

**PATCHOGUE-MEDFORD
UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2023**

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

I. INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

	Independent Auditor's Report	
<u>Exhibit</u>		<u>Page</u>
<u>Number</u>		
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- 62

II. REQUIRED SUPPLEMENTARY INFORMATION

SS1	Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	63 - 64
SS2	Schedule of Changes in the District's Total OPEB Liability and Related Ratios	65
SS3	Schedule of District's Proportionate Share of the Net Pension Asset/(Liability)	66
SS4	Schedule of District's Contributions	67

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	68
SS6	Schedule of Project Expenditures - Capital Projects Fund	69
SS7	Net Investment in Capital Assets	70

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of Patchogue-Medford Union Free School District (the "District"), as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

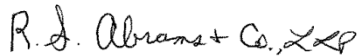
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total other post-employment benefits liability and related ratios, schedule of District's proportionate share of the net pension asset/(liability), and schedule of District's contributions on pages 1 through 15 and 63 through 67, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information as listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2023

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023. 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 2023 are as follows:

- On the District-Wide Financials, revenues increased by \$12,604,878, or 5.82%, mainly due to an increase in charges for services, real property taxes and other tax items, use of money and property, and State sources, partially offset by a decrease in operating grants and contributions. Real property taxes and other tax items and state sources accounted for 89.78% of total revenues, 54.23% and 35.55% respectively.
- On the District-Wide Financial Statements, expenses increased by \$29,659,167 or 14.11%, primarily due to an increase in instruction expenses due to increases in other post-employment benefits and pension expenses based on the current year actuarial valuations.
- As of June 30, 2023, the District has been awarded \$16,464,656 in federal grants revenue in relation to the American Rescue Plan (ARP). These grants started March 13, 2020 and end September 30, 2024. These funds are recorded in operating grants and contributions of the Statement of Activities on the District-Wide Financial Statements, and are included in the Special Aid Fund in the governmental fund statements.
- The general fund budget for the 2023-2024 school year was approved by the voters in the amount of \$231,391,038. This is an increase of \$20,209,161 or 9.57% over the previous year’s budget. The increase was primarily due to increases in personnel costs, and employee benefits.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.

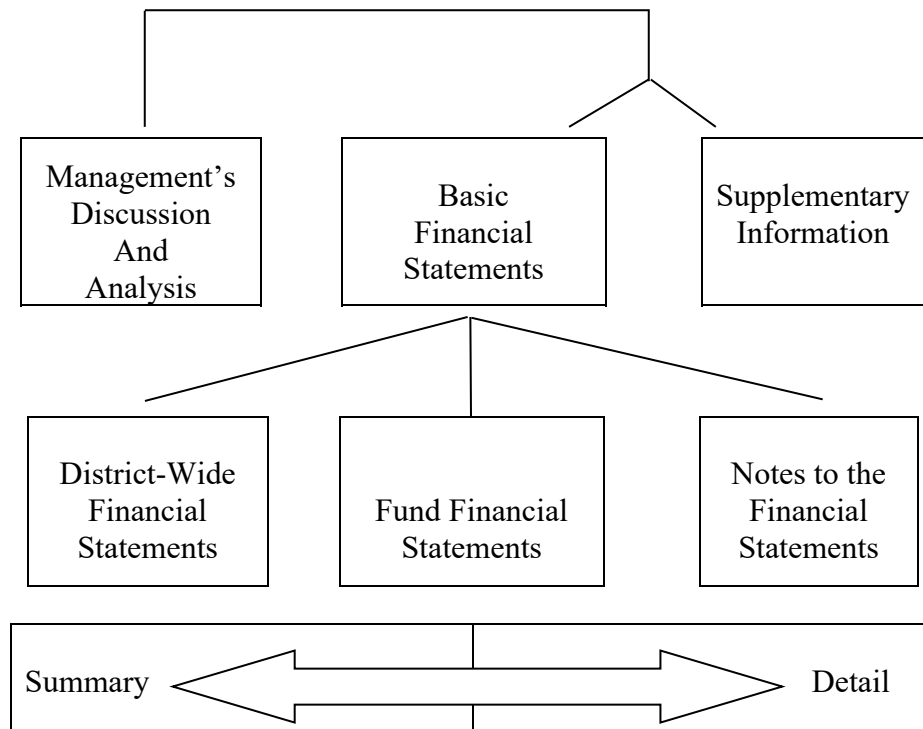
**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

- o 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.
- o *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, 2023**

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, 2023**

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 and intangible lease 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 and amortization is not calculated if it does not provide or reduce current financial resources. Finally, capital assets, intangible lease assets, and long-term debt are both accounted for in account groups and do not affect the fund balances.

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

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

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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:

The District's net deficit increased by \$10,568,453 in the fiscal year ended June 30, 2023 as detailed in the following table.

Condensed Statement of Net Position - Governmental Activities

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Total Percentage Change
Current assets	\$ 64,974,097	\$ 58,525,231	\$ 6,448,866	11.02%
Non-current assets	108,887,208	113,240,596	(4,353,388)	(3.84%)
Net pension asset, proportionate share	-	82,727,602	(82,727,602)	N/A
Total Assets	173,861,305	254,493,429	(80,632,124)	(31.68%)
Deferred outflows of resources	158,023,853	162,651,228	(4,627,375)	(2.84%)
Total Assets and Deferred Outflows of Resources	331,885,158	417,144,657	(85,259,499)	(20.44%)
Current liabilities	22,450,475	19,740,430	2,710,045	13.73%
Long-term liabilities	508,928,805	486,445,466	22,483,339	4.62%
Total Liabilities	531,379,280	506,185,896	25,193,384	4.98%
Deferred inflows of resources	133,836,650	233,721,080	(99,884,430)	(42.74%)
Total Liabilities and Deferred Inflows of Resources	665,215,930	739,906,976	(74,691,046)	(10.09%)
Net Position				
Net investment in capital assets	59,505,235	53,882,718	5,622,517	10.43%
Restricted	32,564,175	27,038,537	5,525,638	20.44%
Unrestricted (deficit)	(425,400,182)	(403,683,574)	(21,716,608)	5.38%
Total net position (deficit)	\$ (333,330,772)	\$ (322,762,319)	\$ (10,568,453)	(3.27%)

Current assets increased by \$6,448,866. This was primarily due to an increase in cash and cash equivalents and receivables.

Non-current assets decreased by \$4,353,388. This was primarily attributable to current year depreciation and amortization offset by current year capital asset additions, including capital outlay.

The District's net pension asset – proportionate share for pension systems decreased by \$82,727,602 as a result of the actuarial valuations provided by the State resulting in a net pension liability in 2022-2023, compared with a net pension asset in 2021-2022.

The change in deferred outflows of resources represents amortization of the deferred amounts on refundings as discussed in Note 14, amortization of pension-related items as discussed in Note 15, as well as the amortization of deferred outflows for other post-employment benefits obligation, as discussed in Note 17.

Current liabilities increased by \$2,710,045. This was primarily attributable to increases in accounts payable, accrued liabilities, due to other governments, and due to teachers' retirement system, partially offset by decreases in compensated absences payable and collections in advance.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Long-term liabilities increased by \$22,483,339, which was primarily attributable to increases in the total other post-employment benefits obligation and net pension liabilities as actuarially determined. This was partially offset by a decrease in bonds payable, lease liability, energy performance contract debt payable, and workers' compensation claims 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 15 and 17.

The net investment in capital assets, relates to the investment in capital assets and intangible lease assets at cost such as land, construction in progress, buildings and improvements, and machinery and equipment, net of depreciation and amortization and related debt. This number increased from the prior year by \$5,622,517 primarily due to the reduction in the principal balance of related debt and District Wide capital improvements, net of current year depreciation and amortization expense.

The restricted net position at June 30, 2023, relates to the District's reserves and restricted amounts for scholarships and donations. Restricted net position increased by \$5,525,638, primarily due to increases in the capital reserve relating to fundings.

The unrestricted net deficit of \$425,400,182 relates to the balance of the District's net position. The unrestricted net deficit increased by \$21,716,608 from the prior year.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities. A summary of this Statement for the years ended June 30, 2023 and 2022 is as follows:

Change in Net Position from Operating Results Governmental Activities Only:

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$ 3,074,861	\$ 2,301,741	\$ 773,120	33.59%
Operating grants and contributions	16,959,440	17,947,956	(988,516)	(5.51%)
Capital grants	172,698		172,698	100.00%
General Revenues				
Real property taxes and other tax items	124,362,736	119,734,741	4,627,995	3.87%
Use of money & property	1,258,287	279,070	979,217	350.89%
Other	1,709,055	1,598,655	110,400	6.91%
State sources	81,524,081	74,557,557	6,966,524	9.34%
Medicaid reimbursement	283,195	319,755	(36,560)	(11.43%)
Total Revenues	<u>229,344,353</u>	<u>216,739,475</u>	<u>12,604,878</u>	5.82%
Expenses				
General support	32,911,798	29,494,295	3,417,503	11.59%
Instruction	187,748,837	164,037,721	23,711,116	14.45%
Pupil transportation	10,293,065	8,936,677	1,356,388	15.18%
Community services	3,472,838	2,991,994	480,844	16.07%
Debt service - interest	1,582,513	1,149,479	433,034	37.67%
Food service program	3,903,755	3,643,473	260,282	7.14%
Total Expenses	<u>239,912,806</u>	<u>210,253,639</u>	<u>29,659,167</u>	14.11%
Increase (Decrease) in Net Position	<u>\$ (10,568,453)</u>	<u>\$ 6,485,836</u>	<u>\$ (17,054,289)</u>	(262.95%)

