

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2020**

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
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**R.S. ABRAMS & CO., LLP**

*Accountants & Consultants for Over 75 years*

Robert S. Abrams  
(1926–2014)

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

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Education  
Port Jefferson Union Free School District

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of the Port Jefferson Union Free School District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund of the Port Jefferson Union Free School District as of June 30, 2020, 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.

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## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 13 and 50 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Port Jefferson Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of the Port Jefferson Union Free School 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 Port Jefferson Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port Jefferson Union Free School District's internal control over financial reporting and compliance.

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

R.S. Abrams & Co., LLP  
Islandia, NY  
October 1, 2020



**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, 2020 in comparison with the year ended June 30, 2019, 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.

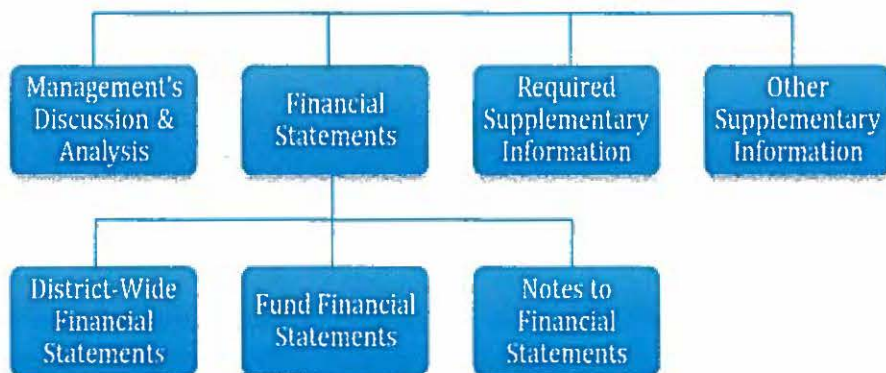
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2020 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, decreased by \$7,710,661. This was due to an excess of expenses over revenues using the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$52,428,451. Of this amount, \$1,527,409 was offset by program charges for services and operating grants. General revenues of \$43,190,381 amount to 96.6% of total revenues and were not sufficient to cover the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$3,797. This was due to an excess of revenues over expenditures using the modified accrual basis of accounting.
- The budget for the 2020-2021 school year in the amount of \$44,739,855 was approved by the voters on June 9, 2020. The budget presented to the taxpayers showed a \$803,689 spending increase over the prior year budget.
- The District transferred \$3,600,000, based on voter approval, from the 2015 Renovations and Upgrades Capital Reserve Fund to the capital projects fund to perform roof replacements of sections at the high school and elementary school.

**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 supplementary 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, deferred outflows of resources, 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.

**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 funds.

**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, 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.



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

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 five individual governmental funds: general fund, special aid fund, school food service fund, debt service fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize 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. Net Position**

The District's total net position decreased by \$7,710,661 between fiscal year 2020 and 2019. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2020	2019	Increase (Decrease)	Percentage Change
<b>Assets</b>				
Current and Other Assets	\$ 29,339,600	\$ 26,461,541	\$ 2,878,059	10.88 %
Capital Assets, Net	17,072,190	16,646,295	425,895	2.56 %
Net Pension Asset -				
Proportionate Share - TRS	2,582,304	1,749,884	832,420	47.57 %
<b>Total Assets</b>	<b>48,994,094</b>	<b>44,857,720</b>	<b>4,136,374</b>	<b>9.22 %</b>
<b>Deferred Outflows of Resources</b>	<b>42,398,549</b>	<b>24,488,110</b>	<b>17,910,439</b>	<b>73.14 %</b>
<b>Liabilities</b>				
Current and Other Liabilities	4,465,027	3,230,020	1,235,007	38.24 %
Long-Term Liabilities	7,307,501	7,858,326	(550,825)	(7.01)%
Net Pension Liability -				
Proportionate Share - ERS	2,712,633	725,973	1,986,660	273.65 %
<b>Total OPEB Obligation</b>	<b>120,885,075</b>	<b>106,153,224</b>	<b>14,731,851</b>	<b>13.88 %</b>
<b>Total Liabilities</b>	<b>135,370,236</b>	<b>117,967,543</b>	<b>17,402,693</b>	<b>14.75 %</b>
<b>Deferred Inflows of Resources</b>	<b>18,215,384</b>	<b>5,860,603</b>	<b>12,354,781</b>	<b>210.81 %</b>
<b>Net Position (Deficit)</b>				
Net Investment in Capital Assets	14,029,641	12,900,829	1,128,812	8.75 %
Restricted	21,531,609	19,651,855	1,879,754	9.57 %
Unrestricted (Deficit)	(97,754,227)	(87,035,000)	(10,719,227)	(12.32)%
<b>Total Net Position (Deficit)</b>	<b>\$ (62,192,977)</b>	<b>\$ (54,482,316)</b>	<b>\$ (7,710,661)</b>	<b>(14.15)%</b>

