 22
REAL PROPERTY TAXES 22
TAX COLLECTION PROCEDURE 22
THE TAX LEVY LIMIT LAW 23
STAR - SCHOOL TAX EXEMPTION 23
VALUATIONS, RATES AND LEVIES 24
SELECTED LISTING OF LARGE TAXABLE PROPERTIES IN THE DISTRICT 24

CYBERSECURITY 25

LITIGATION 25

RISK FACTORS 26

TAX MATTERS 27
OPINION OF BOND COUNSEL 27
CERTAIN ONGOING FEDERAL TAX REQUIREMENTS AND CERTIFICATIONS 27
CERTAIN COLLATERAL FEDERAL TAX CONSEQUENCES 27
ORIGINAL ISSUE DISCOUNT 28
NOTE PREMIUM 28
INFORMATION REPORTING AND BACKUP WITHHOLDING 28
MISCELLANEOUS 29

LEGAL MATTERS 29

DISCLOSURE UNDERTAKING 29

RATING 29

MUNICIPAL ADVISOR 29

ADDITIONAL INFORMATION 30

APPENDIX A: FINANCIAL INFORMATION
APPENDIX B: CASH FLOWS
APPENDIX C: AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2021
APPENDIX D: FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL
APPENDIX E: FORM OF EVENTS NOTICE UNDERTAKING

OFFICIAL STATEMENT

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

Relating To

$39,000,000* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES
(the "Notes")

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Patchogue-Medford Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of $39,000,000* Tax Anticipation Notes for 2022-2023 Taxes (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has affected education, travel, commerce, financial markets globally and economic growth worldwide. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this world-wide event. (See "RISK FACTORS" and "IMPACT OF COVID-19" herein.)

THE NOTES

Description

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Francis Mazzie, School Business Administrator, Patchogue-Medford Union Free School District, 241 South Ocean Avenue, Patchogue, New York 11772, telephone number (631) 687-6300 and email: fmazzie@pmschools.org.

Optional Redemption

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

Book-entry-only System

In the event that the Notes are issued in book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

*Preliminary, subject to change.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

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

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

Authorization for and Purpose of Notes

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2022-2023 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2022-2023 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2022-2023 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, and to use the amounts so set aside only for the purpose of paying such Notes. Interest on the Notes will be provided from budget appropriations.

Security and Source of Payment

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

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District, subject to certain statutory limitations imposed by the Chapter 97 of the New York Laws of 2011, as amended. See "*Tax Levy Limit Law*" herein.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law, (herein referred to as the "Tax Levy Limit Law" or "Law"), imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such year to year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes, and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See "*The Tax Levy Limit Law,"* herein.)

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court

also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owner of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk* v. *Municipal Assistance Corp*., 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond or note. Such investigation by the State Comptroller shall set forth a description of all such bonds and notes of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State Teachers' Retirement System, and (b) the principal of and interest on such bonds and notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to said section of the SFL.

NO PAST DUE DEBT

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

BANKRUPTCY

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

THE DISTRICT

Description

The District with an estimated population of 52,967, is located in the southwestern section of the Town of Brookhaven (the "Town") and includes all of the incorporated Village of Patchogue (the "Village"), the unincorporated area of Medford and a portion of East Patchogue. The Village and the territory immediately surrounding the Village is generally residential with some commercial and industrial activity.

The Village has an extensive shopping district along Main Street. The recently renovated Patchogue Theater for the Performing Arts has led a renaissance in the development of "downtown" eateries, shops, and entertainment venues.

St. Joseph's College's 27 acre Long Island campus is located within the boundaries of the District.

The District fronts the Great South Bay, a boating and fishing area, and recreational facilities are available to the residents of the area. A number of Town parks are located in the area as well. The U.S. Department of the Interior, National Park Service Headquarters (the "Headquarters") for the Fire Island National Seashore is located in the District with a ferry terminal, parking and other facilities on the Patchogue River. The Headquarters provides ferry service across Great South Bay to various points located within the National Seashore Area, including Watch Hill and Sunken Forest.

There has been commercial building in the area in recent years. Along New York Route 27 (Sunrise Highway) are the Sun Wave Shopping Center and the Home Depot Warehouse, as well as various other commercial enterprises. Commercial expansion has also taken place along Route 112.

The Town owns and leases to the U.S. Department of Treasury a five-building complex, adjoining the District, which houses the Internal Revenue Service Data Processing Center. The facility was completed in 1972 and provides employment for 3,000 to 4,000 people, some on a part-time basis. The seat of government of the Town is also located in the District and provides full-time employment to approximately 850 persons.

The Long Island Rail Road (MTA) (Montauk Division) serves the area providing rail transportation to the New York metropolitan area. The Long Island Expressway, New York Routes 27 and 27A traverse the District and provides highway access to eastern Long Island and the New York metropolitan area. Major north-south roads include Route 112, North Ocean Avenue and Patchogue-Holbrook Road. Long Island MacArthur Airport is located approximately 10 miles west of the District.

Police protection is provided by the Suffolk County Police Department. The Village provides fire protections for residents within its borders. The Village also maintains a sewer system. In the unincorporated areas, volunteer fire departments operating through fire districts provide fire protection. Electricity, gas and telephone services are provided by private utility companies.

District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education. Under current law, an election is held within the District boundaries on the third Tuesday of May each year to elect members of the Board of Education. They are generally elected for staggered terms of three years.

In early July of each year, the Board of Education meets for the purpose of reorganization. At that time, the Board elects a President and Vice Presidents, and appoints a District Clerk and District Treasurer.

Enrollment History

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

School Year	School Enrollment
2018	7,540
2019	7,498
2020	7,427
2021	7,265
2022	7,466

Source: District Officials.

Projected Future Enrollment

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

School Year	School Enrollment
2023	7,450
2024	7,450

Source: District Officials.

District Facilities

The District operates eleven schools and offices; statistics relating to each are shown below.

Name of School	Grades	Capacity
Senior High School	9-12	3,100
Saxton St. Middle School	6-8	1,622
Oregon Ave. Middle School	6-8	1,026
So. Ocean Ave. Middle School	6-8	1,319
Bay Avenue	K-5	593
Medford Avenue	K-5	800
River Avenue	K-5	600
Barton Avenue	K-5	950
Tremont Avenue	K-5	912
Canaan School	K-5	809
Eagle Drive	K-5	1,146

Employees

The District provides services through approximately 1,500 employees who are represented by the following units of organized labor, plus non-union employees not represented.

Name of Union	Expiration Date of Contract	Approx. No. of Members
Patchogue-Medford Congress of Teachers (PMCT)	6/30/2026	685
Civil Service Employees Association (Full Time)	6/30/2023	179
Civil Service Employees Association-Operations Staff	6/30/2023	128
Civil Service Employees Association (Part Time)	6/30/2023	463
Patchogue-Medford Administrators Association	6/30/2026	40
Patchogue-Medford Registered Nurses Association	6/30/2026	15
Teaching Assistants (Part of PMCT)	6/30/2026	48

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the Town of Brookhaven, the County of Suffolk and the State of New York.

Year	Town of Brookhaven	Suffolk County	State of New York
2006	485,295	1,495,697	19,306,183
2008	483,748	1,508,602	19,428,881
2009	487,169	1,511,028	19,423,896
2010	480,105	1,482,548	19,378,102
2020	482,671	1,481,364	19,514,849

Source: U.S. Bureau of the Census.

Income Data

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

	Per Capita Money Income			
	1990	2000	2010	2020[a]
Town of Brookhaven	$16,726	$24,191	$33,324	$42,388
Suffolk County	18,481	26,577	35,755	46,466
New York State	16,501	23,389	30,948	40,898

	Median Household Income			
	1990	2000	2010	2020[a]
Town of Brookhaven	$46,339	$62,475	$81,937	$100,061
Suffolk County	49,128	65,288	84,506	105,362
New York State	32,965	43,393	55,603	71,117

Source: United States Bureau of the Census.

a. Note: Based on American Community Survey 5-Year Estimates (2016-2020).