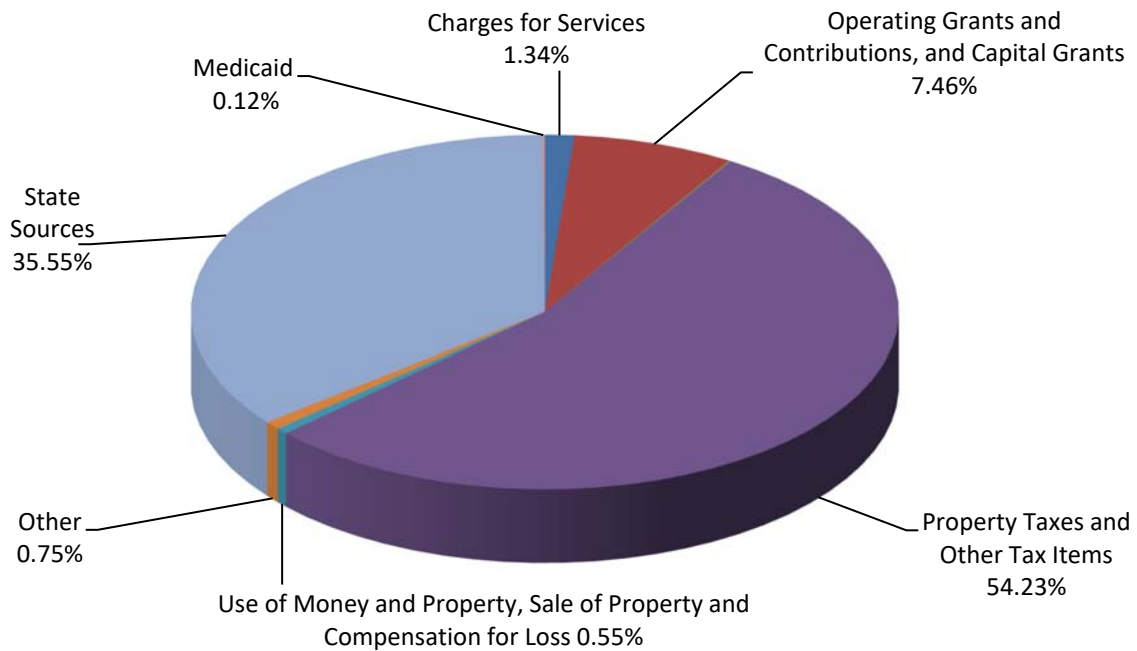
The District's fiscal year 2023 revenues totaled \$229,344,353. Real property taxes and other tax items, and state sources accounted for most of the District's revenue by contributing 54.23% and 35.55%, respectively of total revenue. The remainder resulted from fees charged for services, operating grants and contributions, use of money and property, and other miscellaneous sources. Total revenues increased by \$12,604,878 or 5.82%. This was primarily attributable to an increase in real property taxes and other tax items, state sources, and use of money and property.

The cost of all programs and services totaled \$239,912,806 for fiscal year 2023. These expenses are predominantly related to general instruction and transporting students, which account for 82.55% of district expenses. The District's general support activities accounted for 13.72% of total costs.

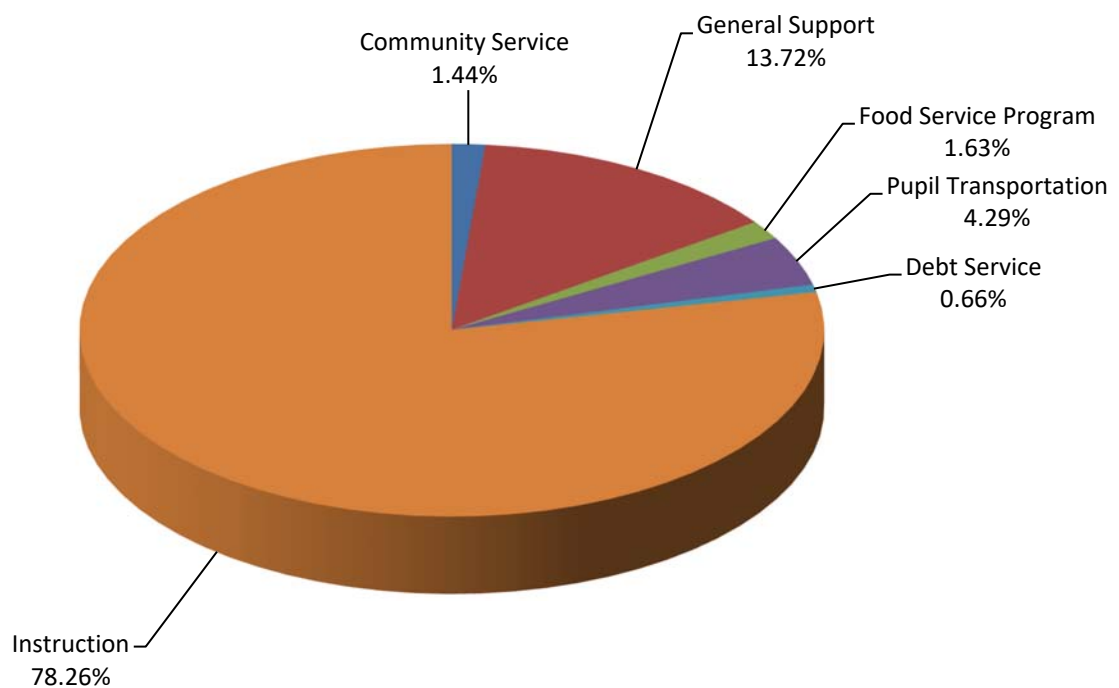
The users of the District's programs financed \$3,074,861 of the cost. The federal and state governments subsidized certain programs with operating grants and contributions and capital grants of \$16,959,440 and \$172,698, respectively. Most of the District's net costs of \$219,705,807 were financed by District taxpayers and state sources.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Revenues for Fiscal Year 2023



Expenses for Fiscal Year 2023



**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, 2023, the District's combined governmental funds reported a total fund balance of \$43,155,228 which is an increase of \$3,788,816 from the prior year.

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

	2023	2022	Increase (Decrease)	Total Percentage Change
General Fund				
Restricted				
Employee benefit accrued liability	\$ 9,387,918	\$ 9,217,610	\$ 170,308	1.85%
Retirement contribution - ERS	5,529,444	5,429,133	100,311	1.85%
Retirement contribution - TRS	1,021,457	1,002,926	18,531	1.85%
Unemployment insurance	53,168	52,204	964	1.85%
Insurance	216,318	212,394	3,924	1.85%
Workers' compensation	1,037,786	1,018,960	18,826	1.85%
Capital	111,328	7,701,308	(7,589,980)	(98.55%)
Assigned				
General support	145,892	463,033	(317,141)	(68.49%)
Instruction	70,030	162,271	(92,241)	(56.84%)
Unassigned	5,667,529	7,621,670	(1,954,141)	(25.64%)
Total Fund Balance - General Fund	<u>23,240,870</u>	<u>32,881,509</u>	<u>(9,640,639)</u>	(29.32%)
School Lunch Fund				
Nonspendable: inventory	132,495	101,600	30,895	30.41%
Assigned	1,306,902	1,290,011	16,891	1.31%
Total Fund Balance - School Lunch Fund	<u>1,439,397</u>	<u>1,391,611</u>	<u>47,786</u>	3.43%
Debt Service Fund				
Restricted	17,620	17,286	334	1.93%
Total Fund Balance - Debt Service Fund	<u>17,620</u>	<u>17,286</u>	<u>334</u>	1.93%
Miscellaneous Special Revenue Fund				
Restricted - scholarships and donations	1,055,455	1,031,614	23,841	2.31%
Assigned - extraclassroom activities	423,113	322,327	100,786	31.27%
Total Fund Balance - Miscellaneous Special Revenue Fund	<u>1,478,568</u>	<u>1,353,941</u>	<u>124,627</u>	9.20%
Capital Projects Fund				
Restricted	14,133,681	1,355,102	12,778,579	943.00%
Assigned	2,845,092	2,366,963	478,129	20.20%
Total Fund Balance - Capital Projects Fund	<u>16,978,773</u>	<u>3,722,065</u>	<u>13,256,708</u>	356.17%
Total Fund Balances - All Funds	<u>\$ 43,155,228</u>	<u>\$ 39,366,412</u>	<u>\$ 3,788,816</u>	9.62%

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Changes to fund balances can be attributed to the following:

A) General Fund

Fund balance in the general fund decreased by \$9,640,639. This change is a result of expenditures and other financing uses of \$220,975,622 exceeding revenues and other financing sources of \$211,334,983.

B) School Lunch Fund

Fund balance in the school lunch fund increased by \$47,786. This increase was primarily due to revenues and operating transfers in exceeding expenditures. The overall decrease in operating profit in the school lunch fund is primarily the result of the discontinuation of the free lunch to all students program that was being offered in the previous year by the Federal government as a response to the coronavirus pandemic. This resulted in a significant decrease in federal aid reimbursements for meals served in the current year, which was partially offset by increases in school lunch sales revenue.

C) Miscellaneous Special Revenue Fund:

The fund balance in the miscellaneous special revenue fund increased \$124,627. This increase is due to an increase in the balance for extraclassroom activities, as well as an increase in the balance for scholarships as a result of scholarship donations received and interest earnings exceeding scholarships awarded.