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

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Current and other assets increased by \$2,878,059 primarily due to an increase in cash of \$2,876,469, which was a result of an increase in accounts payable of \$1,297,711.

The increase in capital assets, net is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "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, net from a prior year advanced refunding.

The increase in current and other liabilities is mainly the result of the increase in accounts payable and accrued liabilities totaling \$1,582,848 offset by a decrease in the amount due to the teachers' retirement system of \$315,195.

The decrease in long-term liabilities is due to principal payments on outstanding bonds and energy performance contract payable.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) obligation increased, based on the actuarial valuation for the plan. The accompanying Notes to Financial Statements, Note 14 "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 and revenues that have been deferred to a future period.

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 Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves. This number increased over the prior year as a result of Board approved additions to the restricted amounts and interest earned.

The unrestricted amount relates to the balance of the District's net position. This balance does not include the District's reserves, 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 obligation. 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 obligation.



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

**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, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 906,666	\$ 795,384	\$ 111,282	13.99 %
Operating Grants	620,743	674,367	(53,624)	(7.95)%
General Revenues				
Property Taxes and STAR	36,899,011	36,434,582	464,429	1.27 %
State Sources	3,790,600	3,718,964	71,636	1.93 %
Other	2,500,770	2,456,981	43,789	1.78 %
Total Revenues	<u>44,717,790</u>	<u>44,080,278</u>	<u>637,512</u>	1.45 %
<b>Expenses</b>				
General Support	8,390,850	7,930,044	460,806	5.81 %
Instruction	41,753,495	36,280,882	5,472,613	15.08 %
Pupil Transportation	1,914,858	2,362,784	(447,926)	(18.96)%
Debt Service - Interest	85,498	119,633	(34,135)	(28.53)%
Food Service Program	283,750	302,345	(18,595)	(6.15)%
Total Expenses	<u>52,428,451</u>	<u>46,995,688</u>	<u>5,432,763</u>	11.56 %
Decrease in Net Position	<u>\$ (7,710,661)</u>	<u>\$ (2,915,410)</u>	<u>\$ (4,795,251)</u>	(164.48)%

The District's net position decreased \$7,710,661 and \$2,915,410 for the years ended June 30, 2020 and June 30, 2019, respectively.

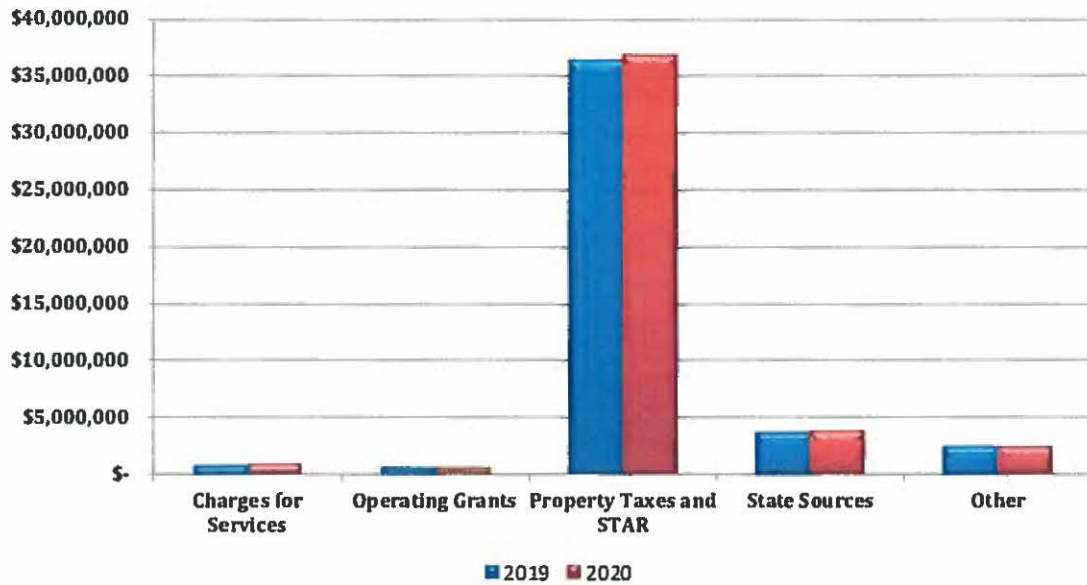
The District's revenues increased by \$637,512 or 1.45%. Property taxes and STAR revenue increased \$464,429, which was within the 2% tax cap legislation.

