



**PORT JEFFERSON  
UNION FREE SCHOOL DISTRICT**

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITORS' REPORTS

June 30, 2022

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**TABLE OF CONTENTS**

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	<u><b>Page</b></u>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis (MD&amp;A)</b>	4
<b>Financial Statements:</b>	
Statement of Net Position	17
Statement of Activities	18
Balance Sheet – Governmental Funds	19
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22
Statement of Fiduciary Net Position – Fiduciary Fund	23
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	23
Notes to Financial Statements	24
<b>Required Supplementary Information Other than MD&amp;A:</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	53
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)	55
Schedule of District Pension Contributions	56
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	57
<b>Other Information:</b>	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit – General Fund	58
Schedule of Project Expenditures and Financing Resources – Capital Projects Fund	59
Schedule of Net Investment in Capital Assets	60
<b>Federal Grant Compliance Audit:</b>	
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 <i>Government Auditing Standards</i>	61
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	63
Schedule of Expenditures of Federal Awards	66
Notes to the Schedule of Expenditures of Federal Awards	67
Schedule of Findings and Questioned Costs	68
Status of Prior Year Audit Findings	69

## INDEPENDENT AUDITORS' REPORT

The Board of Education  
Port Jefferson Union Free School District

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Port Jefferson Union Free School District (the District), as of and for the year ended June 30, 2022, and the related notes to 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, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Emphasis of Matter

As discussed in note 2 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87 - "Leases," during the year ended June 30, 2022. Our opinions are not modified with respect to this matter.

As discussed in note 12 to the financial statements, a restatement of the prior period was made during the year ended June 30, 2022. Our opinions are not modified with respect to this matter.

## Responsibilities of Management for the Financial Statements

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

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

## Auditors' 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 auditors' 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 GAAS 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 GAAS 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 and the additional information on pages 53 through 57 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 GASB 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 GAAS, 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 accompanying other supplementary information as listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are 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 information and the schedule of expenditures of federal awards are 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 18, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 18, 2022

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Port Jefferson Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the year ended June 30, 2022 in comparison with the year ended June 30, 2021, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2022 are as follows:

- The District's total net position (deficit), as reflected in the district-wide financial statements, decreased by \$2,338,658 or 3.38% to \$66,780,420. This was due to an excess of revenues over expenses using the accrual basis of accounting.
- The June 30, 2021, total net position deficit was increased by \$1,426,228 as a result of the reclassification of capital assets for items placed in service in previous years.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$43,785,804. Of this amount, \$2,017,067 was offset by program charges for services, and operating grants and contributions. General revenues of \$44,107,395 amount to 95.63% of total revenues, and were adequate to cover the balance of program expenses.
- The District's general fund fund balance, as reflected in the fund financial statements was \$23,233,141 at June 30, 2022. This balance represents a \$2,945,781 increase (14.52%) over the prior year due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
  - Nonspendable fund balance increased by \$57,721, which represents the change in prepaids.
  - Restricted fund balances increased by \$2,539,199, mainly due to the increase in the capital reserve of \$1,309,390.
  - Assigned fund balance increased by \$305,882, due to an increase in outstanding encumbrances, and an increase in the fund balance appropriated to fund the 2023 budget.
  - Unassigned fund balance increased by \$42,979 to \$1,684,475.
- The District's 2022 property tax levy of \$37,886,062 was a 1.42% increase over the 2021 tax levy and was equal to the property tax cap.
- On May 17, 2022, the voters of the District approved the use of the capital reserves in the amount of \$2,335,000 for the installation of drainage and retaining walls at the Port Jefferson Middle School. These funds will be transferred, in the 2022-2023 year, from the capital reserves in the general fund to the capital projects fund.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of four parts – management's discussion and analysis (MD&A), the financial statements, required supplementary information, and other information. The financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**A. District-Wide Financial Statements**

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position:

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's school buildings and other capital assets.

The Statement of Activities:

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

**B. Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary fund.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs, and other postemployment benefits (OPEB), which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains six individual governmental funds: general fund, special aid fund, school food service fund, capital projects fund, extraclassroom activities fund, and scholarships fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in separate statements. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Changes in Net Position**

The District's total net position deficit decreased by \$2,338,658 between fiscal year 2022 and 2021. The decrease is due to revenues in excess of expenses using the economic resources measurement focus and the accrual basis of accounting. The June 30, 2021 total net position deficit was restated by \$1,426,228 as a result of the reclassification of capital asset items placed in service in previous years. In addition, the June 30, 2021 net investment in capital assets and unrestricted (deficit) were decreased by the net amount of \$6,123, resulting from a reclassification of premiums on obligations and deferred charges on bond refunding. This reclassification had no effect on total net position. A summary of the District's Statements of Net Position follows:



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2022	As Restated 2021	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 31,081,864	\$ 28,957,941	\$ 2,123,923	7.33 %
Capital Assets, Net	19,110,558	17,832,865	1,277,693	7.16 %
Net Pension Assets -				
Proportionate Share	18,174,543	-	18,174,543	N/A
Total Assets	68,366,965	46,790,806	21,576,159	46.11 %
<b>Deferred Outflows of Resources</b>	37,714,379	43,938,475	(6,224,096)	(14.17)%
<b>Liabilities</b>				
Current and Other Liabilities	3,630,446	4,160,762	(530,316)	(12.75)%
Long-Term Liabilities	6,696,351	6,878,579	(182,228)	(2.65)%
Net Pension Liabilities -				
Proportionate Share	-	2,667,748	(2,667,748)	(100.00)%
Total OPEB Liability	101,576,716	121,894,301	(20,317,585)	(16.67)%
Total Liabilities	111,903,513	135,601,390	(23,697,877)	(17.48)%
<b>Deferred Inflows of Resources</b>	60,958,251	24,246,969	36,711,282	151.41 %
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	17,052,347	15,264,435	1,787,912	11.71 %
Restricted	21,548,137	21,355,466	192,671	0.90 %
Unrestricted (Deficit)	(105,380,904)	(105,738,979)	358,075	0.34 %
Total Net Position (Deficit)	\$ (66,780,420)	\$ (69,119,078)	\$ 2,338,658	3.38 %

Current and other assets increased, primarily due to an increase in cash and a new lease receivable, offset by the decrease in due from other governments.

The increase in capital assets, net is due to capital asset additions in excess of depreciation expense additions. The accompanying Notes to Financial Statements, Note 12 "Capital Assets/Prior Period Adjustment" provides additional information.

Net pension assets – proportionate share represents the District's share of the New York State Teachers' Retirement System's and the New York State and Local Employee's Retirement System's collective net pension assets, at the measurement date of the respective year. In the current year, the District's proportionate shares shifted from liabilities to assets. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates, and actuarial adjustments of the pension and OPEB plans that will be amortized in future years. Also included are deferred charges from a prior year advanced refunding.

The decrease in current and other liabilities is mainly the result of decreases in accounts payable and amounts due to other governments.

The decrease in long-term liabilities is primarily due to principal payments on outstanding bonds, offset by an increase in compensated absences payable.

Net pension liabilities – proportionate share represents the District's share of the New York State Teachers' Retirement System's and the New York State and Local Employees' Retirement System's collective net pension liabilities, at the measurement date of the respective year. The decrease is due to the shift from net

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

pension liabilities in the prior year, to net pension assets in the current year. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

Total OPEB liability decreased, based on the actuarial valuation for the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years, as well as the amount of long-term lease receivable that will be amortized as lease revenues over the term of the lease.

The net investment in capital assets, relates to the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves, as well as amounts restricted for scholarships, which increased over the prior year, mainly due to transfers into, and interest earned on the reserves.

The unrestricted (deficit) amount relates to the balance of the District's net position. This balance does not include the District's reserves and amounts restricted for scholarships, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability.

**B. Changes in Net Position**

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2022 and 2021 is as follows:

	2022	As Restated 2021	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 879,746	\$ 764,769	\$ 114,977	15.03 %
Operating Grants & Contributions	1,137,321	647,209	490,112	75.73 %
Capital Grants	-	307,232	(307,232)	(100.00)%
General Revenues				
Property Taxes and STAR	37,886,222	37,356,512	529,710	1.42 %
State Sources	3,854,158	3,851,992	2,166	0.06 %
Other	2,367,015	2,290,742	76,273	3.33 %
Total Revenues	<u>46,124,462</u>	<u>45,218,456</u>	<u>906,006</u>	2.00 %
<b>Expenses</b>				
General Support	7,444,768	8,256,833	(812,065)	(9.84)%
Instruction	33,503,286	40,529,222	(7,025,936)	(17.34)%
Pupil Transportation	2,350,041	2,140,508	209,533	9.79 %
Debt Service - Interest	56,162	67,463	(11,301)	(16.75)%
Food Service Program	431,547	259,432	172,115	66.34 %
Total Expenses	<u>43,785,804</u>	<u>51,253,458</u>	<u>(7,467,654)</u>	(14.57)%
Increase/(Decrease) in Net Position	<u>\$ 2,338,658</u>	<u>\$ (6,035,002)</u>	<u>\$ 8,373,660</u>	(138.75)%

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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The District's net position increased by \$2,338,658 and decreased by \$6,035,002 for the years ended June 30, 2022 and June 30, 2021, as restated respectively.

The District's revenues increased when compared to the prior year, primarily due to the following major changes:

- Real property taxes and STAR were increased to fund anticipated increases in appropriations in the voter-approved 2021-2022 budget.
- Operating grants and contributions increased because of greater state and federal reimbursements that resulted from an Executive Order granting school districts waivers, which authorized the distribution of free meals to students.
- Charges for services increased due to receiving more in tuition revenues and increased extraclassroom activities revenues.
- In the prior year, the District received grants under the Smart Schools Bond Act. The District did not receive a similar grant in the current year.