D) Capital Projects Fund

Fund balance in the capital projects fund increased by \$13,256,708. This increase was due to state aid and a voter-approved transfer from capital reserve funds, net of funds being spent on capital projects in the current year. The capital projects fund recognized \$1,500,000 in revenues from an interfund transfer from the general fund. The transfer was for improvements at the High School related to expansion of the in-house Career and Technical Education (CTE) program for cosmetology. The capital projects fund had \$1,194,568 in capital outlay expenditures and \$791,460 of unspent, previously authorized capital reserve funds that was transferred back to the capital reserve in the general fund for future voter approved projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2022-2023 Budget:

The District's general fund original budget for the year ended June 30, 2023 was \$211,181,877. This amount was increased by encumbrances carried forward from the prior year in the amount of \$625,304, and a budget revision as a result of the voter authorized transfer from capital reserve funds in the amount of \$13,570,038 which resulted in a final budget of \$225,377,219. The majority of the funding was from real property taxes and other tax items, and state sources of \$206,062,143.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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	\$ 7,621,670
Revenues and other financing sources over budget	153,106
Expenditures, other financing uses, and encumbrances under budget	4,185,675
Funding to reserves	(5,791,460)
Interest allocated to reserves	<u>(501,462)</u>
Closing, unassigned fund balance	<u>\$ 5,667,529</u>

The opening unassigned fund balance of \$7,621,670 is the June 30, 2022 unassigned fund balance.

The revenues and other financing sources were over budget in the amount of \$153,106. This was primarily due to favorable variances in other real property tax items, sale of property and compensation for loss, and other financing sources, partially offset by unfavorable variances in charges for services, state sources, and federal sources.

The expenditures, other financing uses, and encumbrances under budget in the amount of \$4,185,675 were primarily attributable to the following expenditure areas: central services, teaching regular school, programs for children with handicapping conditions, and pupil services (refer to Supplemental Schedule #1 for more detail).

The funding of reserves consisted of a \$5,000,000 transfer to the 2022 capital reserve, and \$791,460 that was transferred from the capital projects fund from unspent capital reserve projects, back to the capital reserve that they were originally funded from.

Interest of \$501,462 was also allocated to the reserves as follows: \$188,598 to the capital reserve funds, \$170,308 to the employee benefit accrued liability reserve, \$100,311 to the retirement contribution reserve, \$18,531 to the retirement contribution reserve TRS sub-fund, \$964 to the unemployment reserve, \$3,924 to the insurance reserve, and \$18,826 to the workers' compensation reserve.

The closing unassigned fund balance of \$5,667,529 represents the fund balance retained by the District that is not restricted or assigned for subsequent year's taxes. This amount is limited to 4.00% of the 2023/2024 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, 2023**

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

A) Capital Assets and Intangible Lease Assets:

The District paid for furniture and equipment, vehicles, and various additions and renovations during fiscal year 2023. A summary of the District's net capital assets is as follows:

Category	Fiscal Year 2023	Fiscal Year 2022	Increase (Decrease)	Percentage Change
Land	\$ 2,827,925	\$ 2,827,925	\$ -	0.00%
Land improvements	5,970,838	5,970,838	-	0.00%
Construction in progress	1,310,639	330,267	980,372	296.84%
Buildings & building improvements	199,396,994	199,396,994	-	0.00%
Furniture & equipment	5,511,242	5,196,417	314,825	6.06%
Subtotal	215,017,638	213,722,441	1,295,197	0.61%
Less: Accumulated Depreciation	106,130,430	100,542,142	5,588,288	5.56%
Total Net Capital Assets, Net	\$ 108,887,208	\$ 113,180,299	\$ (4,293,091)	(3.79%)
Intangible Lease Assets, Net	\$ -	\$ 20,724	\$ (20,724)	(100.00%)

Depreciation expense was \$5,612,182 and amortization expense was \$20,724 for fiscal year ended June 30, 2023. See Note 9 to the financial statements for additional detail.

B) Long-Term Debt

At June 30, 2023 the District had total long-term debt comprised of bonds payable (inclusive of unamortized premiums) and energy performance debt payable of \$49,389,887. The debt was issued for District-wide projects. The decrease in outstanding debt represents principal payments made during the fiscal year. More detailed information about the District's long-term debt is presented in the Note 13 to the financial statements.

A summary of outstanding debt at June 30, 2023 and 2022 is as follows:

	2023	2022	Increase (Decrease)
Construction serial bonds (inclusive of unamortized premiums)	\$ 43,882,644	\$ 53,943,139	\$ (10,060,495)
Lease liability	-	20,948	(20,948)
Energy performance debt payable	5,507,243	6,218,806	(711,563)
Total	\$ 49,389,887	\$ 60,182,893	\$ (10,793,006)

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A) The District issued \$46,000,000 in tax anticipation notes on September 13, 2023, with a stated interest rate of 4.50% maturing on June 24, 2024. In addition, the District received a premium of \$278,300 on the note, which resulted in a net interest rate of 3.7249%.
- B) The general fund budget for the 2023/2024 fiscal year was approved by the voters on May 16, 2023, in the amount of \$231,391,038. This is an increase of \$20,209,161 or 9.57% over the previous year's budget.
- C) On May 1, 2023 the voters of the District approved a proposition to expend \$13,570,038 from capital reserve funds for the construction of an addition at Bay Avenue Elementary School, in addition to other District-Wide capital projects.
- D) The District was awarded funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) through the Elementary and Secondary School Emergency Relief Program (ESSER), and the Governor's Emergency Education Relief Program (GEER). The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the special aid fund as they are expended. As of June 30, 2023, the District has expended funds as follows:

Funding Source	Grant Amount Awarded	Cumulative Amount Expended as of June 30, 2023
CRRSA - ESSER 2	\$ 6,750,997	\$ 6,361,811
CRRSA - GEER 2	646,577	635,633
	<u>\$ 7,397,574</u>	<u>\$ 6,997,444</u>

- E) The District was awarded funding as of June 30, 2023 from the American Rescue Plan (ARP) as noted below. The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the Special Aid Fund as they are expended.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

Funding Source	Grant Amount Awarded	Cumulative Amount Expended as of June 30, 2023
ARP - ESSER 3	\$ 7,282,782	\$ 1,259,433
ARP - SLR Summer Enrichment	1,257,078	597,635
ARP - SLR Comprehensive A	1,257,078	578,838
ARP - SLR Learning Loss	6,285,214	1,564,240
ARP - Homeless II	40,725	-
ARP - IDEA Part B, Section 611	297,558	-
ARP - IDEA Part B, Section 619	44,221	-
	<u>\$ 16,464,656</u>	<u>\$ 4,000,146</u>

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, 2023

ASSETS

Current assets

Cash and cash equivalents	
Unrestricted	\$ 14,132,517
Restricted	32,564,175
Receivables	
State and federal aid	17,260,437
Due from other governments	811,679
Accounts receivable	72,794
Inventory	132,495

Non-current assets

Capital assets	
Not being depreciated	4,138,564
Being depreciated, net of accumulated depreciation	104,748,644

TOTAL ASSETS	173,861,305
---------------------	--------------------

DEFERRED OUTFLOWS OF RESOURCES

Pensions	55,045,617
Other post-employment benefits	102,664,624
Deferred amounts on refundings	313,612

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	331,885,158
--	--------------------

LIABILITIES

Payables

Accounts payable	2,727,471
Accrued liabilities	1,846,057
Accrued interest payable	656,678
Due to other governments	5,763,467
Due to fiduciary funds	431
Due to teachers' retirement system	10,075,048
Due to employees' retirement system	551,483
Compensated absences payable	417,384

Unearned credits

Collections in advance	412,456
------------------------	---------

Long-term liabilities

Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	9,077,822
Energy performance debt payable	729,433
Workers' compensation claims payable	1,199,249
Compensated absences payable	1,315,535
Due and payable after one year	
Bonds payable (inclusive of unamortized premiums)	34,804,822
Energy performance debt payable	4,777,810
Workers' compensation claims payable	809,463
Compensated absences payable	9,374,995
Net pension liability - proportionate share - employees' retirement system	11,368,664
Net pension liability - proportionate share - teachers' retirement system	8,895,779
Total other post-employment benefits obligation	426,575,233

TOTAL LIABILITIES	531,379,280
--------------------------	--------------------

DEFERRED INFLOWS OF RESOURCES

Pensions	5,652,371
Other post-employment benefits	128,184,279

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	665,215,930
--	--------------------

NET POSITION

Net investment in capital assets	59,505,235
----------------------------------	------------

Restricted

Employee benefit accrued liability	9,387,918
Retirement contribution	
Employees' retirement system	5,529,444
Teachers' retirement system	1,021,457
Unemployment insurance	53,168
Insurance	216,318
Workers' compensation	1,037,786
Debt service	17,620
Capital	14,245,009
Scholarships and donations	1,055,455
	32,564,175

Unrestricted (deficit)	(425,400,182)
------------------------	---------------

TOTAL NET POSITION (DEFICIT)	\$(333,330,772)
-------------------------------------	------------------------

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

		Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
	Expenses	Services	Grants and	Grants	Changes in
FUNCTIONS / PROGRAMS			Contributions		Net Position
General support	\$ (32,911,798)		\$ 2,915,859		\$ (29,995,939)
Instruction	(187,748,837)	\$ 2,036,199	10,706,653	\$ 172,698	(174,833,287)
Pupil transportation	(10,293,065)		379,816		(9,913,249)
Community services	(3,472,838)				(3,472,838)
Debt service - interest	(1,582,513)				(1,582,513)
Food service program	(3,903,755)	1,038,662	2,957,112		92,019
TOTAL FUNCTIONS AND PROGRAMS	<u>\$ (239,912,806)</u>	<u>\$ 3,074,861</u>	<u>\$ 16,959,440</u>	<u>\$ 172,698</u>	<u>(219,705,807)</u>
GENERAL REVENUES					
Real property taxes					112,734,719
Other tax items - including STAR reimbursement					11,628,017
Use of money and property					889,943
Sale of property and compensation for loss					368,344
Miscellaneous					1,709,055
State sources					81,524,081
Medicaid reimbursement					283,195
TOTAL GENERAL REVENUES					<u>209,137,354</u>
CHANGE IN NET POSITION					(10,568,453)
TOTAL NET POSITION- BEGINNING OF YEAR					<u>(322,762,319)</u>
TOTAL NET POSITION - END OF YEAR					<u>\$ (333,330,772)</u>