The District's expenses for the year increase by \$5,432,763 as total employee benefits increase by \$6,291,296. Other postemployment benefits increased \$3,703,806 and pension expense for the teachers' and employees' retirement systems increased \$1,807,492 and \$457,824, respectively. Based on salary expense, 86.20% of employee benefits have been allocated to instruction, which accounts for the increase of \$5,472,613.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 82.5% and 82.7% of the total for the years ended June 30, 2020 and 2019, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 79.6% and 77.2% of the total for the years ended June 30, 2020 and 2019, respectively).

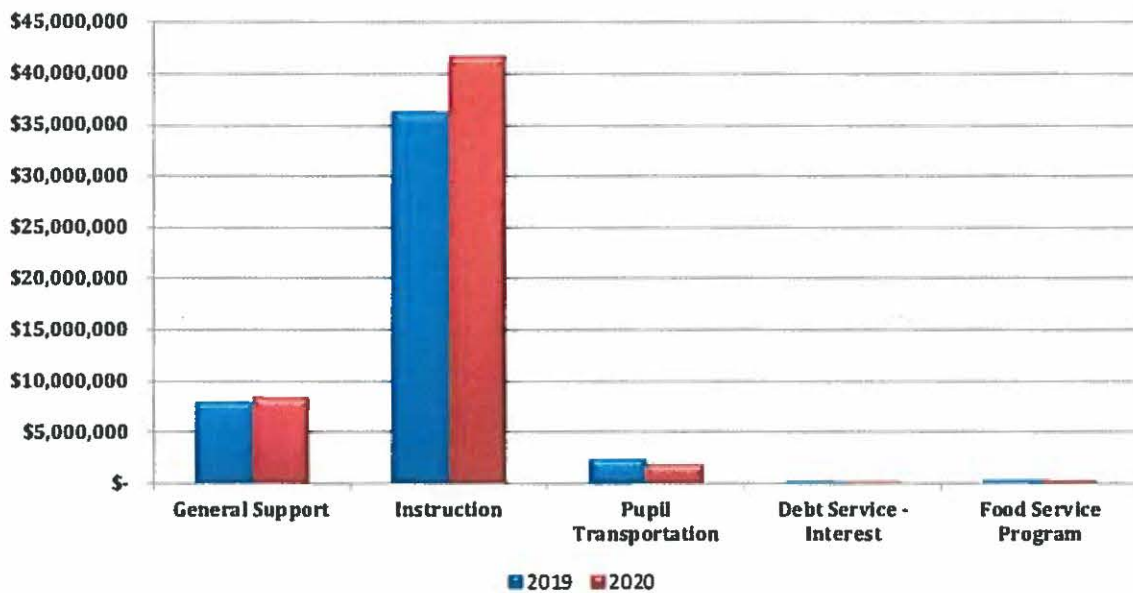
**PORT JEFFERSON UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Continued)**

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2019	1.8%	1.5%	82.7%	8.4%	5.6%
2020	2.0%	1.4%	82.5%	8.5%	5.6%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2019	16.9%	77.2%	5.0%	0.3%	0.6%
2020	16.0%	79.6%	3.7%	0.2%	0.5%