Selected Listing of Larger Employers in the Town of Brookhaven
(As of 2021)

Name	Type of Business	Estimated Number of Employees
State University at Stony Brook	Education	14,500
Stony Brook University Medical Center	Medical Center	6,500
Brookhaven National Laboratory	Laboratory	2,790
John T. Mather Hospital	Hospital	2,500
Sachem Central School District	Education	2,275
Brookhaven Memorial Hospital	Hospital	2,210
Three Village Central School District	Education	1,500
William Floyd Union Free School District	Education	1,285
St. Charles Hospital	Hospital	1,775
Quality King Distributors	Commercial	900
Nursing Care at Medford	Nursing Home	580

Source: Town Officials.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The information set forth below with respect to such Town, County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the District is necessarily representative of the Town, County or State or vice versa.

Annual Averages:	Town of Brookhaven (%)	Suffolk County (%)	New York State (%)
2017	4.5	4.5	4.7
2018	3.9	3.9	4.1
2019	3.7	3.7	4.0
2020	8.2	8.5	10.0
2021	4.8	4.9	7.2
2022 (5 Month Average)	3.2	3.3	4.6

Source: Department of Labor, State of New York.

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Notes:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes (such as the Notes) or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. (See *"The Tax Levy Limit Law"* herein).

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

The Board of Education, as the finance board of the District, also has the power to authorize the sale and issuance of bonds and notes, including the Notes. However, such finance board may delegate the power to sell the Notes to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

The following table sets forth the computation of the debt limit of the District and its debt contracting margin:

Computation of Debt Limit and Debt Contracting Margin
(As of September 1, 2022)

In Town of:	Assessed Valuation	State Equalization Rate	Full Valuation
Brookhaven (2021-2022)[a]	$43,416,273	0.74%	$5,867,063,919
Debt Limit - 10% of Full Valuation			$586,706,392
Inclusions:[b]			
Outstanding Bonds			$45,815,000
Bond Anticipation Notes			0
Total Indebtedness			45,815,000
Exclusions (Estimated Building Aid) [c]			22,449,350
Total Net Indebtedness Before the Issuance of the Bonds			23,365,650
Net Debt Contracting Margin			$563,340,742
Per Cent of Debt Contracting Margin Exhausted			3.98%

a. The latest completed assessment roll for which a State Equalization Rate has been established.
b. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.
c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when notes are to be issued.

Details of Short-Term Indebtedness Outstanding

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

Trend of Outstanding Indebtedness
As at June 30:

	2018	2019	2020	2021	2022
Bonds	$ 83,240,000	$ 75,780,000	$ 67,990,000	$ 57,155,000	$ 48,355,000
BANs	-	-	-	-	-
Other	8,894,864	8,250,600	7,590,064	6,912,938	6,218,807
Totals:	$ 92,134,864	$ 84,030,600	$ 75,580,064	$ 64,067,938	$ 54,573,807

Source: Audited Financial Statements of the District.

Debt Service Requirements – Outstanding Bonds [a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	$ 8,070,000	$1,577,982	$9,647,982
2024	8,170,000	1,425,150	9,595,150
2025	8,525,000	1,107,513	9,632,513
2026	8,890,000	782,575	9,672,575
2027	8,810,000	440,000	9,250,000
2028	5,890,000	132,750	6,022,750
Totals:	$48,355,000	$5,465,969	$53,820,969

a. Does not include payments made to date.

Debt Service Requirement - Energy Performance Contract Lease

The District entered into a lease purchase financing in 2014 to provide funding for an Energy Performance Contract. The remaining principal and interest payments until maturity are set forth below.

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	$711,563	$150,798	$862,361
2024	729,433	132,928	862,361
2025	747,752	114,609	862,361
2026	766,531	95,830	862,361
2027	785,782	76,579	862,361
2028	805,516	56,845	862,361
2029	825,746	36,616	862,361
2030	846,483	15,878	862,361
Totals:	$6,218,807	$680,082	$6,898,890

Source: Audited Financial Statements.

Tax Anticipation Notes

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

Fiscal Year Ending June 30:	Amount	Type	Issue	Maturity
2018	$32,500,000	TAN	09/28/2017	06/22/2018
2019	34,000,000	TAN	09/27/2018	06/25/2019
2020	37,000,000	TAN	09/20/2019	06/25/2020
2021	44,000,000	TAN	09/22/2020	06/25/2021
2022	41,000,000	TAN	09/22/2021	06/24/2022

Source: Audited Financial Statements of the District.

Authorized and Unissued Debt

The District has no authorized but unissued debt outstanding.

The District plans to submit a bond proposition to voters in October 2022 to authorize $45,000,000 bonds to finance the installation of new air ventilation units with air conditioning capabilities, including all necessary and related electrical upgrades, in all District buildings.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	06/30/2022	1.80	$24,587,265	$21,427,691
Town of Brookhaven	06/29/2022	9.60	46,140,480	44,324,160
Village of Patchogue	11/02/2021	100.00	7,590,000	7,465,000
Medford Fire District	12/31/2020	100.00	4,675,604	4,675,604
North Patchogue Fire Districts	12/31/2020	90.00	388,227	388,227
Totals:			$83,381,576	$78,280,682

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios

(As of September 1, 2022)

	Amount	Per Capita [a]	Percentage of Full Value (%) [b]
Total Direct Debt	$ 45,815,000	$865	0.781
Net Direct Debt	23,365,650	441	0.398
Total Direct & Applicable Total Overlapping Debt	129,196,576	2,439	2.202
Net Direct & Applicable Net Overlapping Debt	101,646,332	1,919	1.732

a. The current population of the District is 52,967.

b. The full valuation of taxable property for 2021-2022 is $5,867,063,919.

FINANCES OF THE DISTRICT

Impact of COVID-19

In December of 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act was enacted as the second act of federal relief in response to COVID-19. The CRRSA Act provides approximately $4.3 billion to support schools in the State, with the funds available to be spent through September 2023. This in addition to the $1.2 billion in Federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding, which can be spent through September 2022. The CRRSA Act provides the State with $4.0 billion through the Elementary and Secondary School Emergency Relief (ESSER) Fund and $323 million through the Governor's Emergency Education Relief (GEER) Fund. Districts may generally use these funds for broad purposes, including general operating and pandemic-related costs such as purchasing personal protective equipment. Additionally, the State has been allocated approximately $9.0 billion under the American Rescue Plan (ARP) Act's Elementary and Secondary School Emergency Relief Fund (ESSER).

The District has been allocated $1,098,852, which has all been received and spent. In addition, the District has been awarded a total of $23,479,726 through CRRSA and ARP funding of which approximately $5,276,502 has been expended as of June 30, 2022. See also "*State Aid*" herein.

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2021. A copy of such report is included herein as Appendix C.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the GML, the District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

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

Fund Structure and Accounts

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

Basis of Accounting

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

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

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

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See *"The Levy Limit Law"* herein).

On May 17, 2022, a majority of the voters of the District approved the District's budget for the 2022-2023 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2021-2022 and 2022-2023 may be found in Appendix A, herein.

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See *"Tax Information"* herein.

State Aid

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the school districts can be paid only if the State has such monies available for such payment.

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

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2017	$177,753,666	$68,318,802	38.43
2018	184,334,565	70,678,094	38.34
2019	189,466,494	71,800,564	37.90
2020	191,865,732	71,803,531	37.42
2021	191,301,808	70,256,939	36.73
2022 (Budgeted)	198,935,170	64,731,574	32.54
2023 (Budgeted)	211,181,877	82,410,674	39.02

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

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

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See "*STAR – School Tax Exemption*" herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Due to the outbreak of COVID-19 the State initially declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19 including closing schools and non-essential businesses for an extended period. The use of federal stimulus funds has allowed the State to avoid gap closing measurements; however, the State may be required to implement gap closing measurements in the future. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State's 2022-23 Enacted Budget provides $31.3 billion in State funding to school districts for the 2022-23 school year the highest level of State aid ever. This represents a year-to-year funding increase of $2.1 billion or 7.07% and includes $21.4 billion of Foundation Aid which increased 8.1% from 2021-22. The 2022-23 school year increase in Foundation Aid primarily reflects the second year of the three-year phase-in of full funding of the current Foundation Aid formula.