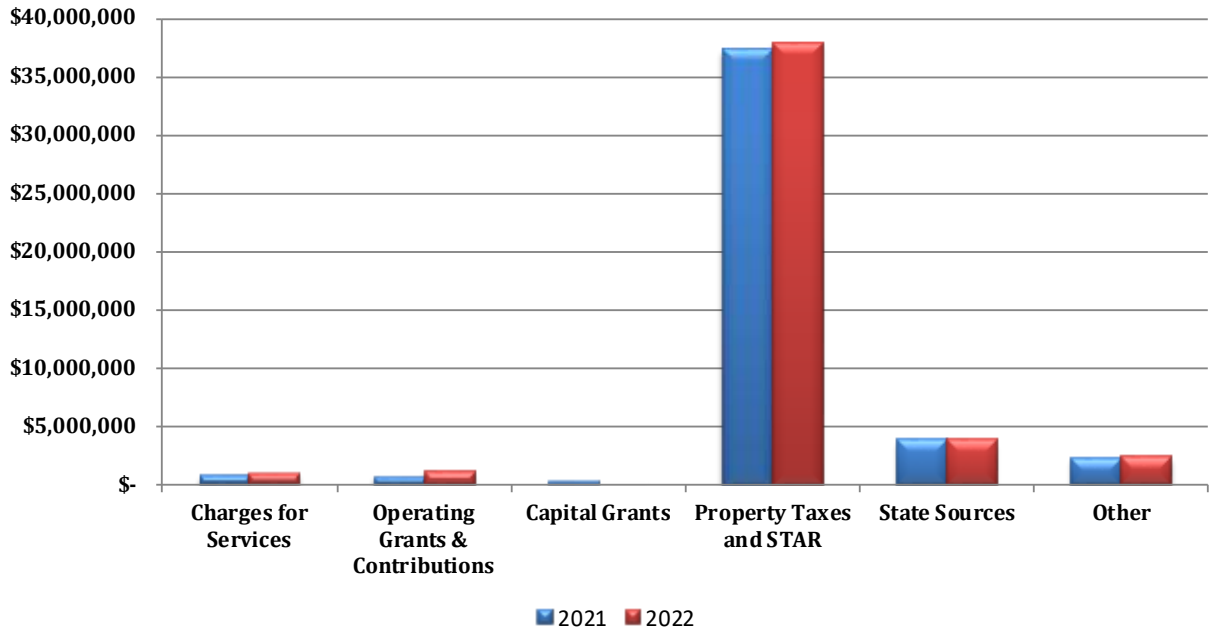
The District's expenses decreased when compared to the prior year, primarily due to the following major changes:

- General support and instruction decreased based on the impact of allocations of the net change in actuarially determined pension expenses for TRS and ERS, and OPEB costs.
- Pupil transportation increased due to a rise in contractual and fuel costs.
- The food service program increased due to the growth in the number of students receiving meals that were free to all students during the year.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 82.1% and 82.6% of the total for the years ended June 30, 2022 and 2021, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 76.5% and 79.1% of the total for the years ended June 30, 2022 and 2021, respectively).

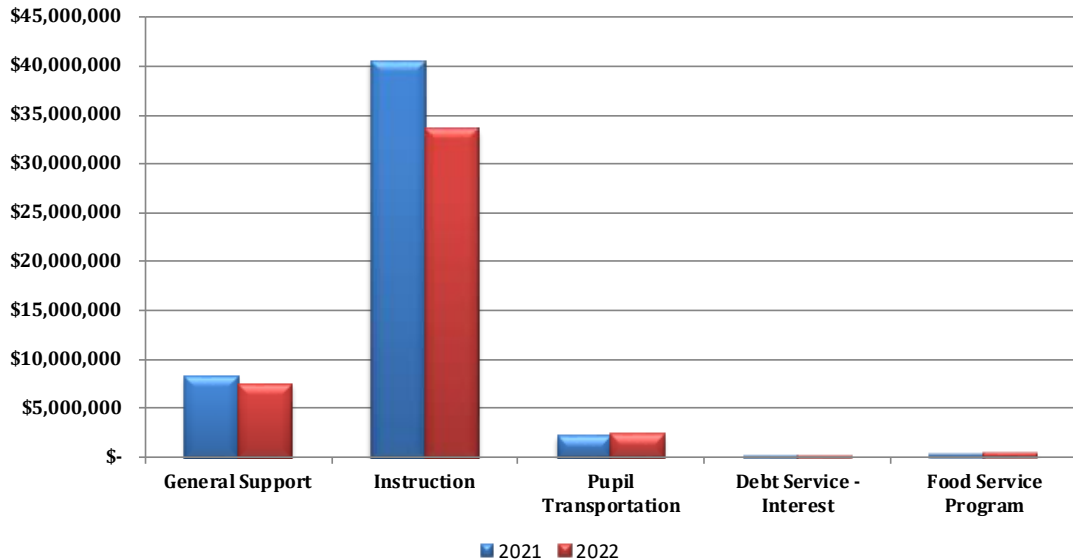
**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants & Contributions	Capital Grants	Property Taxes and STAR	State Sources	Other
2021	1.7%	1.4%	0.7%	82.6%	8.5%	5.1%
2022	1.9%	2.5%	0.0%	82.1%	8.4%	5.1%

A graphic display of the distribution of expenses for the two years follows:



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2021	16.1%	79.1%	4.2%	0.1%	0.5%
2022	17.0%	76.5%	5.4%	0.1%	1.0%

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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

At June 30, 2022, the District's governmental funds reported a combined fund balance of \$26,274,614, which is an increase of \$1,474,269 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting. The June 30, 2021 general fund nonspendable fund balance was restated to reflect prepaids that were not accounted for in the governmental funds in the prior year. In addition, the June 30, 2021 balances reflect the reclassification of unassigned fund balance to assigned fund balance for amounts appropriated to fund the subsequent year's budget. A summary of the change in the components of fund balance by fund is as follows:

	2022	As Restated 2021	Increase (Decrease)	Percentage Change
<b>General Fund</b>				
Nonspendable: Prepaids	\$ 518,858	\$ 461,137	\$ 57,721	12.52 %
Restricted:				
Workers' compensation	4,113,799	3,673,799	440,000	11.98 %
Unemployment insurance	2,356,220	2,356,220	-	0.00 %
Retirement contribution				
Teachers' retirement system	1,270,370	920,561	349,809	38.00 %
Employees' retirement system	3,913,375	3,763,375	150,000	3.99 %
Employee benefit accrued liability	4,274,944	3,984,944	290,000	7.28 %
Capital	3,906,739	2,597,349	1,309,390	50.41 %
Assigned:				
Appropriated fund balance	140,000	115,000	25,000	21.74 %
Unappropriated fund balance	1,054,361	773,479	280,882	36.31 %
Unassigned: Fund balance	1,684,475	1,641,496	42,979	2.62 %
	<u>23,233,141</u>	<u>20,287,360</u>	<u>2,945,781</u>	14.52 %
<b>School Food Service Fund</b>				
Nonspendable: Inventory	1,158	538	620	115.24 %
Assigned: Unappropriated fund balance	77,744	30,602	47,142	154.05 %
	<u>78,902</u>	<u>31,140</u>	<u>47,762</u>	153.38 %
<b>Capital Projects Fund</b>				
Restricted:				
Capital	1,705,013	4,047,708	(2,342,695)	(57.88)%
Assigned: Unappropriated fund balance	1,161,150	342,338	818,812	239.18 %
	<u>2,866,163</u>	<u>4,390,046</u>	<u>(1,523,883)</u>	(34.71)%
<b>Extraclassroom Activities Fund</b>				
Assigned: Unappropriated fund balance	88,731	80,289	8,442	10.51 %
<b>Scholarships Fund</b>				
Restricted: Scholarships	7,677	11,510	(3,833)	(33.30)%
Total Fund Balance	<u>\$ 26,274,614</u>	<u>\$ 24,800,345</u>	<u>\$ 1,474,269</u>	5.94 %

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**A. General Fund**

The general fund fund balance is a net increase of \$2,945,781 or 14.52% compared to a net decrease of \$831,192 in 2021 as restated. This resulted from revenues and other financing sources in excess of expenditures and financing uses.

Revenues and other financing sources increased by \$1,537,554 or 3.48%, as compared to the prior year. The following is a summary of the major changes:

- Other financing sources increased due to the District transferring unexpended capital reserve funds from the capital projects fund to the general fund.
- Property taxes and STAR increased due to an increase in the tax levy in accordance with the 2021-2022 voter-approved budget.

Expenditures and other financing uses decreased by \$2,239,419 or 4.97%, as compared to the prior year. The following is a summary of the major changes:

- Other financing sources decreased as, in the prior year, the District transferred more to the capital projects fund to fund capital projects than it did in the current year.

The following is a summary of the District's general fund restricted fund balance activity:

	Balance @ June 30, 2021	Use of Reserves	Interest	Funding	Balance @ June 30, 2022
Workers' compensation	\$ 3,673,799	\$	\$	\$ 440,000	\$ 4,113,799
Unemployment insurance	2,356,220				2,356,220
Retirement contribution					
TRS	920,561		809	349,000	1,270,370
ERS	3,763,375	(175,000)		325,000	3,913,375
EBALR	3,984,944	(100,000)		390,000	4,274,944
Capital	2,597,349	(1,000,000)	3,202	2,306,188	3,906,739
	<u>\$ 17,296,248</u>	<u>\$ (1,275,000)</u>	<u>\$ 4,011</u>	<u>\$ 3,810,188</u>	<u>\$ 19,835,447</u>

Additional detail regarding the capital reserve can be found in Note 20 "Restricted for Capital Reserve".

**B. School Food Service Fund**

The school food service fund - fund balance net increase can be attributed to greater state and federal reimbursements, the result of an Executive Order, granting school districts waivers, which authorized the distribution of free meals to all students of the District.