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

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

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$24,364,112, which is an increase of \$1,654,796 from the prior year. This increase is due to an excess of revenues over expenditures using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2020	2019	Increase (Decrease)
<b>General Fund</b>			
Restricted:			
Workers' compensation	\$ 3,671,450	\$ 3,285,450	\$ 386,000
Unemployment insurance	2,356,220	1,956,220	400,000
Retirement contribution			
Teachers' retirement system	620,000	310,000	310,000
Employees' retirement system	3,763,375	3,409,114	354,261
Employee benefit accrued liability	3,902,944	3,583,944	319,000
Capital	3,998,553	6,062,051	(2,063,498)
Assigned:			
Unappropriated fund balance	1,037,652	750,704	286,948
Unassigned: Fund balance	1,768,358	1,757,272	11,086
	<u>21,118,552</u>	<u>21,114,755</u>	<u>3,797</u>
 <b>School Food Service Fund</b>			
Nonspendable: Inventory		223	(223)
Assigned: Unappropriated fund balance	26,493	56,501	(30,008)
	<u>26,493</u>	<u>56,724</u>	<u>(30,231)</u>
 <b>Debt Service Fund</b>			
Restricted: Debt service	-	86	(86)
 <b>Capital Projects Fund</b>			
Restricted:			
Capital	3,219,067	1,044,990	2,174,077
Assigned: Unappropriated fund balance	-	492,761	(492,761)
	<u>3,219,067</u>	<u>1,537,751</u>	<u>1,681,316</u>
 <b>Total Fund Balance</b>	<u><u>\$ 24,364,112</u></u>	<u><u>\$ 22,709,316</u></u>	<u><u>\$ 1,654,796</u></u>

**A. General Fund**

The general fund operated at a \$3,797 profit during the year, as compared to a profit of \$464,083 in the prior year.

Actual operating revenues increased by \$670,774 while other financing sources decreased by \$562,616. Operating expenditures decreased by \$1,562,772 due to a reduction in costs related to the closing of schools in mid-March 2020, which was mandated by the governor of New York in response to the COVID-19 pandemic. Other financing uses increase by \$2,131,216 as the District transferred an additional \$2,132,000 to the capital projects fund.

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

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

	Balance @ June 30, 2019	Use of Reserves	Interest	Funding	Balance @ June 30, 2020	Appropriated for June 30, 2021
Workers' compensation	\$ 3,285,450	\$ (139,000)	\$ -	\$ 525,000	\$ 3,671,450	\$ -
Unemployment insurance	1,956,220			400,000	2,356,220	
Retirement contribution						
TRS	310,000			310,000	620,000	
ERS	3,409,114	(175,000)	4,261	525,000	3,763,375	
EBALR	3,583,944	(100,000)		419,000	3,902,944	
Capital	6,062,051	(3,600,000)	36,502	1,500,000	3,998,553	
	<u>\$ 18,606,779</u>	<u>\$ (4,014,000)</u>	<u>\$ 40,763</u>	<u>\$ 3,679,000</u>	<u>\$ 18,312,542</u>	<u>\$</u>

Additional detail regarding the capital reserve can be found in Note 17 "Restricted for Capital Reserve".

**B. School Food Service Fund**

The net change in the school food service fund – fund balance is a decrease of \$30,231, which was the operating loss for the year. The loss included a general fund subsidy of \$4,514. In the prior year, the food service program had an operating loss of \$59,480. Sales of lunches decreased by \$26,605, while federal and state aid for lunches served increased by \$34,506. There was no subsidy made by the general fund in 2019. Additionally, the cost of running the program decreased by \$18,688.

**C. Debt Service Fund**

The District transferred \$86 from the debt service fund to the general fund to offset principal and interest payments on the District's serial bonds.

**D. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$1,681,316. Interfund transfer revenue from the general fund of \$4,000,000 was offset by current period construction costs of \$1,912,268 and a transfer to the general fund of unexpended appropriations of \$406,416.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2019-2020 Budget**

The District's general fund adopted budget for the year ended June 30, 2020 was \$43,936,166. This amount was increased by encumbrances carried forward from the prior year in the amount of \$750,704 and budget revisions of \$3,739,000 for a total final budget of \$48,425,870.

The final budget was funded through a combination of estimated revenues. The majority of this funding source was \$36,898,824 in estimated property taxes and STAR. In additions, the District utilized \$4,014,000 of reserves and surplus to fund the final budget.