The State's 2022-23 Enacted Budget also increases the State's annual investment in prekindergarten to $1.1 billion, an increase of $125 million, or 13%. The Enacted Budget also includes a total of $100 million of matching funds over two years to be provided to school districts and BOCES with the highest needs to address student wellbeing and learning loss in response to the trauma brought about by the COVID-19 pandemic. This includes support for extended school day or school year programs, afterschool programs, mental health professionals and other locally determined initiatives.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in adoption of the State budget, which is due at the start of the State's fiscal year of April 1. The State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State's 2022-23 Enacted Budget was adopted on April 9, 2022. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, the COVID-19 pandemic, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revisions. Reductions in federal funding levels could have a materially adverse impact on the State budget.

In addition to the potential fiscal impact of policies that may be proposed and adopted by the federal administration and Congress, the State budget may be adversely affected by other actions taken by the federal government, including audits, disallowances, and changes to federal participation rates or other Medicaid rules.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of state aid could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance law to provide operating funds by borrowing in anticipation of the receipt of uncollected State Aid.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity v. New York mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that $1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The Campaign for Fiscal Equity decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as Foundation Aid. The stated purpose of Foundation Aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive $5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a "gap elimination adjustment" as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date. (See also "*School district fiscal year (2021-2022)*" under the subheading "*Events Affecting State Aid to New York School Districts*" herein.)

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students' Educational Rights v. State of New York ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent "gross education inadequacies", claims regarding State funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein. On October 14, 2021 Governor Kathy Hochul announced that New York State has reached an agreement to settle and discontinue the New Yorkers for Students' Educational Rights v. New York State case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years and ending the State's prior opposition to providing this much-needed funding to our students. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the historic Campaign for Fiscal Equity cases, and had been previously opposed by the State. Foundation Aid was created in 2007 and takes school district wealth and student need into account to create an equitable distribution of state funding to schools, however, New York State has never fully funded Foundation Aid. The new settlement requires New York State to phase-in full funding of Foundation Aid by the FY 2024 budget. In the FY 2022 Enacted State Budget approved in April 2021, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 budget and enshrined this commitment into law. A breakdown of Foundation Aid funding is set forth below:

- FY 2022: $19.8 billion, covering 30% of the existing shortfall
- FY 2023: Approximately $21.3 billion, covering 50% of the anticipated shortfall
- FY 2024: Approximately $23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school districts

Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 pandemic has affected and is expected to continue to affect State aid to school district.

School district fiscal year (2018-2019): The State's 2018-2019 Budget provided for school aid of approximately $26.7 billion, an increase of approximately $1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018¬2019 Budget continued to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

School district fiscal year (2019-2020): The State's 2019-2020 school year, the State's Enacted Budget included a total of $27.9 billion for School Aid, a year-to-year funding increase of approximately $1.2 billion. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue in full, as is the State's usual practice. Transportation aid increased by approximately 4.5% and building aid increased by approximately 3.7%. The State 2019¬2020 Enacted Budget continued to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased Federal support. This reduction in State Operating Funds support was offset by approximately $1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 was expected to total $27.9 billion, an annual increase of approximately $100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over $200 million in support for competitive grant programs, including $1 million for development of a new Civics Education curriculum and $10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid was continued under existing aid formulas. Out-year growth in School Aid reflect current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues came in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget and recent releases by the State regarding the projected revenue shortfalls in such budget.

School district fiscal year (2021-2022): For the 2021-2022 school year, the State's Enacted budget provided $29.5 billion in State funding to school districts for the 2021-2022 school year through School Aid, the highest level of State aid ever, supporting the operational costs of school districts that educate 2.5 million students statewide. This investment represented an increase of 11.3% ($3.0 billion) compared to the 2020-2021 school year, including a $1.4 billion (7.6%) Foundation Aid increase. The Enacted budget allocated $13 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, will help schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The Budget allocated $629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the Budget used $105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-2022 school year.

School district fiscal year (2022-2023): For the 2022-2023 Enacted Budget provides $31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of $2.1 billion or 7.2% compared to the 2021-2022 school year and includes a $1.5 billion or 7.7 percent Foundation Aid increase. The State's 2022-2023 Enacted Budget also programs $14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Enacted Budget allocates $100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State's 2022-23 Enacted Budget increases federal funds buy $125 million to expand access to full-day prekindergarten programs for four-year old children in school districts statewide in the 2022-23 school year.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Risk Factors*").

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 16.7%; Environmental Score: 33.3%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on March 9, 2017. The purpose of the audit was to determine whether the significant revenue and expenditure projects in the District proposed budget for the 2017-2018 fiscal year were reasonable.

References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Employee Pension System

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. ERS employees contribute 3% of their salaries and TRS employees contribute 3.5% of their salaries. There is no provision for these employee contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. This new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at $15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of $75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, various forms of legislation have been enacted that permitted school districts to amortize a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established a TRS reserve fund in the 2018-2019 fiscal year.

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

Fiscal Year Ending June 30:	TRS	ERS
2018	$6,834,337	$2,021,624
2019	7,723,234	1,983,492
2020	6,660,287	2,150,194
2021	7,330,773	2,119,749
2022	8,045,623	2,171,190
2023 (Budgeted)	8,409,996	2,348,813

Source: District Officials.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost. Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The District's total OPEB liability at June 30, 2021 is as follows:

Total OPEB Liability at June 30, 2020	$465,746,065
Charges for the Year:	
Service Cost	18,748,417
Interest	10,578,401
Differences Between Expected and Actual Experience	(6,715,132)
Changes in Assumptions or Other Inputs	25,087,041
Changes in Benefit Terms	(3,973,895)
Benefit Payments	(11,731,763)
Net Changes	31,993,069
Total OPEB Liability at June 30, 2021	$497,739,134

The OSC has recently proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The District cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Town of Brookhaven. Assessment valuations are determined by the Town assessor and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations; however, see "*The Tax Levy Limit Law*" herein for a discussion of certain statutory limitation that have been imposed

The following table sets forth the percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2017 through 2021, and the amounts budgeted for 2022 and 2023.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2017	$177,753,666	$105,144,769	59.15
2018	184,334,565	108,952,168	59.11
2019	189,466,494	112,532,336	59.39
2020	191,865,732	116,198,894	60.56
2021	191,301,808	116,399,026	60.85
2022 (Budgeted)[a]	198,935,170	119,129,254	59.88
2023 (Budgeted)[a]	211,181,877	123,273,681	58.37

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted estimates for real property taxes include STAR. Budgeted estimates for total revenues include appropriations of fund balance.

Tax Collection Procedure

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

The Town Tax Receivers distribute the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receivers and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

The Tax Levy Limit Law

Chapter 97 of the New York Laws of 2011, as amended, (herein referred to as the "Tax Levy Limit Law" or "Law") modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $500,000 are eligible for a $30,000 "full value" exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York ("Chapter 60") gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers also may account for those changes in their State income taxes.

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to $250,000, compared with a $500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually. The State's 2020-21 Enacted Budget withholds STAR benefits to taxpayers who are delinquent in the payment of their school taxes and maintains the income limit for the exemption to $250,000, compared with a $500,000 limit for the credit.

Approximately 12% of the District's 2021-2022 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 12% of the District's 2022-2023 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2023. (See *"State Aid"* herein).

Valuations, Rates and Levies

The following table sets forth District's assessed and full valuations, tax rates and levies for each of the years 2018 through 2022.

Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per $1,000 Assessed Valuation	Tax Levy
2018	$42,946,515	0.9	$4,771,835,000	$2,521.01	$108,820,314
2019	42,898,624	0.86	4,988,212,093	2,615.63	112,318,127
2020	43,158,887	0.79	5,463,150,253	2,677.32	115,864,342
2021	43,337,761	0.77	5,628,280,649	2,677.70	116,159,328
2022	43,416,273	0.74	5,867,063,919	2,740.45	119,129,254

Source: Tax Rate worksheets of the Town of Brookhaven.