**C. Capital Projects Fund**

The capital projects fund – fund balance net decrease is the result of expenditures related to ongoing capital improvement projects, offset by an operating transfer in from the general fund.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The following is a summary of the District's capital projects fund restricted fund balance activity:

	Balance @ June 30, 2021	Use of Reserves	Funding	Balance @ June 30, 2022
May 2017	\$ 4,047,708	\$ (2,536,507)	\$ 193,812	\$ 1,705,013

**D. Extraclassroom Activities Fund**

The extraclassroom activities fund – fund balance net increase is attributable to cash receipts from fundraising and collections for student clubs activities exceeding disbursements related to those activities.

**E. Scholarships Fund**

The scholarships fund – fund balance net decrease is the result of scholarships awarded exceeding scholarship donations and interest.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2021-2022 Budget**

The District's general fund adopted budget for the year ended June 30, 2022 was \$45,009,729. This amount was increased by encumbrances carried forward from the prior year in the amount of \$773,479 and a budget revision in the amount of \$1,000,000, for a total final budget of \$46,783,208.

The final budget was funded through a combination of estimated revenues. The majority of this funding source was \$37,886,062 in estimated property taxes and STAR. In addition, the District utilized \$1,390,000 of reserves and surplus to fund the final budget.

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

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

Opening Unassigned Fund Balance, as Restated	\$ 1,641,496
Revenues Over Budget	1,152,634
Expenditures and Encumbrances Under Budget	2,902,265
Net Change in Nonspendable Fund Balance	(57,721)
Transfers to Reserves, Including Interest Allocated	(3,814,199)
Appropriated for the 2022-2023 Budget	<u>(140,000)</u>
Closing Unassigned Fund Balance	<u>\$ 1,684,475</u>

**Opening. Unassigned Fund Balance, as Restated**

The \$1,641,496 shown in the table is the portion of the District's June 30, 2021 fund balance that was retained as unassigned.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Revenues Over Budget

The 2021-2022 final budget for revenues was \$44,619,729. Actual revenues and other financing sources recognized for the year were \$45,772,363. The excess of actual revenues and other financing sources over actual revenue was \$1,152,634, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2021 to June 30, 2022. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2021-2022 final budget for expenditures and other financing uses, including prior year open encumbrances, as of June 30, 2021, was \$46,783,208. Actual expenditures and other financing uses as of June 30, 2022 were \$42,826,582 and outstanding encumbrances were \$1,054,361. The final budget variance was \$2,902,265, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2021 to June 30, 2022. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$140,000 of the available June 30, 2022 unassigned fund balance to partially fund the 2022-2023 approved operating budget. As such, the June 30, 2022 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2022 was \$1,684,475. This amount equals 3.65% of the 2022-2023 voter approved budget.

**6. CAPITAL ASSETS, DEBT ADMINISTRATION, AND OTHER LONG-TERM LIABILITIES**

**A. Capital Assets**

At June 30, 2022, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$2,631,376 exceeding depreciation expense of \$1,353,683 for the year ended June 30, 2022. The District's capital assets inventory report was updated during the year ended June 30, 2022. The 2021 balances have been restated to reflect the updated report. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2022 and 2021 is as follows:



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2022	As Restated 2021	Increase (Decrease)
Land	\$ 171,241	\$ 171,241	\$ -
Construction work in progress	7,218,621	4,693,278	2,525,343
Buildings and improvements	10,507,860	11,666,831	(1,158,971)
Outdoor improvements	523,441	565,248	(41,807)
Furniture and equipment	595,437	616,805	(21,368)
Licensed vehicles	93,958	119,462	(25,504)
Capital assets, net	<u>\$ 19,110,558</u>	<u>\$ 17,832,865</u>	<u>\$ 1,277,693</u>

**B. Debt Administration**

At June 30, 2022, the District had combined total debt of \$2,056,692. The decreases in outstanding debt represent principal payments made throughout the year. A summary of the outstanding debt at June 30, 2022 and 2021 is as follows:

	Issue Date	Interest Rate	2022	2021	Increase (Decrease)
<b>Bonds Payable</b>					
	2016	2% - 5%	<u>\$ 330,000</u>	<u>\$ 670,000</u>	<u>\$ (340,000)</u>
<b>Energy Performance Contract Payable</b>					
	12/15/2016	2.599%	<u>\$ 1,726,692</u>	<u>\$ 1,892,307</u>	<u>\$ (165,615)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2022 is less than 0.5% of the District's debt limit.

**C. Other Long-Term Liabilities**

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation liabilities, net pension liabilities – proportionate share and total other postemployment benefits liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2022 and 2021 is as follows:

	2022	2021	Increase/ (Decrease)
Compensated absences payable	\$ 4,278,555	\$ 3,985,349	\$ 293,206
Workers' compensation liabilities	357,912	318,059	39,853
Net pension liabilities - proportionate share	-	2,667,748	(2,667,748)
Total OPEB liability	<u>101,576,716</u>	<u>121,894,301</u>	<u>(20,317,585)</u>
	<u>\$ 106,213,183</u>	<u>\$ 128,865,457</u>	<u>\$ (22,652,274)</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 17, 2022, for the year ending June 30, 2023, is \$46,114,331, which is an increase of \$1,104,602 or 2.45% over the prior year's budget. Additionally, the voters approved a separate proposition in 2022 to utilize \$2,335,000 of the District's capital reserves to address drainage and retaining walls.

The District budgeted revenues other than property taxes and STAR at a \$196,850 increase over the prior year's estimate. The assigned, appropriated fund balance applied to the budget in the amount of \$140,000 is a \$25,000 increase over the previous year. Additionally, the District elected to appropriate \$500,000 of reserves towards the next year's budget, which is an increase of \$225,000 over the previous year. A property tax increase of \$657,752 (1.74%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

**B. Future Budgets**

Dwindling state and federal support of initiatives established during the pandemic, the continued need for additional resources to close learning gaps, fluctuating rates in this inflationary environment, and increases in charges of fuel, goods, and borrowing costs may impact the District's future budgets.

**C. Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for the 2022-2023 year is 2.01%. The District's 2022-2023 property tax increase of 1.74% was less than the tax cap and did not require an override vote.

**8. CONTACTING THE DISTRICT**

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Mr. Sean Leister  
Deputy Superintendent  
Port Jefferson Union Free School District  
550 Scraggy Hill Road  
Port Jefferson, NY 11777

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2022

**ASSETS**

Cash	
Unrestricted	\$ 6,729,723
Restricted	21,548,137
Receivables	
Accounts receivable	41,908
Due from state and federal	1,039,218
Due from other governments	23,638
Lease receivable	1,179,224
Prepays	518,858
Inventory	1,158
Capital assets:	
Not being depreciated	7,389,862
Being depreciated, net of accumulated depreciation	11,720,696
Net pension assets - proportionate share	18,174,543
Total Assets	<u>68,366,965</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges from advance refunding	1,673
Pensions	11,778,972
Other postemployment benefits obligation	25,933,734
Total Deferred Outflows of Resources	<u>37,714,379</u>

**LIABILITIES**

Payables	
Accounts payable	802,746
Accrued liabilities	757,838
Accrued interest on bonds payable	2,420
Due to other governments	132
Due to teachers' retirement system	1,764,215
Due to employees' retirement system	135,519
Compensated absences payable	129,197
Other liabilities	15,929
Unearned credits	
Collections in advance	22,450
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	333,192
Energy performance contract payable	169,947
Compensated absences payable	100,000
Due and payable after one year	
Energy performance contract payable	1,556,745
Compensated absences payable	4,178,555
Workers' compensation liabilities	357,912
Total other postemployment benefits liability	101,576,716
Total Liabilities	<u>111,903,513</u>

**DEFERRED INFLOWS OF RESOURCES**

Leases	1,179,224
Pensions	22,465,481
Other postemployment benefits obligation	37,313,546
Total Deferred Inflows of Resources	<u>60,958,251</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	<u>17,052,347</u>
Restricted	
Workers' compensation	4,113,799
Unemployment insurance	2,356,220
Retirement contribution	
Teachers' retirement system	1,270,370
Employees' retirement system	3,913,375
Employee benefit accrued liability	4,274,944
Capital	5,611,752
Scholarships	7,677
	<u>21,548,137</u>
Unrestricted (deficit)	<u>(105,380,904)</u>
Total Net Position (Deficit)	<u>\$ (66,780,420)</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT****Statement of Activities**

For the Year Ended June 30, 2022

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants & Contributions	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 7,444,768	\$	\$	\$ (7,444,768)
Instruction	33,503,286	767,905	794,667	(31,940,714)
Pupil transportation	2,350,041			(2,350,041)
Debt service - interest	56,162			(56,162)
Food service program	431,547	111,841	342,654	22,948
Total Functions and Programs	<u>\$ 43,785,804</u>	<u>\$ 879,746</u>	<u>\$ 1,137,321</u>	<u>(41,768,737)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				37,018,003
Other tax items				2,521,311
Use of money and property				532,846
Sale of property and compensation for loss				23,608
Forfeitures				323
Miscellaneous				157,146
State sources				<u>3,854,158</u>
Total General Revenues				<u>44,107,395</u>
Change in Net Position				2,338,658
Total Net Position (Deficit) - Beginning of Year, as Restated				<u>(69,119,078)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (66,780,420)</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2022