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

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**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 prior years' excess revenues over expenditures, net of transfers to reserves and encumbrances. 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	\$ 1,757,272
Unassigned Fund Balance Used	(114,000)
Revenues Over Budget	760,410
Expenditures and Encumbrances Under Budget	3,084,439
Transfers to Reserves	<u>(3,719,763)</u>
Closing Unassigned Fund Balance	<u>\$ 1,768,358</u>

**Opening Unassigned Fund Balance**

The \$1,757,272 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned.

**Unassigned Fund Balance Used**

The District appropriated \$114,000 of unassigned fund balance to be used to fund the budget.

**Revenues Under Budget**

The 2019-2020 budget for revenues was \$43,547,166. Actual revenues recognized for the year were \$44,307,576. The excess of actual revenue over estimated or budgeted revenue was \$760,410, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. 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 2019-2020 budget for expenditures, including prior year encumbrances, was \$44,686,870. The budget was revised for a transfer to the capital projects fund for \$3,600,000 and a workers' compensation settlement in the amount of \$139,000, for a final budget of \$48,425,870. Actual expenditures as of June 30, 2020 were \$44,303,779 and outstanding encumbrances were \$1,037,652. The final budget variance was \$3,084,439, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2019 to June 30, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

**Transfers 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.

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

**Closing Unassigned Fund Balance**

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2020 was \$1,768,358. This amount equals 3.95% of the 2020-2021 voter approved budget and is at the statutory limit.

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

**A. Capital Assets**

At June 30, 2020, 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 \$1,934,938 exceeding depreciation expense of \$1,509,043 for the year ended June 30, 2020. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2020 and 2019 is as follows:

	2020	2019	Increase (Decrease)
Land	\$ 171,241	\$ 171,241	\$ -
Construction work in progress	10,054,947	8,142,679	1,912,268
Buildings and improvements	6,248,055	7,538,921	(1,290,866)
Outdoor improvements	31,230	74,776	(43,546)
Furniture and equipment	505,909	618,474	(112,565)
Licensed vehicles	60,808	100,204	(39,396)
Capital assets, net	<u>\$ 17,072,190</u>	<u>\$ 16,646,295</u>	<u>\$ 425,895</u>

**B. Debt Administration**

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At June 30, 2020, the District had total bonds payable of \$1,210,000. The bonds were issued for school building improvements. The decrease in outstanding debt represents principal payments made during the year in the amount of \$540,000. A summary of the outstanding debt at June 30, 2020 and 2019 is as follows:

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
<b>Bonds Payable</b>				
2016	2% - 5%	<u>\$ 1,210,000</u>	<u>\$ 1,750,000</u>	<u>\$ (540,000)</u>

The District entered into an energy performance contract to do district-wide energy efficient capital projects. The decrease in the liability represents principal payments made during the year. A summary of the outstanding debt at June 30, 2020 and 2019 is as follows:

<b>Energy Performance Contract Payable</b>				
12/15/2016	2.599%	<u>\$ 1,832,549</u>	<u>\$ 1,995,466</u>	<u>\$ (162,917)</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, 2020 is less than 0.5% of the District's debt limit.



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

**C. Other Long-Term Liabilities**

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, workers' compensation, net other postemployment benefits obligation and net pension liability – proportionate share. The compensated absences liability is based on employment contracts. The net other postemployment benefits obligation, and the net pension liability – proportionate share are based on actuarial valuations.

	2020	2019	Increase/ (Decrease)
Compensated absences payable	\$ 3,903,936	\$ 3,621,191	\$ 282,745
Workers' compensation liabilities	329,968	431,991	(102,023)
Net pension liability - proportionate share	2,712,633	725,973	1,986,660
Total OPEB obligation	120,885,075	106,153,224	14,731,851
	<u>\$ 127,831,612</u>	<u>\$ 110,932,379</u>	<u>\$ 16,899,233</u>

**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 June 9, 2020, for the year ending June 30, 2021, is \$44,739,855, which is an increase of \$803,689 or 1.83% over the prior year's budget.

The District budgeted revenues other than property taxes and STAR at a \$346,059 increase over the prior year's estimate. A property tax increase of \$457,630 (1.24%), levy to levy, was needed to meet the funding shortfall and cover the increase in appropriations.