Selected Listing of Large Taxable Properties in the District
2021-2022 Assessment Roll

Name	Type	Assessed Valuation
PSEG Long Island	Utility	$ 883,707
KeySpan	Utility	274,860
Heatherwood House at Patchogue LLC	Apartments	265,800
Avery Village Association	Apartments	236,300
Lakeside Village Assoc LLC	Apartments	203,520
Fairharbor Owners Inc.	Apartments	200,000
Feldman-Medford Dev LLC	Commercial	180,800
Gould Patchogue LLC	Commercial	153,100
R&F Patchogue LLC	Utility	150,700
Waters Edge Habitat Inc.	Commercial	150,000
Medford Pond Co. DE LLC	Apartments	149,000
FES Realty CO LLC	Apartments	146,000
Sam's Real Estate Business Trust	Commercial	142,465
Serota Patchogue LLC	Commercial	141,500
655 Montauk LLC	Commercial	140,000
		153,100
	Total[a]:	$3,570,852

Source: Town Assessment Roll.
a. Represents 8.22 % of the Assessed Valuation of the District for 2021-2022.

CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

The District is in receipt of three (3) Child Victims Act (CVA) claims by three (3) former students of the District. These complaints allege that the District was negligent in its hiring, retention, and supervision of its employees; and failing to take protective measures to protect the claimants.

M. v. Patchogue-Medford UFSD: A male individual has commenced a lawsuit alleging repeated acts of sexual assault and rape by a male teacher in the 1979-1980 school year when the Plaintiff was nine years old. The incidents allegedly occurred on and off of school grounds. The complaint was timely filed under the Child Victims Act which provided a window for civil claims or causes of action to be brought by any person for physical, psychological or other injury or condition suffered by such person as a result of conduct which would constitute a sexual offense as defined by the Penal Law committed against such person who was less than eighteen years of age.

The lawsuit was commenced on August 5, 2020 and served on the District on September 8, 2020. The District has appointed counsel and has timely responded to the lawsuit. The District is reviewing its records to determine what insurance coverage may exist from the timeframe in question.

At present, discovery has been scheduled to close near the end of September, and counsel intends to move for summary judgment. There is no settlement demand.

S. v. Patchogue-Medford UFSD: A male individual has commenced a lawsuit alleging acts of sexual abuse including touching, grabbing, rubbing, kissing and groping while on a school property by a female teacher in the 1999-2000 school year when the Plaintiff was nine years old. The complaint was timely filed under the Child Victims Act.

The lawsuit was commenced on September 4, 2020 and served on the District on September 21, 2020. NYSIR has provided insurance coverage on this matter and assigned it to defense counsel who has filed a motion to dismiss certain causes of action. The motion resulted in several causes of action being dismissed. Initial discovery has been received.

At present, there is no demand or indication of what the claimant might consider as a settlement of those claims.

C. v. Patchogue-Medford UFSD: A male individual has commenced a lawsuit alleging acts of sexual abuse including allegations that he was groped, fondled and that his teacher forcible performed oral sex and attempted to rape him. This allegedly occurred when Plaintiff was thirteen years old and while he was on the grounds of the Saxton Middle School in 1984. The complaint was timely filed under the Child Victims Act.

The lawsuit was commenced on June 24, 2021 and served on the District on June 30, 2021. The District has appointed counsel and has timely responded to the lawsuit. Given the early stages of the litigation, it is impossible to evaluate the case from a damages perspective. The District is reviewing its records to determine what insurance coverage may exist from the timeframe in question.

At present, there is a co-defendant, Stonegate Springs, which employed the teacher after the District, and at which the conduct is alleged to have continued. The parties have engaged in extensive motion practice regarding whether Stonegate Springs is a proper defendant. Although counsel has conducted document discovery, depositions have not yet been held. There is no settlement demand.

RISK FACTORS

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The District's credit rating could be affected by circumstances beyond the District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell all or a part of the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 pandemic and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also initially declared a state of emergency and the Governor took steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for extended periods. The spread of the outbreak or resurgence could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein).

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*TAX MATTERS*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Notes. (See "*The Tax Levy Limit Law*" under "TAX INFORMATION" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the District could impair the financial condition of such entities, including the District and the ability of such entities, including the District to pay debt service on the Notes.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a "Discount Note"), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner's adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "note premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix D hereto.

DISCLOSURE UNDERTAKING

In order to assist the purchasers of the Notes in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will execute an "Undertaking to Provide Continuing Disclosure", substantially in the form of which is attached hereto as Appendix D.

RATING

The Notes are not rated. Moody's Investors Service ("Moody's"), 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761, has assigned a rating of "Aa3" to the outstanding long-term bonds of the District. Such rating reflects only the view of such rating agency and an explanation of the significance of such rating should be obtained from the respective rating agency. There can be no assurance that such rating will not be revised or withdrawn, if in the judgement of agency circumstances so warrant. Any change or withdrawal of such rating may have an adverse effect on the market price and the availability of a secondary market for the outstanding bonds and notes of the District.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the business office of the District: Francis Mazzie, School Business Administrator, Patchogue-Medford Union Free School District, 241 South Ocean Avenue, Patchogue, New York 11772, telephone number (631) 687-6300 and email: fmazzie@pmschools.org or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District's management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District's documents or oral presentation, the words "anticipate", "believe", "intend", "plan", "foresee", "likely", "estimate", "expect", "objective", "projection", "forecast", "goal", "will", or "should", or similar words or phrases are intended to identify forward-looking statements.

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

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the District also assume no liability or responsibility for any errors or omissions or unauthorized editing or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the District and the original purchasers or owners of any of the Notes.

By: s/s KELLI ANNE JENNINGS
President of the Board of Education
Patchogue-Medford Union Free School District
Patchogue, New York

September , 2022

APPENDIX A

FINANCIAL INFORMATION

Comparative Balance Sheet
General Fund

	Fiscal Year Ending June 30:		
	2019	2020	2021
Assets:			
Cash	$ 27,268,251	$ 32,781,022	$ 33,451,806
State and Federal Receivables	5,169,032	4,997,781	5,106,681
Due From Other Governments	400,803	432,184	68,763
Due From Other Funds	5,104,903	7,610,312	5,674,510
Accounts Receivable	165,090	36,953	109,694
Total Assets	$ 37,942,989	$ 45,821,299	$ 44,411,454
Liabilities & Deferred Revenue:			
Accounts Payable	$ 1,608,872	$ 2,309,723	$ 2,233,263
Accrued Liabilities	1,535,744	1,009,609	1,446,201
Due to Other Governments	3,785,183	5,431,172	4,009,094
Due to Other Funds		3,504,183	288
Due to Teachers Retirment System	8,202,537	7,202,251	7,970,995
Due to Employees' Retirement Systems	482,656	563,962	603,555
Compensated Absences Payable	525,647	672,883	1,123,557
Collections in Advance	220,195		126,374
Deferred Revenue	63,284	587,539	25,072
Total Liabilities & Deferred Revenue	$ 16,424,118	$ 21,281,322	$ 17,538,399
Fund Balance:			
Restricted	$ 15,247,600	$ 16,590,876	$ 19,604,034
Assigned	46,045	1,149,738	815,946
Unassigned	6,390,316	6,836,316	6,453,075
Total Fund Balance	$ 21,683,961	$ 24,576,930	$ 26,873,055
Total Liabilities and Fund Equity	$ 38,108,079	$ 45,858,252	$ 44,411,454