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	Special Aid	School Lunch	Debt Service	Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
ASSETS							
Cash and cash equivalents							
Unrestricted	\$ 6,990,129	\$ 19,657	\$ 20,519	\$ 3,150,100	\$ 483,543	\$ 3,468,569	\$ 14,132,517
Restricted	30,927,457			17,620	1,055,455	563,643	32,564,175
Receivables							
State and federal aid	5,054,379	10,948,090	754,049			503,919	17,260,437
Due from other governments	802,013	9,666					811,679
Due from other funds	13,000,459		895,508			12,748,340	26,644,307
Accounts receivable	60,369		7,900		4,525		72,794
Inventory			132,495				132,495
TOTAL ASSETS	<u>\$ 56,834,806</u>	<u>\$ 10,977,413</u>	<u>\$ 1,810,471</u>	<u>\$ 3,167,720</u>	<u>\$ 1,543,523</u>	<u>\$ 17,284,471</u>	<u>\$ 91,618,404</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Payables							
Accounts payable	\$ 1,782,556	\$ 539,984	\$ 34,278		\$ 64,955	\$ 305,698	\$ 2,727,471
Accrued liabilities	1,720,046	69,263	56,748				1,846,057
Due to other governments	5,258,082	505,202	183				5,763,467
Due to other funds	13,644,279	9,850,359		\$ 3,150,100			26,644,738
Due to teachers' retirement system	10,075,048						10,075,048
Due to employees' retirement system	503,049		48,434				551,483
Compensated absences	417,384						417,384
Unearned credits							
Collections in advance	168,420	12,605	231,431				412,456
TOTAL LIABILITIES	<u>33,568,864</u>	<u>10,977,413</u>	<u>371,074</u>	<u>3,150,100</u>	<u>64,955</u>	<u>305,698</u>	<u>48,438,104</u>
DEFERRED INFLOWS OF RESOURCES							
State aid	25,072						25,072
TOTAL DEFERRED INFLOWS OR RESOURCES	<u>25,072</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,072</u>
FUND BALANCES							
Nonspendable: inventory			132,495				132,495
Restricted:							
Employee benefit accrued liability	9,387,918						9,387,918
Retirement contribution - ERS	5,529,444						5,529,444
Retirement contribution - TRS	1,021,457						1,021,457
Unemployment insurance	53,168						53,168
Insurance	216,318						216,318
Workers' compensation	1,037,786						1,037,786
Debt service				17,620			17,620
Capital	111,328					14,133,681	14,245,009
Scholarships and donations					1,055,455		1,055,455
Assigned:							
Unappropriated fund balance	215,922		1,306,902		423,113	2,845,092	4,791,029
Unassigned: fund balance	5,667,529						5,667,529
TOTAL FUND BALANCES	<u>23,240,870</u>	<u>-</u>	<u>1,439,397</u>	<u>17,620</u>	<u>1,478,568</u>	<u>16,978,773</u>	<u>43,155,228</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 56,834,806</u>	<u>\$ 10,977,413</u>	<u>\$ 1,810,471</u>	<u>\$ 3,167,720</u>	<u>\$ 1,543,523</u>	<u>\$ 17,284,471</u>	<u>\$ 91,618,404</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Governmental Fund Balances \$ 43,155,228

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	\$ 215,017,637	
Accumulated depreciation	<u>(106,130,429)</u>	108,887,208

The present value cost of leasing capital assets (buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those leased capital assets among the assets of the district as a whole, and their original present value costs are expensed annually over the shorter of their useful lives or the length of the lease agreements.

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

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

55,045,617

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

102,664,624

Deferred outflows of resources - deferred amounts on refundings. The Statement of Net Position will amortize deferred amounts from bond refundings received over the life of the bond. Governmental funds record the deferred amounts in the year of issuance. The balance on deferred charges from refundings at June 30, 2023 was

313,612

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	(656,678)
--------------------------	-----------

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)	\$ (43,882,644)	
Energy performance debt payable	(5,507,243)	
Workers' compensation claims payable	(2,008,712)	
Compensated absences payable	(10,690,530)	
Net pension liability - proportionate share - employees' retirement system	(11,368,664)	
Net pension liability - proportionate share - teachers' retirement system	(8,895,779)	
Total other post-employment benefits obligation	<u>(426,575,233)</u>	(508,928,805)

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

(5,652,371)

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

(128,184,279)

Total Net Position

\$ (333,330,772)

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	General	Special Aid	School Lunch	Debt Service	Miscellaneous Special Revenue	Capital Projects	Total Governmental Funds
REVENUES							
Real property taxes	\$ 112,734,719						\$ 112,734,719
Other tax items - including STAR reimbursement	11,628,017						11,628,017
Charges for services	1,405,774				\$ 630,425		2,036,199
Use of money and property	863,949			\$ 796	25,198		889,943
Sale of property and compensation for loss	368,344						368,344
Miscellaneous	1,346,317		\$ 5,498				1,351,815
Local sources		\$ 11,663			58,195		69,858
State sources	81,524,081	2,522,124	76,447			\$ 172,698	84,295,350
Federal sources	315,082	11,378,459	2,694,500				14,388,041
Surplus food			186,165				186,165
Sales - school lunch			1,038,662				1,038,662
TOTAL REVENUES	210,186,283	13,912,246	4,001,272	796	713,818	172,698	228,987,113
EXPENDITURES							
General support	22,157,479	2,915,859					25,073,338
Instruction	107,673,705	10,869,803			589,191		119,132,699
Pupil transportation	9,360,525	379,816					9,740,341
Community service	2,142,386						2,142,386
Employee benefits	52,457,545						52,457,545
Debt service principal	20,948			8,781,563			8,802,511
Debt service interest	1,243,257			1,728,780			2,972,037
Cost of sales			4,040,112				4,040,112
Capital outlay						1,194,568	1,194,568
TOTAL EXPENDITURES	195,055,845	14,165,478	4,040,112	10,510,343	589,191	1,194,568	225,555,537
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	15,130,438	(253,232)	(38,840)	(10,509,547)	124,627	(1,021,870)	3,431,576
OTHER FINANCING SOURCES AND (USES)							
Premium on obligations	357,240						357,240
Operating transfers in	791,460	253,232	86,626	10,509,881		15,070,038	26,711,237
Operating transfers (out)	(25,919,777)					(791,460)	(26,711,237)
TOTAL OTHER FINANCING SOURCES AND (USES)	(24,771,077)	253,232	86,626	10,509,881	-	14,278,578	357,240
NET CHANGE IN FUND BALANCES	(9,640,639)	-	47,786	334	124,627	13,256,708	3,788,816
FUND BALANCES - BEGINNING OF YEAR	32,881,509	-	1,391,611	17,286	1,353,941	3,722,065	39,366,412
FUND BALANCES - END OF YEAR	\$ 23,240,870	\$ -	\$ 1,439,397	\$ 17,620	\$ 1,478,568	\$ 16,978,773	\$ 43,155,228

**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, 2023**

Net Change in Fund Balance \$ 3,788,816

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

Long-Term Revenue and Expense Differences

Workers' 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, 2023 changed by 535,587

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, 2023 changed by (460,508)

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	\$ (2,061,760)	
Employees' retirement system	<u>(2,547,714)</u>	(4,609,474)

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, 2023 changed by (15,701,094)

Capital Related Differences

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

Capital outlays	\$ 1,319,091	
Depreciation expense	<u>(5,612,182)</u>	(4,293,091)

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

Amortization expense	<u>\$ (20,724)</u>	(20,724)
----------------------	--------------------	----------

Long-Term Debt Transaction Differences

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 8,070,000

Repayment of lease obligations principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 20,948

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. 711,563

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, 2023 was

Amortization on bond premiums	\$ 1,990,495	
Amortization on deferred amounts on refundings	<u>(550,976)</u>	1,439,519

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, 2022 to June 30, 2023 changed by (49,995)

Change in Net Position \$ (10,568,453)

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2023

	<u>Custodial</u>
ASSETS	
Due from governmental funds	\$ 431
TOTAL ASSETS	<u>\$ 431</u>
LIABILITIES	
Due to other governments - Public Library	\$ -
TOTAL LIABILITIES	<u>-</u>
NET POSITION	
Restricted	\$ 431
TOTAL NET POSITION	<u>431</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 431</u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	<u>Custodial</u>
ADDITIONS	
Public Library - real property taxes and PILOT collections	\$ 9,089,822
TOTAL ADDITIONS	<u>9,089,822</u>
DEDUCTIONS	
Payments of real property taxes and PILOT to Public Library	<u>9,097,398</u>
TOTAL DEDUCTIONS	<u>9,097,398</u>
CHANGE IN NET POSITION	(7,576)
NET POSITION - BEGINNING OF THE YEAR	<u>8,007</u>
NET POSITION - END OF THE YEAR	<u><u>\$ 431</u></u>

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

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

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

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

B) Joint venture:

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

BOCES is organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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

C) Basis of presentation:

District-Wide Financial Statements:

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

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements:

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

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

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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. Nonexchange 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 Financial 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 180 days after the end of the fiscal year, except for real property taxes, which are

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 bonds payable, lease liability, energy performance debt payable, workers' compensation claims payable, compensated absences, pension costs, and other post-employment benefits, which are recognized as expenditures to the extent they have matured. Capital asset and intangible lease assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions of leases with terms greater than one year are reported as other financing sources.

E) Real Property taxes:

Calendar:

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

Enforcement:

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

F) Restricted resources:

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

G) Interfund transactions:

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

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

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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

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

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and deferred outflows, liabilities and deferred inflows, and 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 lease receivable, useful lives of capital assets and intangible lease assets, lease liability, workers' compensation claims payable, compensated absences payable, net pension asset/liability, other post-employment benefits obligation, and other potential contingent liabilities.