**B. Future Budgets**

The property tax cap and uncertainty in state aid and federal funds, as well as operating adjustments attributed to COVID-19, 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. The District's 2020-2021 property tax increase of 1.24% was \$1,454 less than the tax levy limit 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, 2020

**ASSETS**

Cash	
Unrestricted	\$ 6,318,935
Restricted	21,531,609
Receivables	
Accounts receivable	4,787
Due from fiduciary funds	9,484
Due from state and federal	466,065
Due from other governments	546,579
Prepays	462,141
Capital assets:	
Not being depreciated	10,226,188
Being depreciated, net of accumulated depreciation	6,846,002
Net pension asset - proportionate share - teachers' retirement system	2,582,304
Total Assets	<u>48,994,094</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges from advance refunding, net	16,271
Pensions	10,066,158
Other postemployment benefits obligation	32,316,120
Total Deferred Outflows of Resources	<u>42,398,549</u>

**LIABILITIES**

Payables	
Accounts payable	1,974,011
Accrued liabilities	581,886
Accrued interest on bonds payable	4,002
Due to other governments	38,797
Due to teachers' retirement system	1,524,751
Due to employees' retirement system	142,736
Compensated absences payable	177,731
Unearned credits	
Collections in advance	21,113
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	558,184
Energy performance contract payable	167,178
Compensated absences payable	100,000
Due and payable after one year	
Bonds payable, net	682,864
Energy performance contract payable	1,665,371
Compensated absences payable	3,803,936
Workers' compensation liabilities	329,968
Net pension liability - proportionate share - employees' retirement system	2,712,633
Total other postemployment benefits obligation	120,885,075
Total Liabilities	<u>135,370,236</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred revenues	3,501
Pensions	3,786,680
Other postemployment benefits obligation	14,425,203
Total Deferred Inflows of Resources	<u>18,215,384</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	<u>14,029,641</u>
Restricted	
Workers' compensation	3,671,450
Unemployment insurance	2,356,220
Retirement contribution	
Teachers' retirement system	620,000
Employees' retirement system	3,763,375
Employee benefit accrued liability	3,902,944
Capital	7,217,620
	<u>21,531,609</u>
Unrestricted (deficit)	<u>(97,754,227)</u>
Total Net Position (Deficit)	<u>\$ (62,192,977)</u>



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2020

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants	Revenue and Changes in Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 8,390,850	\$	\$	\$ (8,390,850)
Instruction	41,753,495	760,779	524,256	(40,468,460)
Pupil transportation	1,914,858			(1,914,858)
Debt service - interest	85,498			(85,498)
Food service program	283,750	145,887	96,487	(41,376)
<b>Total Functions and Programs</b>	<b>\$ 52,428,451</b>	<b>\$ 906,666</b>	<b>\$ 620,743</b>	<b>(50,901,042)</b>
<b>GENERAL REVENUES</b>				
Real property taxes				35,906,900
Other tax items				2,500,155
Use of money and property				743,818
Forfeitures				257
Sales of property and compensation for loss				7,375
Miscellaneous				241,276
State sources				3,790,600
<b>Total General Revenues</b>				<b>43,190,381</b>
<b>Change in Net Position</b>				<b>(7,710,661)</b>
<b>Total Net Position (Deficit) - Beginning of Year</b>				<b>(54,482,316)</b>
<b>Total Net Position (Deficit) - End of Year</b>				<b>\$ (62,192,977)</b>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2020