Source: Audited Financial Statements (2019-2021)
NOTE: This table NOT audited

Statement of Revenues, Expenditures and Fund Balances
General Fund

	Fiscal Year Ending June 30:				
	2017	2018	2019	2020	2021
Revenues:					
Real Property Taxes	$ 91,020,112	$ 94,995,407	$ 98,727,845	$ 103,469,059	$ 104,784,052
Other Real Property Tax Items	14,124,657	13,956,761	13,804,491	12,729,835	11,614,974
Charges for Services	1,757,924	1,835,165	1,826,041	1,382,288	930,038
Use of Money and Property	369,655	458,980	986,272	641,670	94,922
Sale of Property and Compensation for Loss	226,954	296,297	174,700	195,334	418,458
Miscellaneous	1,295,678	1,660,383	1,409,442	1,138,572	1,817,984
State Sources	68,318,802	70,678,094	71,800,564	71,803,531	70,256,939
Federal Sources	596,144	409,952	694,047	493,326	1,384,441
Interfund Revenues	43,740	43,526	43,092	12,117	
Total Revenues	177,753,666	184,334,565	189,466,494	191,865,732	191,301,808
Expenditures:					
General Support	18,952,094	18,351,562	18,868,276	18,347,560	19,493,732
Instruction	94,276,001	97,080,511	99,485,413	101,582,900	102,319,123
Pupil Transportation	8,224,562	8,786,511	8,543,105	8,131,322	8,247,408
Community Services	847,844	1,219,185	1,519,871	1,804,575	1,818,773
Employee Benefits	40,790,230	41,857,078	44,070,455	44,119,478	45,473,496
Debt Service	206,750	249,814	517,931	356,002	106,876
Total Expenditures	163,297,481	167,544,661	173,005,051	174,341,837	177,459,408
Excess (Deficit) of Revenues Over Expenditures	14,456,185	16,789,904	16,461,443	17,523,895	13,842,400
Other Financing Sources (Uses)					
Interfund Transfers In					
Interfund Transfers Out	(17,922,661)	(12,976,045)	(21,194,142)	(14,630,926)	(11,546,275)
Total Other Financing Sources (Uses)	(17,922,661)	(12,976,045)	(21,194,142)	(14,630,926)	(11,546,275)
Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses	(3,466,476)	3,813,859	(4,732,699)	2,892,969	2,296,125
Fund Balance - Beg. of Year	26,069,277	22,602,801	26,416,660	21,683,961	24,576,930
Adjustments					
Fund Balance - End of Year	$ 22,602,801	$ 26,416,660	$ 21,683,961	$ 24,576,930	$ 26,873,055

Source: Audited Financial Statements (2017-2021)
NOTE: This table NOT audited

Budget Summaries
General Fund

	Fiscal Year Ending June 30:	
	2021-2022[a]	2022-2023[b]
Revenues:		
Real Property Taxes (Includes PILOT)	$ 119,129,254	$ 123,273,681
State Aid	64,731,574	82,410,674
Miscellaneous	13,074,342	5,497,522
Appropriated Fund Balance	2,000,000	0
Total Revenues	$ 198,935,170	$ 211,181,877
Expenditures:		
General Support	$ 28,479,924	$ 29,287,862
Instruction	99,432,008	104,107,469
Pupil Transportation	9,610,996	9,909,260
Community Services	2,126,211	2,348,482
Employee Benefits	46,964,578	52,615,877
Interfund Transfers	11,863,119	12,447,094
Debt Service	458,334	465,833
Total Expenditures	$ 198,935,170	$ 211,181,877

(a) The 2021-22 budget was approved by the voters of the District on May 18, 2021
(b) The 2022-23 budget was approved by the voters of the District on May 17, 2022

Source: Adopted Budgets of the District

APPENDIX B

CASH FLOWS

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

CASH FLOW SUMMARY 2021-22 (Actual)
(General Fund Only)
(000's Omitted)

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	TOTALS
Balance	33,451	27,741	20,408	49,287	37,358	23,555	8,214	64,642	61,071	70,089	66,352	63,269	33,451 a.
Receipts													
Property Taxes						4,475	50,066	9,090	1,748	1,259	8,181	33,275	108,094
Library Taxes						368	4,116	747	144	93	673	2,736	8,877
STAR Payment							11,035						11,035
State Aid	1,193	1,704	8,811	1,247	1,119	6,318	317	305	24,210	4,999	10,308	5,799	66,330
Other Receipts	260	211	112	145	174	236	1,230	402	1,461	220	298	592	5,341
Transfer & Investments	1,336	873	2,421	1,570	1,139	3,067	1,165	1,687	2,459	1,411	1,716	1,850	20,694
TAN Proceeds			41,422										41,422
Total Receipts	2,789	2,788	52,766	2,962	2,432	14,464	67,929	12,231	30,022	7,982	21,176	44,252	261,793
Disbursements													
Operating Expenses	8,499	8,640	17,175	14,150	15,494	27,576	11,501	15,060	18,948	11,719	15,053	35,288	199,103
Debt Service			5,971			748			567			3,189	10,475
Public Library		1,481	741	741	741	1,481		742	1,489		1,481	1	8,898
TAN Principal											7,725	33,275	41,000
TAN Interest												465	465
Total Disbursements	8,499	10,121	23,887	14,891	16,235	29,805	11,501	15,802	21,004	11,719	24,259	72,218	259,941
Balance	27,741	20,408	49,287	37,358	23,555	8,214	64,642	61,071	70,089	66,352	63,269	35,303	35,303
Note Payment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	7,725	0
Receipts	0	0	0	0	0	0	0	0	0	0	7,725	33,275	41,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	41,000	41,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	7,725	0	0

a. Opening balance for 2021 includes approximately $19.6 million in restricted cash.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

CASH FLOW SUMMARY 2022-23 (Projected)

(General Fund Only)

(000's Omitted)

	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	TOTALS
Balance	35,303	36,058	25,852	51,720	35,321	18,667	1,624	60,194	63,739	70,652	59,348	57,054	35,303 a.
Receipts													
Property Taxes						1,000	50,000	15,000	2,000	1,000	6,000	37,773	112,773
Library Taxes						50	4,000	1,200	200	100	600	2,921	9,071
STAR Payment							10,500						10,500
State Aid	1,128	1,500	8,500	1,000	1,000	5,000	10,000	500	23,000	5,000	10,000	15,456	82,084
Other Receipts	382	203	153	163	182	251	1,051	551	1,052	241	255	555	5,039
Transfer & Investments	6,961	300	2,550	1,650	1,250	1,650	2,000	2,100	2,800	1,350	1,700	950	25,261
TAN Proceeds			39,000										39,000
Total Receipts	8,471	2,003	50,203	2,813	2,432	7,951	77,551	19,351	29,052	7,691	18,555	57,655	283,728
Disbursements													
Operating Expenses	7,708	10,697	17,482	18,456	18,330	23,470	18,225	15,050	20,927	18,239	18,111	43,558	230,253
Debt Service			6,097			768			456			3,168	10,489
Public Library	8	1,512	756	756	756	756	756	756	756	756	1,511		9,079
TAN Principal											1,227	37,773	39,000
TAN Interest												750	750
Total Disbursements	7,716	12,209	24,335	19,212	19,086	24,994	18,981	15,806	22,139	18,995	20,849	85,249	289,571
Balance	36,058	25,852	51,720	35,321	18,667	1,624	60,194	63,739	70,652	59,348	57,054	29,460	29,460
Note Payment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	1,227	0
Receipts	0	0	0	0	0	0	0	0	0	0	1,227	37,773	39,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	39,000	39,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	1,227	0	0

a. Opening balance for 2022 includes approximately $24.6 million in restricted cash.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

APPENDIX C

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

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

TABLE OF CONTENTS

Exhibit Number		Page
I.	**INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS**	
	Independent Auditor's Report	
1	Management's Discussion and Analysis (Required Supplementary Information) (MD&A)	1 - 15
2	Statement of Net Position	16
3	Statement of Activities	17
4	Balance Sheet – Governmental Funds	18
5	Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position	19
6	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
7	Reconciliation of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
8	Statement of Fiduciary Net Position – Fiduciary Funds	22
9	Statement of Changes in Fiduciary Net Position – Fiduciary Funds	23
10	Notes to Financial Statements	24- 60
II.	**REQUIRED SUPPLEMENTARY INFORMATION**	
SS1	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	61 - 62
SS2	Schedule of Changes in the District's Total OPEB Liability and Related Ratios	63
SS3	Schedule of District's Proportionate Share of the Net Pension Liability	64
SS4	Schedule of District's Contributions	65
III.	**OTHER SUPPLEMENTARY INFORMATION**	
SS5	Schedule of Change from Adopted Budget to Final Budget – General Fund and and Section 1318 of Real Property Tax Law Limit Calculation	66
SS6	Schedule of Project Expenditures - Capital Projects Fund	67
SS7	Net Investment in Capital Assets	68
IV.	**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***	

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

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.