I) Cash and investments:

The District's cash and cash equivalents consist of cash on hand and demand deposits. 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) Inventory:

Inventory 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 donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method, a current asset for inventory is recorded as the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

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

A portion of fund balance has been classified as nonspendable in the school lunch fund to indicate that inventory does not constitute available spendable resources.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

L) Capital assets:

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

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

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

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. The District's policy is to record an impairment loss in the period when the District determines that the carrying amount of the asset will not be recoverable. At June 30, 2023, the District has not recorded any such impairment losses.

M) Intangible lease assets:

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

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

N) 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. First is the unamortized deferred amounts on the refunding of bonds, which are detailed further in Note 14. The other two are deferred outflows of resources related to pensions and other post-employment benefits obligation

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

reported in the District-Wide Statement of Net Position, and are detailed further in Note 15 and Note 17.

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

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) Short-term debt:

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

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

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

The District has issued and redeemed \$39,000,000 in TANs in the fiscal year ended June 30, 2023. See Note 12 for further detail.

P) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded.

Collections in advance consist of amounts received in advance for prepaid tuition in the general fund for summer programs, grant advances in the special aid fund, and grant advances as well as prepaid meals that have not yet been purchased in the school lunch fund. See Note 11 for more detail.

Q) 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 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. The liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

R) Other benefits:

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.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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*.

S) Long term debt:

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest will be in the general fund.

In the fund financial statements, governmental funds recognize bond premiums during the current period, with the face amount of debt issued reported as other financing sources. Premiums received on long-term debt issuances are reported as other financing sources. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

In the district-wide financial statements, premiums received on long-term debt issuances are netted with bonds payable and amortized over the life of the bonds.

T) Equity classifications:

District-Wide Financial Statements:

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

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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 \$132,495.

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.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 and capital projects fund.

Restricted for Scholarships and Donations

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

Unrestricted Resources:

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District has provided otherwise in its commitment or assignment actions.

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, 2023.

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.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a District can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation. The District's unassigned fund balance in the general fund at June 30, 2023 is within the legal limit.

Fund Balance Classification

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

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

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.

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.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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 or intangible lease assets in the Fund Financial Statements and depreciation and/or amortization expense on those items as recorded in the Statement of Activities.

Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial Statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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.

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023 included \$32,564,175 within the governmental funds for general reserves, debt service, capital projects, and scholarships and donations.

C) Investments:

The District has few investments (primarily donated scholarship funds), and chooses to disclose its investments by specifically identifying each. The District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are accounted for within the special revenue fund.

<u>Type of Investment</u>	<u>Value</u>
United States Treasury Bills	<u>\$719,991</u>
Total investments	<u><u>\$719,991</u></u>

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

NOTE 5 – PARTICIPATION IN BOCES:

During the fiscal year ended June 30, 2023 the District was billed \$15,060,896 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,056,769.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2023 consisted of the following:

General Fund	
Excess cost aid	\$ 1,684,803
Homeless Tuition Aid	244,030
BOCES aid	2,056,769
Child and Adult Care Food Program	2,039
Building Aid	1,005,329
Federal Sources	61,409
Total - General Fund	<u>5,054,379</u>
Special Aid Fund	
Federal aid	8,986,009
State aid	1,962,081
Total - Special Aid Fund	<u>10,948,090</u>
School Lunch Fund	
Federal aid	731,071
State aid	22,978
Total - School Lunch Fund	<u>754,049</u>
Capital Projects Fund	
State aid - Smart Schools Bonds	503,919
Total - Capital Projects Fund	<u>503,919</u>
Total State and Federal Aid Receivables	<u><u>\$ 17,260,437</u></u>

The general fund state aid receivable includes \$25,072 of unavailable revenues, which is included in deferred inflows of resources on the balance sheet.

District management has deemed these amounts to be fully collectible.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2023 consisted of the following:

General Fund

Foster care tuition	\$ 145,674
Health services	111,731
Suffolk County IDA	485,775
Suffolk county stop light cameras	49,850
Other	8,983
Total	<u>802,013</u>

Special Aid Fund

Tuition from other districts	<u>9,666</u>
Total	<u>9,666</u>

Total Due from Other Governments	<u><u>\$ 811,679</u></u>
----------------------------------	--------------------------

District management has deemed the amounts to be fully collectible.

NOTE 8 – LEASE RECEIVABLE:

The District recognized a lease receivable and deferred inflow of resources – leases, for an agreement whereby the District leases building space to another entity, with an interest rate of 2.16%. The lease receivable and associated deferred inflow of resources will be reduced as the lease revenue is earned in future periods.

Principal and interest income received for the District's lease receivable amounted to \$20,948 and \$132, respectively, for the fiscal year ended June 30, 2023. As of June 30, 2023 the District's lease receivable has been collected in full. A new lease agreement was entered into by the District in September of 2023.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 9 - CAPITAL ASSETS:**A) Capital Assets**

Capital asset balances and activity for the year ended June 30, 2023 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	330,267	\$ 980,372	\$ -	1,310,639
Total capital assets not being depreciated	3,158,192	980,372	-	4,138,564
Capital assets being depreciated:				
Land improvements	5,970,838			5,970,838
Building and building improvements	199,396,994			199,396,994
Furniture and equipment	5,196,417	338,719	(23,894)	5,511,242
Total capital assets being depreciated	210,564,249	338,719	(23,894)	210,879,074
Less accumulated depreciation:				
Land improvements	3,713,233	934,512		4,647,745
Building and building improvements	93,363,100	4,435,837		97,798,937
Furniture and equipment	3,465,809	241,833	(23,894)	3,683,748
Total accumulated depreciation	100,542,142	5,612,182	(23,894)	106,130,430
Total capital assets being depreciated, net	110,022,107	(5,273,463)	-	104,748,644
Capital assets, net	\$ 113,180,299	\$ (4,293,091)	\$ -	\$ 108,887,208

Depreciation expense was charged to governmental functions as follows:

General support	\$ 881,787
Instruction	4,669,815
Pupil transportation	60,580
	<u>\$ 5,612,182</u>

B) Intangible Lease Assets

The following schedule summarizes the district's intangible lease asset activity for the fiscal year ended June 30, 2023:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Amortization expense was charged to governmental functions as follows:

General support	\$ 20,724
	<u>\$ 20,724</u>

NOTE 10 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General fund	\$ 13,000,459	\$ 13,644,279	\$ 791,460	\$ 25,919,777
Special aid fund		9,850,359	253,232	
School lunch fund	895,508		86,626	
Debt service fund		3,150,100	10,509,881	
Miscellaneous special revenue fund				
Capital projects fund	12,748,340		15,070,038	791,460
Total government activities	26,644,307	26,644,738	26,711,237	26,711,237
Fiduciary fund - custodial	431			
Totals	<u>\$ 26,644,738</u>	<u>\$ 26,644,738</u>	<u>\$ 26,711,237</u>	<u>\$ 26,711,237</u>

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

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.

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 11 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2023 consisted of the following:

General Fund	
Summer programs 2023-2024	\$ 168,420
Total General Fund	<u>168,420</u>
Special Aid Fund	
Other local grants	<u>12,605</u>
Total Special Aid Fund	<u>12,605</u>
School Lunch Fund	
Prepaid account balances	43,483
Supply chain assistance grant	<u>187,948</u>
Total School Lunch Fund	<u>231,431</u>
Total collections in advance	<u><u>\$ 412,456</u></u>

NOTE 12 - 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	6/28/23	4.25%	<u>\$ -</u>	<u>\$39,000,000</u>	<u>\$39,000,000</u>	<u>\$ -</u>

Interest expense on short-term debt for the year was \$1,243,125.

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 13 – LONG-TERM LIABILITIES:

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

	Beginning Balance	Issued	Reclassified and Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Serial bonds	\$ 48,355,000	\$ -	\$ 8,070,000	\$ 40,285,000	\$ 8,170,000
Add: Premiums on obligations	5,588,139		1,990,495	3,597,644	907,822
Total bonds payable	53,943,139	-	10,060,495	43,882,644	9,077,822
Other long-term liabilities:					
Lease liability	20,948		20,948	-	
Energy performance debt payable	6,218,806		711,563	5,507,243	729,433
Workers' compensation claims payable	2,544,299	568,586	1,104,173	2,008,712	1,199,249
Compensated absences payable	10,230,022	1,483,734	1,023,226	10,690,530	1,315,535
Net pension liability-proportionate share - ERS	-	11,368,664		11,368,664	
Net pension liability-proportionate share - TRS	-	8,895,779		8,895,779	
Total other post-employment benefits	413,488,252	58,070,126	44,983,145	426,575,233	
Total long-term liabilities	\$ 486,445,466	\$ 80,386,889	\$ 57,903,550	\$ 508,928,805	\$ 12,322,039

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

A) Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2023
Refunding serial bond	6/17/2015	10/1/2026	2.00% - 5.00%	\$ 12,205,000
Refunding serial bond	10/14/2020	9/15/2028	4.00%	14,620,000
Refunding serial bond	4/5/2022	7/1/2027	5.00%	13,460,000
				<u>\$ 40,285,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2024	\$ 8,170,000	\$ 1,425,150	\$ 9,595,150
2025	8,525,000	1,107,513	9,632,513
2026	8,890,000	782,575	9,672,575
2027	8,810,000	440,000	9,250,000
2028	5,890,000	132,750	6,022,750
	<u>\$ 40,285,000</u>	<u>\$ 3,887,988</u>	<u>\$ 44,172,988</u>

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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) Premiums on Bonds:

Premiums on bonds, net of accumulated amortization, are reported as a component of the related long-term liability, and amounted to \$3,597,644 at June 30, 2023. This represents premiums received on the 2015 bond refunding, the 2021 bond refunding, and the 2022 bond refunding. These premiums are being amortized using the straight-line method over the respective lives of the bonds. Amortization is recorded as a reduction in interest expense on the District-Wide Statement of Activities. As of June 30, 2023, the premiums recorded in the District-Wide Financial Statements consisted of:

	<u>2015 Refunding</u>	<u>2021 Refunding</u>	<u>2022 Refunding</u>
Premium on bonds	\$ 2,437,793	\$ 2,902,912	\$ 1,456,131
Accumulated amortization	<u>(1,738,716)</u>	<u>(1,119,195)</u>	<u>(341,281)</u>
Premium on bonds, net of accumulated amortization	<u>\$ 699,077</u>	<u>\$ 1,783,717</u>	<u>\$ 1,114,850</u>
Total premium on bonds, net of accumulated amortization	<u>\$ 3,597,644</u>		

C) Lease Liability

The District recognizes a lease liability obligation and an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various copiers with an implicit interest rate of 2.16%.