	General	Special Aid	School Food Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
<b>ASSETS</b>							
Cash							
Unrestricted	\$ 6,308,021	\$ 18,586	\$ 45,279	\$ 269,106	\$ 88,731	\$	\$ 6,729,723
Restricted	19,835,447			1,705,013		7,677	21,548,137
Receivables							
Accounts receivable	41,908						41,908
Due from other funds	1,826,695			1,012,044			2,838,739
Due from state and federal	383,957	534,757	120,504				1,039,218
Due from other governments	23,638						23,638
Lease receivable	1,179,224						1,179,224
Prepays	518,858						518,858
Inventory			1,158				1,158
Total Assets	<u>\$ 30,117,748</u>	<u>\$ 553,343</u>	<u>\$ 166,941</u>	<u>\$ 2,986,163</u>	<u>\$ 88,731</u>	<u>\$ 7,677</u>	<u>\$ 33,920,603</u>
<b>LIABILITIES</b>							
Payables							
Accounts payable	\$ 648,211	\$ 9,380	\$ 25,155	\$ 120,000	\$	\$	\$ 802,746
Accrued liabilities	757,838						757,838
Due to other funds	2,248,764	543,963	46,012				2,838,739
Due to other governments			132				132
Due to teachers' retirement system	1,764,215						1,764,215
Due to employees' retirement system	135,519						135,519
Compensated absences payable	129,197						129,197
Other liabilities	15,929						15,929
Unearned credits							
Collections in advance	5,710		16,740				22,450
Total Liabilities	<u>5,705,383</u>	<u>553,343</u>	<u>88,039</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>6,466,765</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Leases	<u>1,179,224</u>						<u>1,179,224</u>
<b>FUND BALANCES</b>							
<b>Nonspendable:</b>							
Prepays	518,858						518,858
Inventory			1,158				1,158
<b>Restricted:</b>							
Workers' compensation	4,113,799						4,113,799
Unemployment insurance	2,356,220						2,356,220
Retirement contribution							
Teachers' retirement system	1,270,370						1,270,370
Employees' retirement system	3,913,375						3,913,375
Employee benefit accrued liability	4,274,944						4,274,944
Capital	3,906,739			1,705,013			5,611,752
Scholarships						7,677	7,677
<b>Assigned:</b>							
Appropriated fund balance	140,000						140,000
Unappropriated fund balance	1,054,361		77,744	1,161,150	88,731		2,381,986
Unassigned: Fund balance	<u>1,684,475</u>						<u>1,684,475</u>
Total Fund Balances	<u>23,233,141</u>	<u>-</u>	<u>78,902</u>	<u>2,866,163</u>	<u>88,731</u>	<u>7,677</u>	<u>26,274,614</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 30,117,748</u>	<u>\$ 553,343</u>	<u>\$ 166,941</u>	<u>\$ 2,986,163</u>	<u>\$ 88,731</u>	<u>\$ 7,677</u>	<u>\$ 33,920,603</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**

June 30, 2022

Total Governmental Fund Balances	\$ 26,274,614
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Original cost of capital assets	\$ 51,333,287	
Less: Accumulated depreciation	<u>(32,222,729)</u>	
		19,110,558

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

Net pension asset - teachers' retirement system	17,323,520	
Net pension asset - employees' retirement system	851,023	
Deferred outflows of resources	11,778,972	
Deferred inflows of resources	<u>(22,465,481)</u>	
		7,488,034

Total other postemployment benefits liability, as well as deferred outflows and inflows related to providing benefits in retirement are not current financial resources or liabilities and are not reported in the funds.

Deferred outflows of resources	25,933,734	
Total other postemployment benefits liability	(101,576,716)	
Deferred inflows of resources	<u>(37,313,546)</u>	
		(112,956,528)

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

1,673

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 consist of:

Accrued interest on long-term debt	(2,420)	
Bonds payable	(333,192)	
Energy performance contract payable	(1,726,692)	
Compensated absences payable	(4,278,555)	
Workers' compensation liabilities	<u>(357,912)</u>	
		<u>(6,698,771)</u>

Total Net Position (Deficit)	<u><u>\$ (66,780,420)</u></u>
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**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For the Year Ended June 30, 2022

	General	Special Aid	School Food Service	Capital Projects	Extraclassroom Activities	Scholarships	Total Governmental Funds
<b>REVENUES</b>							
Real property taxes	\$ 37,018,003	\$	\$	\$	\$	\$	\$ 37,018,003
Other tax items	2,521,311						2,521,311
Charges for services	666,427						666,427
Use of money and property	532,846						532,846
Sale of property and compensation for loss	23,608						23,608
Forfeitures	323						323
Miscellaneous	157,146				101,478	8,975	267,599
State sources	3,854,158	245,914	5,485				4,105,557
Federal sources		539,778	337,169				876,947
Sales			111,841				111,841
<b>Total Revenues</b>	<b>44,773,822</b>	<b>785,692</b>	<b>454,495</b>	<b>-</b>	<b>101,478</b>	<b>8,975</b>	<b>46,124,462</b>
<b>EXPENDITURES</b>							
General support	5,718,786	197,059					5,915,845
Instruction	21,664,296	520,026			93,036	12,808	22,290,166
Pupil transportation	2,185,347	99,977					2,285,324
Employee benefits	10,639,656						10,639,656
Debt service							
Principal	505,615						505,615
Interest	61,512						61,512
Food service program			426,733				426,733
Capital outlay				2,525,342			2,525,342
<b>Total Expenditures</b>	<b>40,775,212</b>	<b>817,062</b>	<b>426,733</b>	<b>2,525,342</b>	<b>93,036</b>	<b>12,808</b>	<b>44,650,193</b>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,998,610</u>	<u>(31,370)</u>	<u>27,762</u>	<u>(2,525,342)</u>	<u>8,442</u>	<u>(3,833)</u>	<u>1,474,269</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Operating transfers in	998,541	31,370	20,000	2,000,000			3,049,911
Operating transfers (out)	(2,051,370)			(998,541)			(3,049,911)
<b>Total Other Financing Sources and (Uses)</b>	<b>(1,052,829)</b>	<b>31,370</b>	<b>20,000</b>	<b>1,001,459</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>2,945,781</b>	<b>-</b>	<b>47,762</b>	<b>(1,523,883)</b>	<b>8,442</b>	<b>(3,833)</b>	<b>1,474,269</b>
<b>Fund Balances - Beginning of Year, as Restated</b>	<b>20,287,360</b>	<b>-</b>	<b>31,140</b>	<b>4,390,046</b>	<b>80,289</b>	<b>11,510</b>	<b>24,800,345</b>
<b>End of Year</b>	<b>\$ 23,233,141</b>	<b>\$ -</b>	<b>\$ 78,902</b>	<b>\$ 2,866,163</b>	<b>\$ 88,731</b>	<b>\$ 7,677</b>	<b>\$ 26,274,614</b>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For the Year Ended June 30, 2022

Net Change in Fund Balances \$ 1,474,269

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

Long-Term Revenue and Expense Differences

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in compensated absences payable	\$ (293,206)	
Increase in workers' compensation claims liability	<u>(39,853)</u>	
		(333,059)

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. This is the amount by which capital outlays and other additions exceeded depreciation expense in the period.

Capital outlays and other additions	2,631,376	
Depreciation expense	<u>(1,353,683)</u>	
		1,277,693

Long-Term Debt Transactions Differences

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities. 4,604

Repayment of long-term debt 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.

Repayment of bond principal	340,000	
Repayment of energy performance contract payable	165,615	

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2021 to June 30, 2022.

	<u>746</u>	510,965
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Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system	2,653,762	
Employees' retirement system	440,621	
Other postemployment benefits	<u>(3,685,593)</u>	
		<u>(591,210)</u>

Change in Net Position of Governmental Activities	\$ 2,338,658	
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**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position - Fiduciary Fund**  
June 30, 2022

	<u>Custodial</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ -
	<u><u>          </u></u>
<b>NET POSITION</b>	
Restricted for individuals, organizations, and other governments	\$ -
	<u><u>          </u></u>

**Statement of Changes in Fiduciary Net Position - Fiduciary Fund**  
For the Year Ended June 30, 2022

	<u>Custodial</u>
<b>ADDITIONS</b>	
Real property taxes and PILOT collected for the Library	\$ 3,514,449
<b>DEDUCTIONS</b>	
Disbursements of real property taxes and PILOT to the Library	<u>3,514,449</u>
Change in Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ -</u></u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Port Jefferson Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

**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 (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. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity is based on criteria set forth by GASB. 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 Board of Cooperative Educational Services of Eastern Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §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 General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**C. Basis of Presentation**

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants and contributions include operating-specific and discretionary (either operating or capital) grants and contributions, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at year end. 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. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, 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 type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

***Governmental Funds*** - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

***General Fund*** - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

***Special Aid Fund*** - is used to account 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 by either governments that provide the funds or outside parties.

***School Food Service Fund*** - is used to account for the activities of the food service program.

***Capital Projects Fund*** - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets.

***Extraclassroom Activities Fund*** - is used to account for the funds operated by and for the students of the District. The Board exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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***Scholarships Fund*** – is used to account for funds collected that benefit annual third-party awards and scholarships for students.

***Fiduciary Funds*** – are used to account for activities 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 to finance District operations. The following is the District's fiduciary fund:

***Custodial Fund*** – is used to account for real property taxes and payments in lieu of taxes collected on behalf of other governments and disbursed to those governments.

**D. Measurement Focus and Basis of Accounting**

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

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 real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**E. Real Property Taxes and Other Tax Items**

Calendar

Real property taxes are levied annually by the Board no later than November 1<sup>st</sup> and become a lien on December 1<sup>st</sup>. Taxes are collected by the Town of Brookhaven and remitted to the District from December to June.

Enforcement

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

School Tax Relief (STAR) Aid

New York State implemented the STAR program with the enactment of Chapter 389 of the Laws of 1997 to reduce the school property tax burden on residential homeowners. A school district's annual property tax levy as adopted is reduced by the total amount of the STAR exemptions granted to homeowners. School districts are reimbursed for this loss in property tax revenues by the state with STAR aid, which is reported as other tax items revenues.