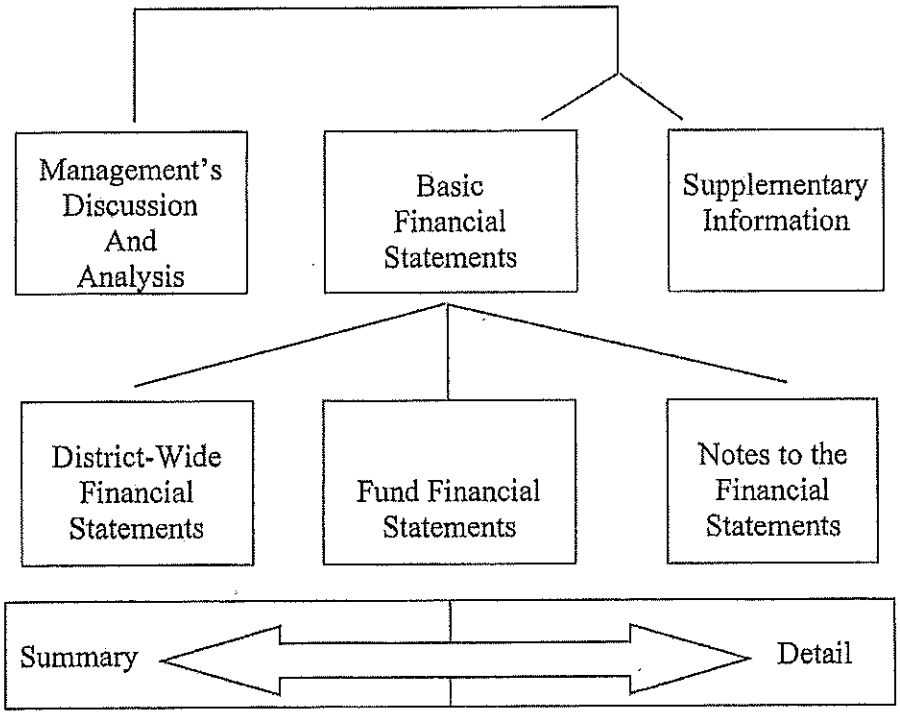
    - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

    - *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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources 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.

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

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
Revenues				
Program Revenues				
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%
General Revenues				
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%)
Total Revenues	200,268,423	201,262,687	(994,264)	(0.49%)
Expenses				
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%
Total Expenses	233,677,134	233,556,302	120,832	0.05%
Increase (Decrease) in Net Position	($33,408,711)	($32,293,615)	($1,115,096)	3.45%

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

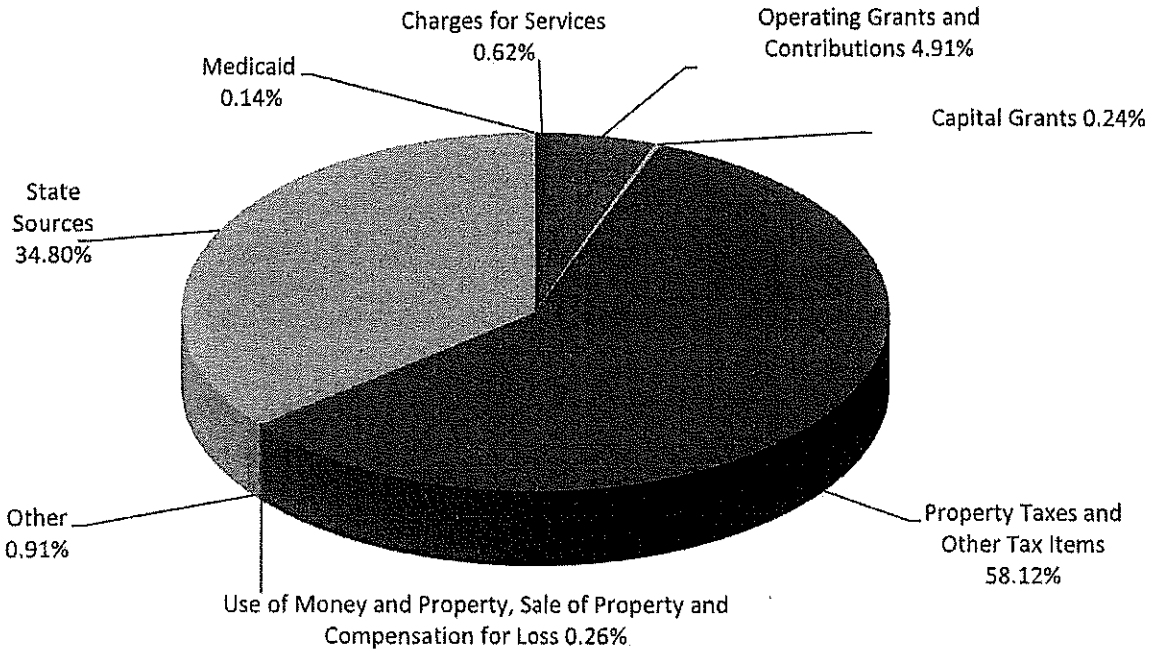
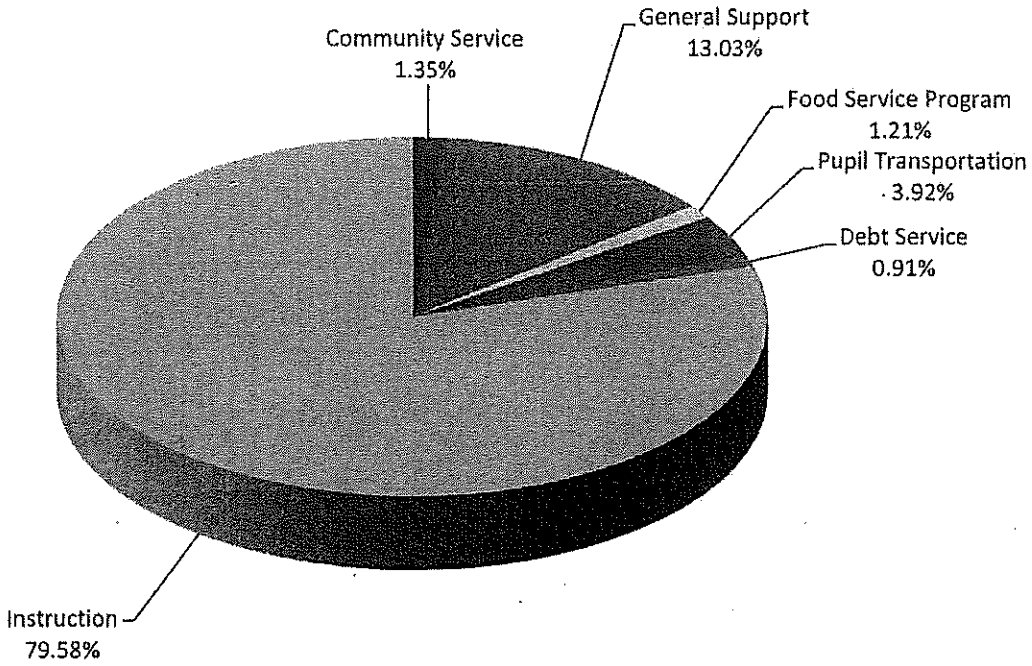


Table A-6: Expenses for Fiscal Year 2021



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
General Fund				
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	$26,873,055	$24,576,930	$2,296,125	9.34%
Special aid Fund				
Unassigned	($97,173)		(97,173)	100.00%
Total Fund Balance - Special Aid Fund	($97,173)	$ -	($97,173)	100.00%
School Lunch Fund				
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	$135,801	$462,359	($326,558)	(70.63%)
Debt Service Fund				
Restricted	$17,256	$17,249	$7	0.04%
Total Fund Balance - Debt Service Fund	$17,256	$17,249	$7	0.04%
Miscellaneous Special Revenue Fund				
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	$1,322,054	$1,395,976	($73,922)	(5.30%)
Capital Projects Fund				
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	$4,544,875	$6,681,775	($2,136,900)	(31.98%)
Total Fund Balances - All Funds	$32,795,868	$33,134,289	($338,421)	(1.02%)