Principal and interest expense paid on the District's lease liability amounted to \$20,948 and \$132, respectively, for the fiscal year ended June 30, 2023. As of June 30, 2023 the District's lease liability has matured and has been fully paid. The District entered into a new lease agreement with Eastern Suffolk BOCES commencing September 1, 2023 for 48 months for copiers replacing the lease that ended June 30, 2023.

D) Energy Performance Debt Payable:

Energy performance debt payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2023</u>
Energy performance debt	7/3/2014	1/3/2030	2.496%	<u>\$ 5,507,243</u>

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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	805,616	56,845	862,461
2029-2030	1,672,129	52,493	1,724,622
	<u>\$ 5,507,243</u>	<u>\$ 529,284</u>	<u>\$ 6,036,527</u>

E) Long-Term Interest

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

	Total
Interest paid	\$ 1,728,912
Less interest accrued in the prior year	(606,683)
Plus interest accrued in the current year	656,678
Plus amortized prepaid bond refunding costs	(1,990,495)
Less amortized deferred amounts on refunding	550,976
Total expense	<u>\$ 339,388</u>

NOTE 14 – DEFERRED AMOUNTS ON REFUNDINGS:

The deferred amounts on refunding recorded in the District-Wide Financial Statements as deferred outflow of resources at June 30, 2023 consisted of the following:

	Total Years Amortized	Initial Amount at Refunding	Amortization To Date	Balance at June 30, 2023
2015 Bond Refunding	11	\$ 242,743	\$ 173,137	\$ 69,606
2021 Bond Refunding	7	86,537	33,363	53,174
2022 Bond Refunding	6	249,250	58,418	190,832
Total deferred amounts on refunding		<u>\$ 578,530</u>	<u>\$ 264,918</u>	<u>\$ 313,612</u>

The deferred amounts 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.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 15 – PENSION PLANS:

A) Plan description and benefits provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the TRS 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 (RSSL). 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 (GLIP) which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. ERS issues a publicly available report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany NY 12244 or by referring to the ERS Comprehensive Annual Report, which can be found at www.osc.state.ny.us/retire.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

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, and before January 1, 2010
 - 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, and 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 on or after July 27, 1976, and before January 1, 2010
 - 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 and 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, 2023 for covered payroll was 11.6%. The contribution rate for Tier 2, 15.90%, for Tiers 3 & 4, 13.0%, for Tier 5, 11.10%, and for Tier 6, 8.20%.

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, 2023 was 10.29% 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:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>NYSTRS</u>	<u>NYSERS</u>
2023	\$8,961,138	\$2,210,627
2022	\$8,045,624	\$2,173,028
2021	\$7,330,773	\$2,119,749

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

At June 30, 2023, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2023 for ERS and June 30, 2022 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2023	June 30, 2022
Net pension asset/(liability)	(\$11,368,664)	(\$8,895,779)
District's portion of the Plan's total		
net pension asset/(liability)	0.0530155%	0.463589%
Change in proportion since the prior	0.0017367%	0.0103860%
measurement date		

For the year ended June 30, 2023, the District recognized pension expense of \$4,343,286 for ERS and \$11,021,731 for TRS. At June 30, 2023 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$ 1,210,852	\$ 9,321,650	\$ 319,275	\$ 178,256
Changes of assumptions	5,521,356	17,256,306	61,021	3,583,471
Net difference between projected and actual earnings on pension plan investments		11,494,190	66,790	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	673,450	55,192	4,171	1,439,387
District's contributions subsequent to the measurement date	551,483	8,961,138		
	<u>\$ 7,957,141</u>	<u>\$ 47,088,476</u>	<u>\$ 451,257</u>	<u>\$ 5,201,114</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2023		\$ 6,318,485
2024	\$ 1,770,817	3,102,218
2025	(384,206)	(1,732,936)
2026	2,452,746	22,405,695
2027	3,115,044	2,755,565
Thereafter		77,197
Total	<u>\$ 6,954,401</u>	<u>\$ 32,926,224</u>

Actuarial Assumptions

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	ERS	TRS
Measurement date	March 31, 2023	June 30, 2022
Actuarial valuation date	April 1, 2022	June 30, 2021
Investment rate of return (net of pension plan investment expense, including inflation)	5.90%	6.95%
Salary increases	4.40%	1.95% - 5.18%
Cost of Living Adjustments	1.5% annually	1.3% annually
Decrement	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation	2.90%	2.40%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020, System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2021. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2021, 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, 2022, valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2021 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

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

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized below:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	March 31, 2023		June 30, 2022	
	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>expected real</u>	<u>Allocation</u>	<u>expected real</u>
<u>Asset type</u>		<u>rate of return</u>		<u>rate of return</u>
Domestic equity	32%	4.30%	33%	6.50%
International equity	15%	6.85%	16%	7.20%
Global equity			4%	6.90%
Private equity	10%	7.50%	8%	9.90%
Real estate	9%	4.60%	11%	6.20%
Opportunistic/absolute return strategy	3%	5.38%		
Credit	4%	5.43%		
Real assets	3%	5.84%		
Fixed income	23%	1.50%		
Cash	1%	0.00%		
Domestic fixed income securities			16%	1.10%
Global bonds			2%	0.60%
High-yield bonds			1%	3.30%
Private debt			2%	5.30%
Real estate debt			6%	2.40%
Cash equivalents			1%	-0.30%
	<u>100%</u>		<u>100%</u>	

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

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

calculated using a discount rate that is 1-percentage-point lower (4.9% for ERS and 5.95% for TRS) or 1-percentage-point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

	1% Decrease (4.9)	Current Assumption (5.9%)	1% Increase (6.9%)
ERS			
Employer's proportionate share of the net pension asset/(liability)	<u>(\$27,473,184)</u>	<u>(\$11,368,664)</u>	<u>\$2,088,537</u>
	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
TRS			
Employer's proportionate share of the net pension asset/(liability)	<u>(\$82,023,252)</u>	<u>(\$8,895,779)</u>	<u>\$52,603,946</u>

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2023	June 30, 2022
Employers' total pension liability	\$ (232,627,259)	\$ (133,883,473)
Plan Fiduciary Net Position	<u>211,183,223</u>	<u>131,964,582</u>
Employers' net pension asset/(liability)	<u>\$ (21,444,036)</u>	<u>\$ (1,918,891)</u>
Ratio of plan fiduciary net position to the Employers' total pension liability	90.78%	98.57%

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, 2023 represent the projected employer contribution for the period of April 1, 2023 through June 30, 2023 based on paid ERS wages multiplied by the employer's contribution rate. Accrued retirement contributions as of June 30, 2023 amounted to \$551,483.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2023 are paid to the System in September, October and November 2023 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2023 represent employee and employer contributions for the fiscal year ended June 30, 2023 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, 2023 amounted to \$10,075,048.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

NOTE 16 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2023, totaled \$454,232 and \$4,584,362 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, 2023 totaled \$103,997.

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

A) General Information about the OPEB Plan:

Plan Description

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

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. The contribution requirements of Plan members and the District are established and may be amended by the District. Benefit terms provide for the District to contribute between 80.5% and 100% of the premiums for individual and family coverage, 0% of the premiums for surviving spouses, and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. For fiscal year 2022, the District contributed an estimated \$12,562,986 to the Plan, including \$12,562,986 for current premiums and \$0 to prefund benefits. Currently, there is no provision

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

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, 2022, the valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	828
Active employees	950
Total Membership	<u>1,778</u>

B) Total OPEB Liability:

The District’s total other post-employment benefit (OPEB) liability of \$426,575,233 was measured as of June 30, 2023, and was determined by an actuarial valuation as of June 30, 2022.

Actuarial Assumptions and Other Inputs

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

Inflation	2.70%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount rate	
Prior measurement date	3.54%
Measurement date	4.13%
Mortality table	Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2021
Health care cost trends	
Medical	Actual premium increases for 2023, followed by 6.50% for 2024, decreasing to an ultimate rate of 4.14% by 2076
Part B Reimbursement	-3.06% decrease from 2022 to 2023, followed by projected Part B premium increases shown in the 2022 Medicare Trustees report, and decreasing to an ultimate rate of 4.14% by 2076

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount Weighted table projected fully generationally using MP-2021.

C) Changes in the Total OPEB Liability:

Balance as of June 30, 2022	\$ 413,488,252
Changes for the fiscal year:	
Service cost	13,975,005
Interest	14,911,768
Change in benefit terms	(2,531,137)
Difference between expected and actual experience	29,183,353
Changes of assumptions or other inputs	(29,889,022)
Benefit payments	(12,562,986)
Net Changes	13,086,981
Balance as of June 30, 2023	\$ 426,575,233

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

1. Discount rate changed from 3.54% in 2022 to 4.13% in 2023 based on the 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of June 30, 2023.
2. Liabilities projected on a no gain/loss basis
3. Mortality rates were updated to Pub-2010 Teachers and General Employees Headcount-Weighted table projected fully generationally using MP-2021. This change caused a small decrease in liabilities.
4. Termination and retirement rates have been updated based NYS ERS assumptions first adopted on April 1, 2020 and NYS TRS assumptions first adopted on June 30, 2021.
5. Health care trend rates have been updated from 2022 to 2023 based on known premium rate increases.