**F. Payments in Lieu of Taxes (PILOT)**

The District reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

PILOT payments collected on behalf of the Library are remitted to the Library. These pass-through amounts are not included in the District's other tax items revenues.

**G. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources 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 to Financial Statements.

**H. 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 flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, eliminations have been made for all interfund receivables and payables between the funds.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

**I. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of capital assets.

**J. Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

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

**K. Receivables**

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

**L. Lease Receivable**

The District leases a building to a third party. A lease receivable is measured and recorded at the present value of lease payments expected to be received by the District during the lease term using an implicit discount rate, net of any provision for estimated uncollectible amounts. As lease payments are received from the lessee, they are first allocated to the amortization of the discount on the lease receivable and recognized as interest revenue, and then to lease receivable.

**M. Inventories and Prepaid Items**

Inventories of food in the school food service 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. These inventories are accounted for on the consumption method.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets using the consumption method.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

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

**N. Capital Assets**

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 15,000	30 years
Outdoor improvements	15,000	30 years
Furniture and equipment	2,000	5-20 years
Licensed vehicles	2,000	8 years

**O. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on a weighted average basis through June 30, 2023. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension assets or liabilities not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

**P. Collections in Advance**

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District such as summer program fees in the general fund, and prepaid lunch amounts in the school food service fund. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**Q. Employee Benefits – Compensated Absences**

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

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

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

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

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

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

**R. Other Benefits**

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

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

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



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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.

**T. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. The first item is related to the long-term lease receivable for properties that the District leases to third parties. Revenues will be recognized systematically over the term of the lease agreement. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension assets or liabilities not included in collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in the total other postemployment benefits liability not included in OPEB expense.

**U. Equity Classifications**

District-Wide Statements

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

*Net investment in capital assets* – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

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

*Unrestricted* – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventories, which are recorded in the school food service fund, and prepaids, which are recorded in the general fund.

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Workers' Compensation Reserve*

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

*Unemployment Insurance Reserve*

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

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The Board also adopted a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Capital Reserve*

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure 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. These reserves are accounted for in the general fund and the capital projects fund.

*Restricted for Scholarships*

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

*Assigned* – Consists of 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 could include an amount appropriated to partially fund the subsequent year’s budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

*Unassigned* – Represents the residual classification for the District’s general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year’s budget.

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 of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

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

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned), the expenditure is to be spent first from the restricted fund balance to the extent appropriated by the budget or any Board approved budget revision, then from the assigned fund balance to the extent appropriated by the Board, and then from the unassigned fund balance.

**2. CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended June 30, 2022, the District implemented GASB Statement No. 87, Leases, which provides guidance for identifying certain leased assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on payment provision of the contract.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**3. FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB statements issued, but the statement that the District feels may have a future impact on these financial statements. The District will evaluate the impact of this pronouncement and implement it, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
June 30, 2023	GASB No. 96 - <i>Subscription Based Information Technology Agreements</i>

GASB Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

**4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the district-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

**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. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

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 current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

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

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

**5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. 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 can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. 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. The following supplemental appropriations occurred during the year:

Roof replacement funded by additional appropriation	
from the capital reserve as approved by the voters	<u>\$ 1,000,000</u>

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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 part of assigned fund balance, unless classified as restricted, 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.

**C. Over Expenditures of Certain Appropriations**

The central administration appropriation in the general fund was over expended; however, the general fund in total was not over expended.

**6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by an irrevocable letter of credit and securities pledged on the District's behalf at year end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

**7. PARTICIPATION IN BOCES**

During the year ended June 30, 2022, the District was billed \$1,920,384 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$299,092. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**8. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2022 consisted of:

General Fund	
New York State - excess cost aid	\$ 84,865
BOCES aid	299,092
	<u>383,957</u>
Special Aid Fund	
Federal and state grants	534,757
School Food Service Fund	
Federal & state food service program reimbursements	<u>120,504</u>
	<u>\$ 1,039,218</u>

District management expects these amounts to be fully collectible.

**9. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2022 consisted of:

General Fund	
PILOT payments	<u>\$ 23,638</u>

District management expects these amounts to be fully collectible.

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2022, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,826,695	\$ 2,248,764	\$ 998,541	\$ 2,051,370
Special Aid Fund		543,963	31,370	
School Food Service Fund		46,012	20,000	
Capital Projects Fund	<u>1,012,044</u>		<u>2,000,000</u>	<u>998,541</u>
	<u>\$ 2,838,739</u>	<u>\$ 2,838,739</u>	<u>\$ 3,049,911</u>	<u>\$ 3,049,911</u>

The District typically transfers from the general fund to the school food service fund, special aid fund and the capital projects fund in accordance with the general fund budget and voter approvals. Included in the \$2,000,000 transfer to the capital project fund was \$1,000,000 from the capital reserve, which was approved by the voters in a separate proposition. The transfer from the capital projects fund to the general fund represents the return of unexpended amounts on capital projects originally funded by capital reserve.

**11. LEASE RECEIVABLE**

The District entered into an agreement to lease a building at Spring Street to Eastern Suffolk BOCES. Under the agreement, the District receives 12 equal monthly installments in each fiscal year covered by the agreement (July to June). As of June 30, 2022, the implementation date of GASB Statement No. 87, *Leases*, the present value of the lease receivable and the corresponding deferred inflows of resources, measured using an implicit interest rate of 3.00% were \$1,179,224.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The following is the amortization schedule for the lease receivable:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 133,995	\$ 362,419	\$ 496,414
2024	142,076	354,338	496,414
2025	202,566	293,848	496,414
2026	288,811	207,603	496,414
2027	411,776	84,638	496,414
Total	<u>\$ 1,179,224</u>	<u>\$ 1,302,846</u>	<u>\$ 2,482,070</u>

The following is the amortization schedule for the deferred inflows of resources:

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 235,845
2024	235,845
2025	235,845
2026	235,845
2027	235,844
Total	<u>\$ 1,179,224</u>

## **12. CAPITAL ASSETS/PRIOR PERIOD ADJUSTMENT**

### **A. Prior Period Adjustment**

During the year ended June 30, 2022, the District's capital assets were restated to reclassify items placed in service in previous years. As a result, it was necessary to adjust the June 30, 2021 capital assets and accumulated depreciation balances as follows:

	<u>As Reported June 30, 2021</u>	<u>As Restated June 30, 2021</u>	<u>Increase (Decrease)</u>
Governmental activities			
Capital assets not being depreciated			
Land	\$ 171,241	\$ 171,241	\$
Construction work in progress	13,177,199	4,693,278	(8,483,921)
Total capital assets not being depreciated	<u>13,348,440</u>	<u>4,864,519</u>	<u>(8,483,921)</u>
Capital assets being depreciated			
Buildings and improvements	32,196,603	39,911,727	7,715,124
Outdoor improvements	1,301,629	1,945,557	643,928
Furniture and equipment	1,563,610	1,684,995	121,385
Licensed vehicles	295,113	295,113	
Total capital assets being depreciated	<u>35,356,955</u>	<u>43,837,392</u>	<u>8,480,437</u>



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	As Reported June 30, 2021	As Restated June 30, 2021	Increase (Decrease)
Less accumulated depreciation for:			
Buildings and improvements	\$ 26,976,454	\$ 28,244,896	\$ 1,268,442
Outdoor improvements	1,290,334	1,380,309	89,975
Furniture and equipment	1,003,863	1,068,190	64,327
Licensed vehicles	175,651	175,651	
Total accumulated depreciation	<u>29,446,302</u>	<u>30,869,046</u>	<u>1,422,744</u>
Total capital assets, being depreciated, net	<u>5,910,653</u>	<u>12,968,346</u>	<u>7,057,693</u>
Capital assets, net	<u>\$ 19,259,093</u>	<u>\$ 17,832,865</u>	<u>\$ (1,426,228)</u>

**B. Changes**

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

	As Restated Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 171,241	\$	\$	\$ 171,241
Construction work in progress	4,693,278	2,525,343		7,218,621
Total capital assets not being depreciated	<u>4,864,519</u>	<u>2,525,343</u>	<u>-</u>	<u>7,389,862</u>
Capital assets being depreciated				
Buildings and improvements	39,911,727			39,911,727
Outdoor improvements	1,945,557			1,945,557
Furniture and equipment	1,684,995	106,033		1,791,028
Licensed vehicles	295,113			295,113
Total capital assets being depreciated	<u>43,837,392</u>	<u>106,033</u>	<u>-</u>	<u>43,943,425</u>
Less accumulated depreciation for:				
Buildings and improvements	28,244,896	1,158,971		29,403,867
Outdoor improvements	1,380,309	41,807		1,422,116
Furniture and equipment	1,068,190	127,401		1,195,591
Licensed vehicles	175,651	25,504		201,155
Total accumulated depreciation	<u>30,869,046</u>	<u>1,353,683</u>	<u>-</u>	<u>32,222,729</u>
Total capital assets, being depreciated, net	<u>12,968,346</u>	<u>(1,247,650)</u>	<u>-</u>	<u>11,720,696</u>
Capital assets, net	<u>\$ 17,832,865</u>	<u>\$ 1,277,693</u>	<u>\$ -</u>	<u>\$ 19,110,558</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Depreciation expense was charged to governmental functions as follows:

General support	\$ 32,629
Instruction	1,316,240
Food service program	<u>4,814</u>
Total depreciation expense	<u>\$ 1,353,683</u>

**C. Impairment Losses**

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, 2022, the District has not recorded any such impairment losses.