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	$6,453,075

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	$115,889,008	$118,454,572	($2,565,564)	(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 unamortizd premiums)	$62,203,045	$71,286,185	($9,083,140)
Energy performance debt	6,912,937	7,590,062	(677,125)
Total	$69,115,982	$78,876,247	($9,760,265)

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

ASSETS	
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
TOTAL ASSETS	166,744,591
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	52,236,849
Other post-employment benefits	135,074,704
Deferred charges on refundings	753,473
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	354,809,617
LIABILITIES	
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
TOTAL LIABILITIES	610,782,650
DEFERRED INFLOWS OF RESOURCES	
Pensions	20,590,121
Other post-employment benefits	52,685,001
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	684,057,772
NET POSITION	
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
	22,103,541
Unrestricted (deficit)	(398,878,195)
TOTAL NET POSITION (DEFICIT)	($329,248,155)

See Accompanying Notes to Financial Statements

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants	
FUNCTIONS / PROGRAMS					
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)
TOTAL FUNCTIONS AND PROGRAMS	($233,677,134)	$1,232,977	$9,831,820	$490,917	(222,121,420)
GENERAL REVENUES					
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
TOTAL GENERAL REVENUES					188,712,709
CHANGE IN NET POSITION					(33,408,711)
TOTAL NET POSITION- BEGINNING OF YEAR, AS RESTATED (SEE NOTE 20)					(295,839,444)
TOTAL NET POSITION - END OF YEAR					($329,248,155)

See Accompanying Notes to Financial Statements

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
ASSETS							
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
TOTAL ASSETS	$44,411,454	$2,107,295	$746,653	$3,242,754	$1,353,942	$4,702,710	$56,564,808
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
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
TOTAL LIABILITIES	$17,513,327	$2,204,468	$610,852	$3,225,498	$31,888	$157,835	$23,743,868
DEFERRED INFLOWS OF RESOURCES							
State aid	25,072						25,072
TOTAL DEFERRED INFLOWS OR RESOURCES	25,072	-	-	-	-	-	25,072
FUND BALANCES							
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
TOTAL FUND BALANCES	26,873,055	(97,173)	135,801	17,256	1,322,054	4,544,875	32,795,868
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$44,411,454	$2,107,295	$746,653	$3,242,754	$1,353,942	$4,702,710	$56,564,808

See Accompanying Notes to Financial Statements

Exhibit 5

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
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	(95,902,644)	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
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
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
Deferred inflow of resources - state aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.		25,072
Deferred inflows of resources - The Statement of Net Position recognized revenues and expenditures under the full accrual method. Governmental funds recognize revenues and expenditures under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to		(20,590,121)
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)
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)
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	(12,238,261)	
		(591,910,238)
Total Net Position		($329,248,155)

See Accompanying Notes to Financial Statements

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
REVENUES							
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
TOTAL REVENUES	191,301,808	6,379,277	2,445,372	6	213,510	490,917	200,830,890
EXPENDITURES							
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
TOTAL EXPENDITURES	177,459,408	6,729,760	2,821,930	11,242,964	287,432	2,627,817	201,169,311
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	13,842,400	(350,483)	(376,558)	(11,242,958)	(73,922)	(2,136,900)	(338,421)
OTHER FINANCING SOURCES AND (USES)							
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)
TOTAL OTHER FINANCING SOURCES AND (USES)	(11,546,275)	253,310	50,000	11,242,965	-	-	-
NET CHANGE IN FUND BALANCES	2,296,125	(97,173)	(326,558)	7	(73,922)	(2,136,900)	(338,421)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 20)	24,576,930	-	462,359	17,249	1,395,976	6,681,775	33,134,289
FUND BALANCES - END OF YEAR	$26,873,055	($97,173)	$135,801	$17,256	$1,322,054	$4,544,875	$32,795,868

See Accompanying Notes to Financial Statements

Exhibit 7

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	695,529	(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	(5,187,403)	(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	(853,686)	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)

See Accompanying Notes to Financial Statements

Exhibit 8

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

	Custodial
ASSETS	
Cash - Restricted	
Due from governmental funds	$288
TOTAL ASSETS	$288
LIABILITIES	
Due to other governments - Public Library	$288
TOTAL LIABILITIES	288
NET POSITION	
Restricted	
TOTAL NET POSITION	-
TOTAL LIABILITIES AND NET POSITION	$288

See Accompanying Notes to Financial Statements

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

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

See Accompanying Notes to Financial Statements

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

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.

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

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

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.

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

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.

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.

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.

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:

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.

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.

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.

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

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

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.

Type of Investment	Value
United States Treasury Bills	$704,653
Total investments	$704,653

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.

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	5,106,681
Special Aid Fund	
Federal aid	1,251,051
State aid	851,480
Total - Special Aid Fund	2,102,531
School Lunch Fund	
Federal aid	650,062
State aid	22,765
Total - School Lunch Fund	672,827
Capital Projects Fund	
State aid	490,917
Total - Capital Projects Fund	490,917
Total - All Funds	$8,372,956

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	$68,763

District management has deemed the amounts to be fully collectible.

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
	$5,187,403

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Receivable	Payable	Revenues	Expenditures
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	5,709,225	5,709,513	11,546,275	11,546,275
Fiduciary fund - custodial	288			
Totals	5,709,513	5,709,513	11,546,275	11,546,275

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	126,374
Special Aid Fund	
Other local grants	$6,458
Total Special Aid Fund	6,458
School Lunch Fund	
Prepaid account balances	56,488
Total School Lunch Fund	56,488
Total All Funds	$189,320

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	Reclassed 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-employement 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:

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
				$57,155,000

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
	$57,155,000	$6,874,113	$64,029,113

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
				$6,912,937

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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
	$6,912,937	$848,313	$7,761,250

C) Long-Term Interest

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

	Total
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	$2,020,974

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:

	Total Years Amortized	Initial Amount at Refunding	Amortization To Date	Balance at June 30, 2021
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		$ 1,678,541	$ 925,068	$ 753,473

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

NOTE 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.

ii) Employees' Retirement System

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

B) **Funding policies:**

The Systems are noncontributory, except as follows:

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

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31st. The District's average contribution rate for ERS' fiscal year ended March 31, 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:

	NYSTRS	NYSERS
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 measurement date	0.0021864%	0.007202%

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:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
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		
	$10,464,234	$ 41,772,615	$ 13,391,557	$ 7,198,564

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:

	ERS	TRS
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	$ (3,588,207)	$ 27,243,278

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:

	ERS	TRS
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 System's Experience	July 1, 2009 - June 30, 2014 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:

	ERS		TRS	
Measurement Date	March 31, 2021		June 30, 2020	
Asset type	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
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%
	100%		100%	

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:

ERS	1% Decrease (4.9)	Current Assumption (5.9%)	1% Increase (6.9%)
Employer's proportionate share of the net pension asset (liability)	($12,761,241)	($45,976)	$11,680,473

TRS	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
Employer's proportionate share of the net pension asset (liability)	($77,304,881)	($12,238,261)	$42,369,121

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) ERS	TRS
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)	$ (99,574)	$ (2,763,271)
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 31st. Accrued retirement contributions as of June 30, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS 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

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%

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	1,676

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

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	$ 465,746,065
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	(11,731,763)
Net Changes	31,993,069
Balance as of June 30, 2021	$ 497,739,134

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.

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	$597,331,627	$497,739,134	$419,680,866

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 that the current healthcare cost trend rate:

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

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
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	$ 135,074,704	$ (52,685,001)

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	-
	$ 82,389,703

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.

Claims activity is as follows:

Fiscal Year Ending	Unpaid Claims at the Beginning of the Year	Incurred Claims	Paid Claims and Adjustments	Unpaid Claims at the End of the Year
June 30, 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.