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

The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.13%), or 1 percentage point higher (5.13%) than the current discount rate:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	1% Decrease (3.13%)	Current Assumption (4.13%)	1% Increase (5.13%)
Total OPEB Liability	<u>\$597,331,627</u>	<u>\$426,575,233</u>	<u>\$419,680,866</u>

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

The following table presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Assumption	1% Increase
Total OPEB Liability	<u>\$406,636,683</u>	<u>\$426,575,233</u>	<u>\$618,838,764</u>

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

For the year ended June 30, 2023, the District recognized OPEB expense of \$28,264,080. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 31,633,381	\$ (23,106,347)
Changes of assumptions or other inputs	<u>71,031,243</u>	<u>(105,077,932)</u>
Total	<u>\$ 102,664,624</u>	<u>\$ (128,184,279)</u>

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Year Ended June 30:	Amount
2024	\$ 1,908,444
2025	3,311,144
2026	(926,533)
2027	(14,855,952)
2028	(14,855,949)
Thereafter	(100,809)
	<u>\$ (25,519,655)</u>

NOTE 18 – RISK MANAGEMENT:

A) General:

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

B) Risk Retention:

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

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unpaid claims which were incurred on or before year-end. Liabilities do not include an amount for reported claims which were incurred on or before year-end but not reported (IBNR). Had an actuary valuation been performed, the liability amount may significantly change. As of June 30, 2023, the District has recorded a workers' compensation claims liability of \$2,008,712 and has a workers' compensation reserve balance of \$1,037,786.

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, 2022	\$2,117,138	\$1,721,486	(\$1,294,325)	\$2,544,299
June 30, 2023	\$2,544,299	\$568,586	(\$1,104,173)	\$2,008,712

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

NOTE 19 – RESTRICTED FOR CAPITAL RESERVE:

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

	<u>Capital Reserve III</u>	<u>Capital Reserve II</u>	<u>Capital Reserve I</u>	
Date Created	2022	2018	2015	
Number of Years to Fund	10	10	10	
Maximum Funding	\$ 25,000,000	\$ 15,000,000	\$ 5,000,000	
General Fund				Total
Funding Provided	\$ 5,000,000	\$ 14,600,000	\$ 5,000,000	\$ 24,600,000
Interest Earnings	9,572	380,334		389,906
Use of Reserve	(5,000,000)	(14,878,578)	(5,000,000)	(24,878,578)
Total General Fund	<u>9,572</u>	<u>101,756</u>	<u>-</u>	<u>111,328</u>
Capital Fund				
Funding Provided	5,000,000	14,878,578	5,000,000	24,878,578
Voter approved transfer between reserves				-
Interest Earnings				
Use of Reserve		(5,770,706)	(4,974,191)	(10,744,897)
Total Capital Projects Fund	<u>5,000,000</u>	<u>9,107,872</u>	<u>25,809</u>	<u>14,133,681</u>
Balance as of June 30, 2023	<u>\$ 5,009,572</u>	<u>\$ 9,209,628</u>	<u>\$ 25,809</u>	<u>\$ 14,245,009</u>

NOTE 20 – 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 \$1,087,001 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$1,087,001 from the Town of Brookhaven and the County of Suffolk during the fiscal year ending June 30, 2023.

NOTE 21 – 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, 2023 were \$215,922. Significant encumbrances were assigned as follows; \$105,191 for equipment, \$56,210 for professional services, and \$54,521 for supplies and materials.
- ii. **Capital Projects Fund** - Total encumbrances of the capital projects fund as of June 30, 2023 were \$1,525,975.

**PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

- iii. **Special Aid Fund** - Total encumbrances of the special aid fund as of June 30, 2023 were \$2,385,907. Encumbrances totaling \$73,527 were for supplies and materials, \$2,252,206 was for purchased services, \$60,049 was for equipment and \$125 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) Litigation:

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

Child Victims Act

At this time, the District has two active lawsuits under the Child Victim's Act. The District is in the process of settling this matter. The District reserves the right to pursue an action against its former insurers for all or a part of the settlement amount. Should the plaintiff in the lawsuit be successful in actions against the District, any liability in excess of any insurance coverage that may be available will be a District charge and would be funded through budgetary appropriations.

NOTE 22 – SUBSEQUENT EVENTS:

Management of the District has evaluated events through October 12, 2023, which is the date the financial statements were available to be issued, and noted the following:

- A) The District issued \$46,000,000 in tax anticipation notes on September 13, 2023, with a stated interest rate of 4.50% maturing on June 24, 2024. In addition, the District received a premium of \$278,300 on the note, which resulted in a net interest rate of 3.7249%.
- B) The District was awarded funding from the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) through the Elementary and Secondary School Emergency Relief Program (ESSER), and the Governor's Emergency Education Relief Program (GEER). The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the special aid fund as they are expended. As of June 30, 2023, the District has expended funds as follows:

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Funding Source	Grant Amount Awarded	Cumulative Amount Expended as of June 30, 2023
CRRSA - ESSER 2	\$ 6,750,997	\$ 6,361,811
CRRSA - GEER 2	646,577	635,633
	<u>\$ 7,397,574</u>	<u>\$ 6,997,444</u>

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

Funding Source	Grant Amount Awarded	Cumulative Amount Expended as of June 30, 2023
ARP - ESSER 3	\$ 7,282,782	\$ 1,259,433
ARP - SLR Summer Enrichment	1,257,078	597,635
ARP - SLR Comprehensive A	1,257,078	578,838
ARP - SLR Learning Loss	6,285,214	1,564,240
ARP - Homeless II	40,725	-
ARP - IDEA Part B, Section 611	297,558	-
ARP - IDEA Part B, Section 619	44,221	-
	<u>\$ 16,464,656</u>	<u>\$ 4,000,146</u>

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, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$ 123,273,681	\$ 112,734,448	\$ 112,734,719	\$ 271
Other real property tax items	377,788	10,917,021	11,628,017	710,996
Charges for services	1,879,692	1,879,692	1,405,774	(473,918)
Use of money & property	802,272	802,272	863,949	61,677
Sale of property				
& compensation for loss	127,770	127,770	368,344	240,574
Miscellaneous	1,625,000	1,625,000	1,346,317	(278,683)
Interfund revenues	50,000	50,000		(50,000)
State Sources				
Basic formula	75,499,673	75,499,673	52,566,363	(22,933,310)
Excess cost aid	3,748,154	3,748,154	11,793,666	8,045,512
Lottery Aid			13,966,765	13,966,765
BOCES aid	1,911,192	1,911,192	2,056,769	145,577
Tuition for students with disabilities aid	150,000	150,000	129,412	(20,588)
Textbook aid	451,644	451,644	442,526	(9,118)
Computer software and hardware aid	228,846	228,846	225,966	(2,880)
Library A/V loan program aid	46,581	46,581	47,368	787
Other state aid	374,584	374,584	295,246	(79,338)
Other Federal Aid	35,000	35,000	31,887	(3,113)
Medicaid reimbursement	600,000	600,000	283,195	(316,805)
Other Financing Sources				
Premium on obligations			357,240	357,240
Transfers from other funds			791,460	791,460
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>211,181,877</u>	<u>211,181,877</u>	<u>211,334,983</u>	<u>\$ 153,106</u>
Appropriated reserves	<u>625,304</u>	<u>14,195,342</u>		
TOTAL REVENUES, OTHER FINANCING SOURCES, AND APPROPRIATED FUND BALANCE	<u>\$ 211,807,181</u>	<u>\$ 225,377,219</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 165,875	\$ 192,475	\$ 180,000		\$ 12,475
Central administration	443,786	449,986	438,606		11,380
Finance	1,343,457	1,355,321	1,335,087	\$ 5,500	14,734
Staff	944,242	1,213,218	1,120,242		92,976
Central services	16,522,413	17,314,933	16,503,210	140,392	671,331
Special items	2,387,442	2,585,917	2,580,334		5,583
Total General Support	21,807,215	23,111,850	22,157,479	145,892	808,479
Instructional					
Instruction, adm. & imp.	7,420,430	7,645,100	7,479,434		165,666
Teaching - regular school	58,198,290	59,393,981	58,886,924	11,364	495,693
Programs for children with handicapping conditions	31,465,132	28,494,288	27,150,675	425	1,343,188
Occupational education	2,010,760	2,050,831	2,002,835		47,996
Teaching special schools	626,080	233,280	131,375		101,905
Instructional media	4,010,747	4,036,547	3,881,758	36,030	118,759
Pupil services	8,481,981	8,624,303	8,140,704	22,211	461,388
Total Instruction	112,213,420	110,478,330	107,673,705	70,030	2,734,595
Pupil transportation	9,909,260	9,593,795	9,360,525		233,270
Community services	2,348,482	2,265,073	2,142,386		122,687
Employee benefits	52,615,877	52,736,834	52,457,545		279,289
Debt service					
Debt service principal		20,948	20,948		-
Debt service interest	465,833	1,243,257	1,243,257		-
Total Debt Service	465,833	1,264,205	1,264,205		
TOTAL EXPENDITURES	199,360,087	199,450,087	195,055,845	215,922	4,178,320
Other Financing Uses					
Interfund transfers	12,447,094	25,927,132	25,919,777		7,355
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 211,807,181	\$ 225,377,219	220,975,622	\$ 215,922	\$ 4,185,675
NET CHANGE IN FUND BALANCE			(9,640,639)		
FUND BALANCE - BEGINNING OF YEAR			32,881,509		
FUND BALANCE - END OF YEAR			\$ 23,240,870		

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,

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service Cost at end of year	\$ 13,975,005	\$ 20,031,119	\$ 18,748,417	\$ 14,223,247	\$ 6,975,699	\$ 7,257,844
Interest	14,911,768	11,054,388	10,578,401	14,951,026	12,583,133	11,691,075
Changes of benefit terms	(2,531,137)	-	(3,973,895)	-	(1,652,121)	-
Difference between expected and actual experience	29,183,353	3,624,133	(6,715,132)	(59,246,342)	10,747,766	-
Changes of assumptions or other inputs	(29,889,022)	(106,910,124)	25,087,041	89,747,494	76,191,714	(16,585,696)
Benefit payments	(12,562,986)	(12,050,398)	(11,731,763)	(11,225,723)	(11,331,824)	(10,295,153)
Net change in Total OPEB Liability	13,086,981	(84,250,882)	31,993,069	48,449,702	93,514,367	(7,931,930)
Total OPEB Liability - beginning	413,488,252	497,739,134	465,746,065	417,296,363	323,781,996	331,713,926
Total OPEB Liability - ending	\$ 426,575,233	\$ 413,488,252	\$ 497,739,134	\$ 465,746,065	\$ 417,296,363	\$ 323,781,996
Covered employee payroll	\$ 97,120,419	\$ 91,240,988	\$ 86,040,283	\$ 84,064,514	\$ 81,335,258	\$ 76,494,781
Total OPEB Liability as a percentage of covered employee payroll	439.22%	453.18%	578.50%	554.03%	513.06%	423.27%

Notes to Schedule:*Trust Assets*

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

Changes of Assumptions and 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 to 3.54% in 2022 to 4.13% in 2023.