**13. LONG-TERM LIABILITIES**

**A. Changes**

Long-term liability balances and activity, excluding pension and other postemployment benefits liabilities, for the year are summarized below:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 670,000	\$	\$ (340,000)	\$ 330,000	\$ 330,000
Add: Premium on refunding	12,864		(9,672)	3,192	3,192
	<u>682,864</u>	-	<u>(349,672)</u>	<u>333,192</u>	<u>333,192</u>
Energy performance contract	1,892,307		(165,615)	1,726,692	169,947
Other long-term liabilities:					
Compensated absences	3,985,349	293,206		4,278,555	100,000
Workers' compensation	<u>318,059</u>	<u>829,014</u>	<u>(789,161)</u>	<u>357,912</u>	
	<u>\$ 6,878,579</u>	<u>\$ 1,122,220</u>	<u>\$ (1,304,448)</u>	<u>\$ 6,696,351</u>	<u>\$ 603,139</u>

The general fund has typically been used to liquidate other long-term liabilities.

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Advance refunding	2016	6/1/2023	2% - 5%	<u>\$ 330,000</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

Year Ending June 30,	Principal	Interest	Total
2023	\$ 330,000	\$ 6,600	\$ 336,600

**C. Energy Performance Contract**

The energy performance contract payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Energy performance contract	12/15/2016	12/15/2031	2.599%	\$ 1,726,692

The following is a summary of energy performance contract payable requirements:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 169,947	\$ 43,780	\$ 213,727
2024	174,393	39,334	213,727
2025	178,955	34,772	213,727
2026	183,636	30,091	213,727
2027	188,439	25,287	213,726
2028-2032	831,322	50,899	882,221
Total	\$ 1,726,692	\$ 224,163	\$ 1,950,855

**D. Advance Bond Refunding**

In the district-wide statements, the District is amortizing deferred charges on the advance refunding and a refunding bond premium as a component of interest expense on a weighted average basis as follows:

Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense (Decrease)
2023	\$ 1,673	\$ (3,192)	\$ (1,519)

**E. Interest Expense**

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

Interest paid	\$ 61,512
Less interest accrued in the prior year	(3,166)
Plus interest accrued in the current year	2,420
Less amortization of deferred amounts from bond refunding	(4,604)
Total interest expense on long-term debt	\$ 56,162

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**14. PENSION PLANS – NEW YORK STATE**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, defined benefit, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**B. Provisions and Administration**

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law of the State of New York (NYSRSSL). The system is governed by a 10 member board of trustees. 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 the 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 TRS may be found by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.53% of covered payroll for the TRS' fiscal year ended June 30, 2021. The District's average contribution rate was 15.96% of covered payroll for the ERS' fiscal year ended March 31, 2022.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2022 was \$1,650,075 for TRS at the contribution rate of 9.80% and \$533,278 for ERS at an average contribution rate of 16.49%.

**D. Pension Asset/(Liability), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2022, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2021, for TRS and March 31, 2022 for ERS. 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 TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2021	March 31, 2022
District's proportionate share of the net pension asset	\$ 17,323,520	\$ 851,023
District's portion of the Plan's total net pension asset	0.099968%	0.0104106%
Change in proportion since the prior measurement date	0.003762	0.0010414

For the year ended June 30, 2022, the District recognized pension expense (credit) of \$(1,002,449) for TRS and \$92,657 for ERS. At June 30, 2022, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 2,387,864	\$ 64,449	\$ 90,003	\$ 83,594
Changes of assumptions	5,698,068	1,420,262	1,009,044	23,965
Net difference between projected and actual earnings on pension plan investments			18,130,856	2,786,745
Changes in proportion and differences between the District's contributions and proportionate share of contributions	192,639	230,096	270,805	70,469
District contributions subsequent to the measurement date	1,650,075	135,519		
Total	<u>\$ 9,928,646</u>	<u>\$ 1,850,326</u>	<u>\$ 19,500,708</u>	<u>\$ 2,964,773</u>

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

Year Ending June 30,	TRS	ERS
2023	\$ (2,245,902)	\$ (170,776)
2024	(2,653,383)	(268,227)
2025	(3,324,926)	(694,168)
2026	(4,386,703)	(116,795)
2027	824,905	
Thereafter	563,872	
	<u>\$ (11,222,137)</u>	<u>\$ (1,249,966)</u>

**Actuarial Assumptions**

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

	TRS	ERS
Measurement date	June 30, 2021	March 31, 2022
Actuarial valuation date	June 30, 2020	April 1, 2021
Inflation	2.40%	2.70%
Salary increases	1.95-5.18%	4.40%
Investment rate of return (net of investment expense, including inflation)	6.95%	5.90%
Cost of living adjustments	1.30%	1.40%

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 systems experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions for the measurement of total pension liability.

For TRS, the June 30, 2021 demographic actuarial assumptions and salary scale were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020. The June 30, 2020 demographic actuarial assumptions and the salary scale were based on the results of an actuarial experience study for the period July 1, 2019 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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 for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

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 expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

	TRS		ERS	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Measurement date		June 30, 2021		March 31, 2022
Asset type				
Domestic equity	33.0%	6.80%	32.0%	3.30%
International equity	16.0%	7.60%	15.0%	5.85%
Global equity	4.0%	7.10%		
Real estate equity	11.0%	6.50%	9.0%	5.00%
Private equity	8.0%	10.00%	10.0%	6.50%
Alternatives investments			10.0%	3.78-5.58%
Domestic fixed income	16.0%	1.30%		
Global bonds	2.0%	0.80%		
High-yield bonds	1.0%	3.80%		
Fixed income			23.0%	0.00%
Private debt	1.0%	5.90%		
Real estate debt	7.0%	3.30%		
Cash equivalents	1.0%	(0.20)%		
Cash			1.0%	(1.00)%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.4% for TRS and 2.5% for ERS.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.95% for TRS and 5.90% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2020, was 7.10%). 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 determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension 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 6.95% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (5.95% for TRS and 4.90% for ERS) or 1 percentage point higher (7.95% for TRS and 6.90% for ERS) than the current rate:

	1% Decrease 5.95%	Current Assumption 6.95%	1% Increase 7.95%
TRS			
District's proportionate share of the net pension asset/(liability)	\$ 1,817,851	\$ 17,323,520	\$ 30,354,910
	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
ERS			
District's proportionate share of the net pension asset/(liability)	\$ (2,190,525)	\$ 851,023	\$ 3,395,131

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:

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2021	March 31, 2022
Employers' total pension liability	\$ (130,819,415)	\$ (223,874,888)
Plan fiduciary net position	148,148,457	232,049,473
Employers' net pension asset	\$ 17,329,042	\$ 8,174,585
Ratio of plan fiduciary net position to the employers' net pension liability	113.25%	103.65%



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022, are paid to the system in September, October and November 2022 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2022, represent employer and employee contributions for the fiscal year ended June 30, 2022, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2022 amounted to \$1,650,075 of employer contributions and \$114,140 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2022, represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$135,519 of employer contributions. Employee contributions are remitted monthly.

**15. PENSION PLANS - OTHER**

**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 compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2022, totaled \$41,632 and \$1,129,698, respectively.

**B. Deferred Compensation Plan**

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2022 totaled \$172,455, which includes Roth contributions of \$4,950.

**16. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

*Plan Description* –The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits Provided* – The District provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*Employees Covered by Benefit Terms* – At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	227
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>240</u>
	<u><u>467</u></u>

**B. Total OPEB Liability**

The District's total OPEB liability of \$101,576,716 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2020. Update procedures were used to roll forward the total OPEB liability to the measurement date.

*Actuarial Assumptions and Other Inputs* – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	various varies by pension retirement system membership
Discount rate	3.54%
Healthcare cost trend rates	5.10% for 2022, decreasing to an ultimate rate of 4.04% by 2075
Retirees' share of benefit-related costs	16-18% of projected health insurance premiums for retirees

The discount rate was based on the Bond Buyers General Obligation 20 Year Municipal Bond Index.

Mortality rates were based on the Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2020.

**C. Changes in the Total OPEB Liability**

Balance at June 30, 2021	<u>\$ 121,894,301</u>
Changes for the year	
Service cost	5,695,824
Interest on total OPEB liability	2,722,022
Changes of benefit terms	-
Differences between expected and actual experience	855,303
Changes in assumptions or other inputs	(26,432,654)
Benefit payments	<u>(3,158,080)</u>
	<u>(20,317,585)</u>
Balance at June 30, 2022	<u><u>\$ 101,576,716</u></u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Changes of assumptions and other inputs reflect a change in the discount rate from 2.16% in 2021 to 3.54% in 2022.

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

	1% Decrease 2.54%	Discount Rate 3.54%	1% Increase 4.54%
<u>OPEB</u>			
Total OPEB liability	<u><u>\$(119,854,892)</u></u>	<u><u>\$(101,576,716)</u></u>	<u><u>\$ (87,022,392)</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.10% decreasing to 3.04%) or 1 percentage point higher (6.10% decreasing to 5.04%) than the current healthcare cost trend rate:

	1% Decrease 4.10% decreasing to 3.04%	Healthcare Cost Trend Rates 5.10% decreasing to 4.04%	1% Increase 6.10% decreasing to 5.04%
<u>OPEB</u>			
Total OPEB liability	<u><u>\$ (83,565,340)</u></u>	<u><u>\$(101,576,716)</u></u>	<u><u>\$(125,282,417)</u></u>

**D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the District recognized OPEB expense of \$6,843,673. At June 30, 2022, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred</u>	
	<u>Outflows of Resources</u>	<u>Inflows of Resources</u>
Differences between expected and actual experience	\$ 3,165,033	\$ 13,771,418
Changes of assumptions or other inputs	<u>22,768,701</u>	<u>23,542,128</u>
Total	<u><u>\$ 25,933,734</u></u>	<u><u>\$ 37,313,546</u></u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

Year Ending June 30,	Amount
2023	\$ (1,574,173)
2024	(1,574,173)
2025	(1,360,188)
2026	(2,608,382)
2027	(4,262,896)
	<u><u>\$(11,379,812)</u></u>

**17. RISK MANAGEMENT**

**A. General Information**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

**B. Risk Retention**

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 unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	2021	2022
Unpaid claims at beginning of year	\$ 329,968	\$ 318,059
Incurred claims and claim adjustment expenses	259,240	829,014
Claim payments	<u>(271,149)</u>	<u>(789,161)</u>
Unpaid claims at year end	<u><u>\$ 318,059</u></u>	<u><u>\$ 357,912</u></u>

At June 30, 2022, the District had \$4,113,799 of funds in the workers' compensation reserve.