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:

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

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:

	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
Extraclassroom			
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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
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)
TOTAL REVENUES AND OTHER SOURCES	193,137,581	193,137,581	$191,301,808	($1,835,773)
Appropriated reserves	3,184,738	3,184,738		
TOTAL REVENUES & APPROPRIATED FUND BALANCE	$196,322,319	$196,322,319		

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
EXPENDITURES					
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
	20,423,283	20,926,954	19,493,732	497,495	935,727
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
	107,513,266	107,306,635	102,319,123	318,277	4,669,235
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		-
TOTAL EXPENDITURES	184,627,813	184,743,313	177,459,408	815,946	6,467,959
Other Financing Uses					
Interfund transfers	11,694,506	11,579,006	11,546,275		32,731
TOTAL EXPENDITURES AND OTHER USES	$196,322,319	$196,322,319	189,005,683	$815,946	$6,500,690
NET CHANGE IN FUND BALANCE			2,296,125		
FUND BALANCE - BEGINNING OF YEAR			24,576,930		
FUND BALANCE - END OF YEAR			$26,873,055		

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,

	2021	2020	2019	2018
Total OPEB Liability				
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	(11,731,763)	(11,225,723)	(11,331,824)	(10,295,153)
Net change in Total OPEB Liability	$31,993,069	$48,449,702	$93,514,367	($7,931,930)
Total OPEB Liability - beginning	$465,746,065	$417,296,363	$323,781,996	$331,713,926
Total OPEB Liabilty - ending	$497,739,134	$465,746,065	$417,296,363	$323,781,996
Covered employee payroll	$86,040,283	$84,064,514	$81,335,258	$76,494,781
Total OPEB Liability as a percentage of covered employee payroll	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 Chnages 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.

See Paragraph on Required Supplementary Information Included in Auditor's Report

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.

See Paragraph on Required Supplementary Information Included in Auditor's Report

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%

See Paragraph on Required Supplementary Information Included in Auditor's Report

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	1,149,738
Original Budget	196,322,319
Final Budget	$196,322,319

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 voter approved expenditure budget		$198,935,170
Maximum allowed (4% of 2021-2022 budget)		$7,957,407
General fund fund balance subject to Section 1318 of Real Property Tax Law		
Assigned fund balance	$815,946	
Unassigned fund balance	6,453,075	
Total unrestricted fund balance		7,269,021
Less:		
Appropriated fund balance		
Encumbrances	815,946	
Total adjustments		815,946
General fund fund balance subject to Section 1318 of Real Property Tax Law		$6,453,075
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				Fund Balance June 30, 2021
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
2007 EXCEL Bond Referendum	$10,334,240	$10,334,240	$10,125,661		$10,125,661	$208,579	$7,460,000	$2,665,661		$10,125,661	$ -
2013-14 High School Track and Field	1,600,000	1,335,989	1,335,989		1,335,989	-			$1,335,989	1,335,989	-
Energy Performance Contract	10,602,531	10,602,531	10,602,531		10,602,531	-	10,602,531			10,602,531	-
Smart Schools Bond Act	373,942	2,099,653	406,356	439,004	845,360	1,254,293		845,360		845,360	-
2015-16 Interfund Transfer	500,000	499,951	499,849		499,849	102			499,849	499,849	-
2016-17 Interfund Transfer	550,000	550,000	338,011		338,011	211,989			550,000	550,000	211,989
2017-18 Interfund Transfer - ADA Renovations District-Wide	1,124,584	1,124,584	983,837	33,526	1,017,363	107,221			1,124,584	1,124,584	107,221
2017-18 Interfund Transfer - FEMA	243,455	243,455	-		-	243,455			243,455	243,455	243,455
2018-19 Interfund Transfer - Playground Renovation Plan	2,450,000	2,450,000	2,288,869	6,807	2,295,676	154,324			2,450,000	2,450,000	154,324
2019-20 Interfund Transfer - Miscellaneous Projects	3,000,000	3,000,000	234,024	383,526	617,550	2,382,450			3,000,000	3,000,000	2,382,450
2015 Capital Reserve - Bay Roof	365,565	147,314	147,314		147,314	-			147,314	147,314	-
2015 Capital Reserve - Medford Windows	511,752	443,622	443,308		443,308	314			443,622	443,622	314
2015 Capital Reserve - Medford Roof	511,752	208,353	208,353		208,353	-			208,353	208,353	-
2015 Capital Reserve - Saxton Roof	1,097,682	465,169	465,169		465,169	-			465,169	465,169	-
2015 Capital Reserve - Barton Roof	639,714	243,165	243,165		243,165	-			243,165	243,165	-
2015 Capital Reserve - Tremont Roof	731,131	315,645	315,645		315,645	-			315,645	315,645	-
2015 Capital Reserve - Eagle Roof	594,006	250,055	250,055		250,055	-			250,055	250,055	-
2015 Capital Reserve - Canaan Roof	548,398	237,162	237,162		237,162	-			237,162	237,162	-
2015 Capital Reserve - River Roof		129,390	129,231		129,231	159			129,390	129,390	159
2015 Capital Reserve - South Ocean Lockers		144,639	144,639		144,639	-			144,639	144,639	-
2015 Capital Reserve - Saxton Lockers		200,181	200,181		200,181	-			200,181	200,181	-
2015 Capital Reserve - HS Roof and Tennis Courts		1,469,361	1,454,211		1,454,211	15,150			1,469,361	1,469,361	15,150
2015 Capital Reserve - Security		745,944	665,280	70,478	735,758	10,186			745,944	745,944	10,186
2018 Capital Reserve - Canaan Vestibule	350,000	432,900	336,631	1,672	338,303	94,597			432,900	432,900	94,597
2018 Capital Reserve - Medford Loop, Payground Supplemt, ADA Supplement	500,000	784,000	653,851	6,324	660,175	123,825			784,000	784,000	123,825
2018 Capital Reserve - High School Greenhouse Supplement	500,000	277,150	235,743	(132)	235,611	41,539			277,151	277,151	41,540
2018 Capital Reserve - High School Dust Collection	200,000	331,050	304,355	4,352	308,707	22,343			331,050	331,050	22,343
2018 Capital Reserve - Playground Renovation Plan Supplement	550,000	389,898	57,964	10,501	68,465	321,433			389,898	389,898	321,433
2018 Capital Reserve - ADA Renovations District-Wide Supplement	500,000		-		-	-			-	-	-
2018 Capital Reserve - Oregon ADA and Track	1,000,000	1,204,002	1,194,834	4,688	1,199,522	4,480			1,204,002	1,204,002	4,480
2018 Capital Reserve - Saxton ADA and Track	1,000,000	1,181,000	1,168,161	2,933	1,171,094	9,906			1,181,000	1,181,000	9,906
2018 Capital Reserve - Projects Approved 5/21/2019	2,500,000	2,500,000	34,359	1,664,138	1,698,497	801,503			2,500,000	2,500,000	801,503
TOTAL	$42,878,752	$44,340,403	$35,704,738	$2,627,817	$38,332,555	$6,007,848	$18,062,531	$3,511,021	$21,303,878	$42,877,430	$4,544,875

See Paragraph on Other Supplementary Information Included in Auditor's Report

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

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

See Paragraph on Other Supplementary Information Included in Auditor's Report

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA

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.

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

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

September , 2022

The Board of Education of
Patchogue-Medford Union Free School District,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Patchogue-Medford Union Free School District (the "School District"), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $39,000,000 Tax Anticipation Notes for 2022-2023 Taxes (the "Note"), dated and delivered the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon subject to certain statutory limitations. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Note is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the School District will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the School District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the School District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the School District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

APPENDIX E

FORM OF EVENTS NOTICE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

"EMMA" shall mean Electronic Municipal Market Access System implemented by the MSRB.

"Financial Obligation" shall mean "financial obligation" as such term is defined in the Rule.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"Holder" shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

"Issuer" shall mean the Patchgoue-Medford Union Free School District, in the County of Suffolk, a school district of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of September 28, 2022.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

"Securities" shall mean the Issuer's $39,000,000 Tax Anticipation Notes for 2022-2023 Taxes, dated September 28, 2022, maturing on June 28, 2023, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;

(7) modifications to rights of Securities holders, if material;

(8) Bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 28, 2022.**

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

By_____
President of the Board of Education