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 to MP-2021.

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 2021 to 2022.
- b. Medicare Part B trend rates have been updated to an initial rate of 2.70% in 2020, followed by projected Part B premium increases for 2023, decreasing gradually to an ultimate rate of 4.14% by 2076.

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

NYSERS Pension Plan										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.0530155%	0.0512788%	0.0461730%	0.0439866%	0.0443228%	0.0430146%	0.0441517%	0.0428285%	0.0428188%	0.0428188%
District's proportionate share of the net pension asset/(liability)	\$ (11,368,664)	\$ 4,191,828	\$ (45,976)	\$ (11,647,919)	\$ (3,140,406)	\$ (1,388,273)	\$ (4,148,588)	\$ (6,874,102)	\$ (1,446,523)	\$ (1,934,921)
District's covered payroll	\$ 18,806,955	\$ 17,184,363	\$ 16,423,475	\$ 15,828,951	\$ 15,568,506	\$ 14,491,832	\$ 14,202,033	\$ 13,995,350	\$ 13,032,483	\$ 12,836,071
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	60.45%	24.39%	0.28%	73.59%	20.17%	9.58%	29.21%	49.12%	11.10%	15.07%
Plan fiduciary net position as a percentage of the total pension liability	90.78%	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
NYSTRS Pension Plan										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset/(liability)	0.463589%	0.453203%	0.442890%	0.435688%	0.428133%	0.420665%	0.423565%	0.429273%	0.430833%	0.441540%
District's proportionate share of the net pension asset/(liability)	\$ (8,895,779)	\$ 78,535,774	\$ (12,238,261)	\$ 11,319,215	\$ 7,741,782	\$ 3,197,468	\$ (4,536,556)	\$ 44,587,735	\$ 47,992,057	\$ 2,906,453
District's covered payroll	\$ 84,040,009	\$ 78,507,771	\$ 76,810,301	\$ 74,549,554	\$ 71,259,740	\$ 68,829,412	\$ 66,282,405	\$ 65,447,539	\$ 64,783,002	\$ 65,811,589
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	10.59%	100.04%	15.93%	15.18%	10.86%	4.65%	6.84%	68.13%	74.08%	4.42%
Plan fiduciary net position as a percentage of the total pension liability	98.60%	113.20%	97.80%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

Note to Required Supplementary Information

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

Teachers' Retirement System

The discounted rate remained at 6.95% as reflected in 2022 and 2023 above

Employees' Retirement System

The discounted rate remained at 5.90% as reflected in 2022 and 2023 above

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

NYSERS Pension Plan										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 2,210,627	\$ 2,173,028	\$ 2,119,749	\$ 2,150,194	\$ 1,983,492	\$ 2,021,624	\$ 2,134,840	\$ 2,071,934	\$ 3,308,634	\$ 2,813,250
Contributions in relation to the contractually required contribution	<u>2,210,627</u>	<u>2,173,028</u>	<u>2,119,749</u>	<u>2,150,194</u>	<u>1,983,492</u>	<u>2,021,624</u>	<u>2,134,840</u>	<u>2,071,934</u>	<u>3,308,634</u>	<u>2,813,250</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 18,514,163	\$ 17,653,941	\$ 16,370,164	\$ 16,526,834	\$ 14,968,849	\$ 14,946,141	\$ 14,459,827	\$ 14,127,816	\$ 13,378,662	\$ 12,779,733
Contributions as a percentage of covered payroll	11.94%	12.31%	12.95%	13.01%	13.25%	13.53%	14.76%	14.67%	24.73%	22.01%
NYSTRS Pension Plan										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 8,961,138	\$ 8,045,624	\$ 7,330,773	\$ 6,660,287	\$ 7,723,234	\$ 6,834,337	\$ 7,812,724	\$ 8,666,777	\$ 11,303,793	\$ 10,341,609
Contributions in relation to the contractually required contribution	<u>8,961,138</u>	<u>8,045,624</u>	<u>7,330,773</u>	<u>6,660,287</u>	<u>7,723,234</u>	<u>6,834,337</u>	<u>7,812,724</u>	<u>8,666,777</u>	<u>11,303,793</u>	<u>10,341,609</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 89,541,946	\$ 84,040,009	\$ 78,507,771	\$ 76,810,301	\$ 74,549,554	\$ 71,259,740	\$ 68,829,412	\$ 66,282,405	\$ 65,447,539	\$ 64,783,002
Contributions as a percentage of covered payroll	10.01%	9.57%	9.34%	8.67%	10.36%	9.59%	11.35%	13.08%	17.27%	15.96%

**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, 2023**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 211,181,877
Add: Prior year's encumbrances	<u>625,304</u>
Original Budget	<u>211,807,181</u>
Budget revisions:	
Appropriated use of capital reserve	<u>13,570,038</u>
Final Budget	<u><u>\$ 225,377,219</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2023-2024 voter approved expenditure budget	<u><u>\$ 231,391,038</u></u>
Maximum allowed (4% of 2023-2024 budget)	<u><u>\$9,255,642</u></u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	
Assigned fund balance	\$ 215,922
Unassigned fund balance	<u>5,667,529</u>
Total unrestricted fund balance	5,883,451
Less:	
Appropriated fund balance	
Encumbrances	<u>215,922</u>
Total adjustments	<u>215,922</u>
General fund fund balance subject to Section 1318 of Real Property Tax Law	<u><u>\$ 5,667,529</u></u>
Actual percentage	2.45%

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES- CAPITAL PROJECTS FUND
JUNE 30, 2023

Project Title	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2023
			Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
Smart Schools Bond Act	\$373,942	\$2,099,653	\$849,176	\$168,882	\$1,018,058	\$1,081,595	\$ -	\$1,018,058	\$ -	\$1,018,058	\$ -
2016-17 Interfund Transfer	550,000	550,000	338,011		338,011	211,989			550,000	550,000	211,989
2019-20 Interfund Transfer - Miscellaneous Projects	3,000,000	3,000,000	1,016,025	290,075	1,306,100	1,693,900			3,000,000	3,000,000	1,693,900
2021-22 Interfund Transfer - Career and Technical Ed, Solar Initiative, Security	950,000	950,000	775,186	45,315	820,501	129,499			950,000	950,000	129,499
2022-23 Interfund Transfer - Career and Technical Ed	1,500,000	1,500,000		690,296	690,296	809,704			1,500,000	1,500,000	809,704
2015 Capital Reserve - Medford Windows	511,752	443,622	443,308		443,308	314			443,622	443,622	314
2015 Capital Reserve - River Roof		129,390	129,231		129,231	159			129,390	129,390	159
2015 Capital Reserve - HS Roof and Tennis Courts		1,469,361	1,454,211		1,454,211	15,150			1,469,361	1,469,361	15,150
2015 Capital Reserve - Security		745,944	735,758		735,758	10,186			745,944	745,944	10,186
2018 Capital Reserve - Residual Equity Transfer Back to General Fund		791,460		791,460	791,460	-			791,460	791,460	-
2018 Capital Reserve - Projects Approved 5/21/2019	2,500,000	2,500,000	1,962,166		1,962,166	537,834			2,500,000	2,500,000	537,834
2018 Capital Reserve - Bay Elementary Addition	8,570,038	8,570,038			-	8,570,038			8,570,038	8,570,038	8,570,038
2022 Capital Reserve - Bay Elementary Addition	5,000,000	5,000,000			-	5,000,000			5,000,000	5,000,000	5,000,000
TOTAL	\$22,955,732	\$27,749,468	\$7,703,072	\$1,986,028	\$9,689,100	\$18,060,368	\$ -	\$1,018,058	\$25,649,815	\$26,667,873	\$16,978,773

PATCHOGUE-MEDFORD UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2023

Capital assets, net		\$ 108,887,208
Add:		
Deferred amounts on refundings	<u>\$ 313,612</u>	313,612
Deduct:		
Accounts payable	<u>305,698</u>	305,698
Short-term portion of bonds payable (inclusive of unamortized premiums)	9,077,822	
Long-term portion of bonds payable (inclusive of unamortized premiums)	<u>34,804,822</u>	43,882,644
Short-term portion of energy performance debt	729,433	
Long-term portion of energy performance debt	<u>4,777,810</u>	<u>5,507,243</u>
Net investment in capital assets		<u>\$ 59,505,235</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Patchogue-Medford Union Free School District (the "District") as of and for the fiscal year ended June 30, 2023, 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 12, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
October 12, 2023