**C. Public Entity Risk Pool**

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its 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 in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**18. RESTRICTED FUND BALACE – APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2022 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2023:

Retirement contributions - ERS	\$ 375,000
Employee benefit accrued liability	<u>125,000</u>
	<u>\$ 500,000</u>

**19. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$140,000 has been appropriated to reduce taxes for the year ending June 30, 2023.

**20. RESTRICTED FOR CAPITAL RESERVE**

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

Date Created	<u>May 2017</u>	<u>May 2021</u>	
Number of Years to Fund	7	7	
Maximum Funding	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	
Maximum Annual Funding	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>	
			<u>Total</u>
<b>General Fund</b>			
Funding Provided	\$ 9,550,000	\$ 2,545,000	\$ 12,095,000
Interest Earnings	115,964	1,587	117,551
Use of Reserve	<u>(8,305,812)</u>		<u>(8,305,812)</u>
Total General Fund	<u>1,360,152</u>	<u>2,546,587</u>	<u>3,906,739</u>
<b>Capital Projects Fund</b>			
Funding Provided	8,305,812		8,305,812
Use of Reserve	<u>(6,600,799)</u>		<u>(6,600,799)</u>
Total Capital Projects Fund	<u>1,705,013</u>	<u>-</u>	<u>1,705,013</u>
Balance as of June 30, 2022	<u>\$ 3,065,165</u>	<u>\$ 2,546,587</u>	<u>\$ 5,611,752</u>

**21. RESTATEMENT OF GENERAL FUND – FUND BALANCE**

The June 30, 2021 general fund nonspendable and total fund balance were increased by \$461,137 to reflect prepaid health insurance not accounted for in the governmental funds in the prior year. These amounts were reported in the Statement of Net Position in the prior year and as such the Statement of Net Position was not impacted by this change.

**22. TAX ABATEMENTS**

The Town of Brookhaven Industrial Development Agency, enters into various property tax abatement programs for the purpose of economic development. The District received payment in lieu of taxes (PILOT) payments totaling \$1,653,092. The amount of the District's property tax reduction was not available.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**23. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2022, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
General support	\$ 883,922
Instruction	122,158
Pupil transportation	<u>48,281</u>
	1,054,361
Capital Projects Fund	
Capital projects	<u>311,047</u>
	<u><u>\$ 1,365,408</u></u>

**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 audits, the District's administration believes disallowances, if any, would be immaterial.

**C. Litigation**

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes that the outcome of any matters will not have a material effect on the financial statements.

**24. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 36,986,092	\$ 37,017,873	\$ 37,018,003	\$ 130
Other tax items	2,493,943	2,462,162	2,521,311	59,149
Charges for services	650,000	650,000	666,427	16,427
Use of money and property	570,000	570,000	532,846	(37,154)
Sale of property and compensation for loss			23,608	23,608
Forfeitures			323	323
Miscellaneous	119,990	119,990	157,146	37,156
Total Local Sources	40,820,025	40,820,025	40,919,664	99,639
State Sources	3,799,704	3,799,704	3,854,158	54,454
Total Revenues	44,619,729	44,619,729	44,773,822	154,093
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In			998,541	998,541
Total Revenues and Other Sources	44,619,729	44,619,729	45,772,363	\$ 1,152,634
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	115,000	115,000		
Prior Year's Encumbrances	773,479	773,479		
Appropriated Reserves	275,000	1,275,000		
Total Appropriated Fund Balance	1,163,479	2,163,479		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 45,783,208	\$ 46,783,208		

**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.

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 45,475	\$ 45,475	\$ 32,208	\$	\$ 13,267
Central administration	341,009	341,009	341,877		(868)
Finance	808,508	808,008	720,502	15,500	72,006
Staff	420,626	488,725	329,673	130,294	28,758
Central services	3,821,020	4,738,796	3,764,831	735,372	238,593
Special items	509,959	543,160	529,695	2,756	10,709
Total General Support	5,946,597	6,965,173	5,718,786	883,922	362,465
Instruction					
Administration & improvement	2,022,717	2,075,470	1,864,474	10,125	200,871
Teaching - regular school	11,205,021	11,078,377	10,871,222	46,179	160,976
Programs for students with disabilities	5,395,351	5,375,559	5,126,579	470	248,510
Occupational education	172,824	202,824	200,634		2,190
Instructional media	1,157,617	1,304,761	1,187,811	60,844	56,106
Pupil services	2,536,788	2,523,023	2,413,576	4,540	104,907
Total Instruction	22,490,318	22,560,014	21,664,296	122,158	773,560
Pupil Transportation	2,534,383	2,559,383	2,185,347	48,281	325,755
Employee Benefits	13,059,425	12,037,553	10,639,656		1,397,897
Debt Service					
Principal	500,973	505,615	505,615		-
Interest	196,512	100,470	61,512		38,958
Total Debt Service	697,485	606,085	567,127	-	38,958
Total Expenditures	44,728,208	44,728,208	40,775,212	1,054,361	2,898,635
<b>OTHER FINANCING USES</b>					
Operating Transfers Out	1,055,000	2,055,000	2,051,370		3,630
Total Expenditures and Other Uses	\$ 45,783,208	\$ 46,783,208	42,826,582	\$ 1,054,361	\$ 2,902,265
Net Change in Fund Balances			2,945,781		
Fund Balance - Beginning of Year, as Restated			20,287,360		
Fund Balance - End of Year			\$ 23,233,141		

**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.



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)**  
Last Nine Fiscal Years

<i><b>Teachers' Retirement System</b></i>									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.099968%	0.096206%	0.099396%	0.096772%	0.097936%	0.096741%	0.098867%	0.096654%	0.094922%
District's proportionate share of the net pension asset/(liability)	\$ 17,323,520	\$ (2,658,419)	\$ 2,582,304	\$ 1,749,884	\$ 744,407	\$ (1,036,138)	\$ 10,269,101	\$ 10,766,658	\$ 624,830
District's covered payroll	\$ 16,500,316	\$ 16,967,796	\$ 16,590,734	\$ 15,762,990	\$ 15,519,556	\$ 15,372,816	\$ 15,696,052	\$ 15,055,528	\$ 14,882,547
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	104.99 %	15.67 %	15.56 %	11.10 %	4.80 %	6.74 %	65.42 %	71.51 %	4.20 %
Plan fiduciary net position as a percentage of the total pension asset/(liability)	113.25%	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
Discount rate	6.95%	7.10%	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%
<i><b>Employees' Retirement System</b></i>									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset/(liability)	0.0104106%	0.0093692%	0.0102439%	0.0102462%	0.0112775%	0.0105772%	0.0106930%	0.0109275%	0.0109275%
District's proportionate share of the net pension asset/(liability)	\$ 851,023	\$ (9,329)	\$ (2,712,633)	\$ (725,973)	\$ (363,974)	\$ (993,860)	\$ (1,716,255)	\$ (369,157)	\$ (493,797)
District's covered payroll	\$ 3,396,694	\$ 3,326,603	\$ 3,196,548	\$ 3,320,770	\$ 3,235,997	\$ 3,237,518	\$ 2,874,263	\$ 3,311,043	\$ 3,243,925
District's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll	25.05 %	0.28 %	84.86 %	21.86 %	11.25 %	30.70 %	59.71 %	11.15 %	15.22 %
Plan fiduciary net position as a percentage of the total pension asset/(liability)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
Discount rate	5.90%	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.00%	7.50%

*An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.  
The amounts presented for each fiscal year were determined as of the measurement dates of the plan.*

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
Last Ten Fiscal Years

***Teachers' Retirement System***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,650,075	\$ 1,617,031	\$ 1,446,761	\$ 1,761,936	\$ 1,544,773	\$ 1,818,892	\$ 1,979,471	\$ 2,607,335	\$ 2,313,223	\$ 1,659,326
Contributions in relation to the contractually required contribution	<u>1,650,075</u>	<u>1,617,031</u>	<u>1,446,761</u>	<u>1,761,936</u>	<u>1,544,773</u>	<u>1,818,892</u>	<u>1,979,471</u>	<u>2,607,335</u>	<u>2,313,223</u>	<u>1,659,326</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	16,837,496	16,500,316	16,967,796	16,590,734	15,762,990	15,519,556	15,372,816	15,696,052	15,055,528	14,882,547
Contributions as a percentage of covered payroll	10%	10%	9%	11%	10%	12%	13%	17%	15%	11%

***Employees' Retirement System***

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 533,278	\$ 465,810	\$ 480,359	\$ 447,787	\$ 470,687	\$ 445,275	\$ 474,183	\$ 535,302	\$ 545,222	\$ 598,836
Contributions in relation to the contractually required contribution	<u>533,278</u>	<u>465,810</u>	<u>480,359</u>	<u>447,787</u>	<u>470,687</u>	<u>445,275</u>	<u>474,183</u>	<u>535,302</u>	<u>545,222</u>	<u>598,836</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	3,233,283	3,397,901	3,329,865	3,321,919	3,215,584	3,186,677	3,203,475	3,282,751	3,211,679	3,173,931
Contributions as a percentage of covered payroll	16%	14%	14%	13%	15%	14%	15%	16%	17%	19%

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedule of Changes in the District's Total OPEB Liability and Related Ratios**  
Last Five Fiscal Years

	2022	2021	2020	2019	2018
Total OPEB liability					
Service cost	\$ 5,695,824	\$ 5,438,309	\$ 4,141,835	\$ 2,481,813	\$ 2,573,451
Interest on total OPEB liability	2,722,022	2,757,842	3,820,656	3,390,774	3,101,407
Changes in benefit terms	-	(1,539,839)	-	-	-
Differences between expected and actual experience	855,303	(10,059,949)	(14,109,224)	4,904,561	-
Changes of assumptions or other inputs	(26,432,654)	7,498,072	23,792,633	11,747,339	(4,396,416)
Benefit payments	<u>(3,158,080)</u>	<u>(3,085,209)</u>	<u>(2,914,049)</u>	<u>(2,984,363)</u>	<u>(2,593,658)</u>
Net change in total OPEB liability	(20,317,585)	1,009,226	14,731,851	19,540,124	(1,315,216)
Total OPEB liability, beginning	<u>121,894,301</u>	<u>120,885,075</u>	<u>106,153,224</u>	<u>86,613,100</u>	<u>87,928,316</u>
Total OPEB liability, ending	<u><u>\$ 101,576,716</u></u>	<u><u>\$ 121,894,301</u></u>	<u><u>\$ 120,885,075</u></u>	<u><u>\$ 106,153,224</u></u>	<u><u>\$ 86,613,100</u></u>
Covered employee payroll	\$ 20,955,801	\$ 18,368,959	\$ 18,730,411	\$ 17,601,933	\$ 18,077,259
Total OPEB liability as a percentage of covered employee payroll	484.72%	663.59%	645.39%	603.08%	479.13%
Discount rate	3.54%	2.16%	2.21%	3.51%	3.87%
Healthcare trend rates	5.1% decreasing to an ultimate rate of 4.04% by 2075	5.4% decreasing to an ultimate rate of 4.04% by 2075	5.3% decreasing to an ultimate rate of 3.84% by 2075	5.5% decreasing to an ultimate rate of 3.84% by 2075	5.5% decreasing to an ultimate rate of 3.84% by 2078

*An additional year of historical information will be added each year subsequent to the year of implementation, until 10 years of historical data is available.*

**Note to Required Supplementary Information**

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

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
For the Year Ended June 30, 2022

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 45,009,729
Additions:	
Prior year's encumbrances	<u>773,479</u>
Original Budget	45,783,208
Budget revisions	<u>1,000,000</u>
Final Budget	<u><u>\$ 46,783,208</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2022-2023 voter-approved expenditure budget	<u><u>\$ 46,114,331</u></u>
Maximum allowed (4% of 2022-2023 budget)	<u><u>\$ 1,844,573</u></u>

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

Unrestricted fund balance:		
Assigned fund balance	\$ 1,194,361	
Unassigned fund balance	<u>1,684,475</u>	
		\$ 2,878,836
Less:		
Appropriated fund balance	140,000	
Encumbrances	<u>1,054,361</u>	
Total adjustments		<u>1,194,361</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:		<u><u>\$ 1,684,475</u></u>
Actual Percentage		3.65%

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources - Capital Projects Fund**  
For the Year Ended June 30, 2022

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended Balance	Methods of Financing				Fund Balance
	June 30, 2021	June 30, 2022	Prior Years	Current Year	Total		State Aid	General Fund Appropriation	Capital Reserve	Total	June 30, 2022
HS Electrical Upgrade	\$ 675,000	\$ 675,051	\$ 675,051	\$	\$ 675,051	\$ -	\$	\$	\$ 675,051	\$ 675,051	\$ -
HS Roof replacement	778,789	778,789	746,777		746,777	32,012			778,789	778,789	32,012
MS Office/ADA/Security	884,876	884,825	787,080		787,080	97,745			884,825	884,825	97,745
HS Roof Replacement - Phase II	1,056,000	1,056,000	977,458		977,458	78,542			1,056,000	1,056,000	78,542
ES Security Vestibules	513,124	513,124	384,068	34,448	418,516	94,608		186,000	327,124	513,124	94,608
ES Roof Replacement - Phase III	1,108,211	1,108,211	684,729	66,466	751,195	357,016			1,108,211	1,108,211	357,016
HS Roof Replacement - Phase III	2,169,000	2,169,000	1,655,707	174,675	1,830,382	338,618			2,169,000	2,169,000	338,618
MS Heat/Ret Wall	1,800,000	1,800,000	648,084	841,426	1,489,510	310,490		800,000	1,000,000	1,800,000	310,490
ES Roof Replacement - Phase IV	2,000,000	2,000,000	36,000	1,258,987	1,294,987	705,013			2,000,000	2,000,000	705,013
ES Roof Replacement - Phase V		1,195,000		38,495	38,495	1,156,505		195,000	1,000,000	1,195,000	1,156,505
HS Bathroom/Baseball Field/HVAC		805,000		110,845	110,845	694,155		805,000		805,000	694,155
	<u>\$ 10,985,000</u>	<u>\$ 12,985,000</u>	<u>\$ 6,594,954</u>	<u>\$ 2,525,342</u>	<u>\$ 9,120,296</u>	<u>\$ 3,864,704</u>	<u>\$ -</u>	<u>\$ 1,986,000</u>	<u>\$ 10,999,000</u>	<u>\$ 12,985,000</u>	3,864,704
									Less transfer to general fund		(998,541)
											<u>\$ 2,866,163</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**

**Schedule of Net Investment in Capital Assets**

June 30, 2022

Capital assets, net	<u>\$ 19,110,558</u>
Add:	
Deferred charges from refunding	1,673
Deduct:	
Short-term portion of bonds payable	330,000
Premiums on bond refunding	3,192
Short-term portion of energy performance contract payable	169,947
Long-term portion of energy performance contract payable	<u>1,556,745</u>
	<u>2,059,884</u>
Net investment in capital assets	<u>\$ 17,052,347</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  
Port Jefferson Union Free School District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Jefferson Union Free School District (the District), as of and for the year ended June 30, 2022, and the related notes to the basic financial statements which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 18, 2022.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 or significant deficiencies. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 18, 2022



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education  
Port Jefferson Union Free School District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Port Jefferson Union Free School District's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2022. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

## Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

## Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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 GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

Williamsville, New York  
October 18, 2022

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing (CFDA) Number	Agency or Pass-through Number	Federal Expenditures
<u>United States Department of Education</u>			
Passed Through New York State, Department of Education:			
Title I Grants to Local Educational Agencies	84.010	0021-21-2980	2,553
Title I Grants to Local Educational Agencies	84.010	0021-22-2980	32,175
			<u>34,728</u>
Special Education Cluster (IDEA)			
Special Education Grants to States	84.027	0032-22-0881	270,235
Special Education Preschool Grants	84.173	0033-22-0881	15,131
Total Special Education Cluster (IDEA)			<u>285,366</u>
Supporting Effective Instruction State Grants	84.367	0147-22-2980	16,230
Student Support and Academic Enrichment Program	84.424	0204-22-2980	6,395
Education Stabilization Fund			
COVID-19: Elementary and Secondary School Relief Fund (ARP)	84.425U	5880-21-2980	87,149
COVID-19: Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-2980	109,910
Total Education Stabilization Fund			<u>197,059</u>
Total Department of Education			<u>539,778</u>
<u>United States Department of Agriculture</u>			
Passed Through New York State, Department of Education			
Child Nutrition Cluster			
Non-Cash Assistance (food distribution)			
National School Lunch Program	10.555	N/A	17,648
Cash Assistance			
National School Lunch Program	10.555	N/A	319,521
Total Department of Agriculture			<u>337,169</u>
Total Federal Awards Expended			<u>\$ 876,947 *</u>

\* There were no amounts provided to subrecipients

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

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**1. GENERAL**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Port Jefferson Union Free School District under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Port Jefferson Union Free School District, it is not intended to and does not present the financial position and changes in net position of the Port Jefferson Union Free School District.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement.

Matching costs (the Port Jefferson Union Free School District's share of certain program costs) are not included in the reported expenditures.

Pass-through numbers are presented where available.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Port Jefferson Union Free School District's financial reporting system.

Non-cash assistance is reported in the schedule at the fair market value of commodities received, which is provided by New York State under the National School Lunch Program.

**3. INDIRECT COSTS**

The Port Jefferson Union Free School District did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**4. SUBRECIPIENTS**

No amounts were provided to subrecipients.

**5. OTHER DISCLOSURES**

No insurance is carried specifically to cover equipment purchased with federal funds. Any equipment purchased with federal funds has only a nominal value, and is covered by the Port Jefferson Union Free School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

PORT JEFFERSON UNION FREE SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2022

Part I - SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued on whether the basic financial statement audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

1. Material weakness(es) identified?

\_\_\_\_\_ Yes   x   No

2. Significant deficiency(ies) identified?

\_\_\_\_\_ Yes   x   None  
reported

3. Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes   x   No

Federal Awards:

Internal control over major programs:

4. Material weakness(es) identified?

\_\_\_\_\_ Yes   x   No

5. Significant deficiency(ies) identified?

\_\_\_\_\_ Yes   x   None  
reported

Type of auditors' report issued on compliance for major programs:

Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)?

\_\_\_\_\_ Yes   x   No

7. The District's major programs audited were:

Assistance Listing  
Number

Name of Federal Programs

Child Nutrition Cluster  
Education Stabilization Fund

10.553/10.555/10.559  
84.425U/84.425D

8. Dollar threshold used to distinguish between Type A and Type B programs.

\$750,000

9. Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes   x   No

Part II - FINANCIAL STATEMENT FINDINGS SECTION

No reportable findings.

Part III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

No reportable findings.

PORT JEFFERSON UNION FREE SCHOOL DISTRICT  
Status of Prior Audit Findings  
Year ended June 30, 2022

There were no audit findings in the prior year financial statements (June 30, 2021).