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 5,994,362	\$ 302,512	\$ 22,061	\$	\$	\$ 6,318,935
Restricted	21,350,478				181,131	21,531,609
Receivables						
Accounts receivable	3,678		1,109			4,787
Due from other funds	1,026,429	37,146	1,426		3,593,584	4,658,585
Due from state and federal	107,743	334,067	24,255			466,065
Due from other governments	546,579					546,579
Inventory						-
Total Assets	<u>\$ 29,029,269</u>	<u>\$ 673,725</u>	<u>\$ 48,851</u>	<u>\$ -</u>	<u>\$ 3,774,715</u>	<u>\$ 33,526,560</u>
<b>LIABILITIES</b>						
Payables						
Accounts payable	\$ 1,418,363	\$	\$	\$	\$ 555,648	\$ 1,974,011
Accrued liabilities	581,886					581,886
Due to other funds	3,974,244	673,725	1,132			4,649,101
Due to other governments	38,684		113			38,797
Due to teachers' retirement system	1,524,751					1,524,751
Due to employees' retirement system	142,736					142,736
Compensated absences payable	177,731					177,731
Unearned credits						
Collections in advance			21,113			21,113
Total Liabilities	<u>7,858,395</u>	<u>673,725</u>	<u>22,358</u>	<u>-</u>	<u>555,648</u>	<u>9,110,126</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenues	<u>52,322</u>					<u>52,322</u>
<b>FUND BALANCES</b>						
Nonspendable: Inventory			-			-
Restricted:						
Workers' compensation	3,671,450					3,671,450
Unemployment insurance	2,356,220					2,356,220
Retirement contribution						
Teachers' retirement system	620,000					620,000
Employees' retirement system	3,763,375					3,763,375
Employee benefit accrued liability	3,902,944					3,902,944
Capital	3,998,553				3,219,067	7,217,620
Debt service						-
Assigned:						
Unappropriated fund balance	1,037,652		26,493			1,064,145
Unassigned: Fund balance	<u>1,768,358</u>					<u>1,768,358</u>
Total Fund Balances	<u>21,118,552</u>	<u>-</u>	<u>26,493</u>	<u>-</u>	<u>3,219,067</u>	<u>24,364,112</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 29,029,269</u>	<u>\$ 673,725</u>	<u>\$ 48,851</u>	<u>\$ -</u>	<u>\$ 3,774,715</u>	<u>\$ 33,526,560</u>



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2020

Total Governmental Fund Balances	\$ 24,364,112
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Expenditures that are recorded in the governmental fund that effect future periods are recorded as prepaid expenditures in the Statement of Net Position.	462,141
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The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 45,417,654	
Less: Accumulated depreciation	<u>(28,345,464)</u>	17,072,190

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

Net pension asset - teachers' retirement system	2,582,304	
Deferred outflows of resources	10,066,158	
Net pension liability - employees' retirement system	(2,712,633)	
Deferred inflows of resources	<u>(3,786,680)</u>	6,149,149

Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	32,316,120	
Total other postemployment benefits obligation	(120,885,075)	
Deferred inflows of resources	<u>(14,425,203)</u>	(102,994,158)

Deferred revenues reported in the governmental but not in the Statement of Net Position	48,821
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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.

Deferred charges on advance refunding	142,254	
Less: accumulated amortization	<u>(125,983)</u>	16,271

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 bonds payable	(4,002)	
Bonds payable, net	(1,241,048)	
Energy performance contract payable	(1,832,549)	
Compensated absences payable	(3,903,936)	
Workers' compensation liabilities	<u>(329,968)</u>	(7,311,503)

Total Net Position (Deficit)	<u>\$ (62,192,977)</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, 2020**

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>						
Real property taxes	\$ 35,906,900	\$	\$	\$	\$	\$ 35,906,900
Other tax items	2,500,155					2,500,155
Charges for services	760,779					760,779
Use of money and property	743,818					743,818
Forfeitures	257					257
Sale of property and compensation for loss	7,375					7,375
Miscellaneous	240,011		1,265			241,276
State sources	3,741,779	150,417	3,223			3,895,419
Federal sources		373,839	93,264			467,103
Sales			145,887			145,887
<b>Total Revenues</b>	<b>43,901,074</b>	<b>524,256</b>	<b>243,639</b>	<b>-</b>	<b>-</b>	<b>44,668,969</b>
<b>EXPENDITURES</b>						
General support	5,583,851					5,583,851
Instruction	21,625,652	515,449				22,141,101
Pupil transportation	1,775,377	28,186				1,803,563
Employee benefits	10,490,079					10,490,079
Debt service						
Principal	695,772					695,772
Interest	109,155					109,155
Food service program			278,384			278,384
Capital outlay					1,912,268	1,912,268
<b>Total Expenditures</b>	<b>40,279,886</b>	<b>543,635</b>	<b>278,384</b>	<b>-</b>	<b>1,912,268</b>	<b>43,014,173</b>
Excess (Deficiency) of Revenues Over Expenditures	3,621,188	(19,379)	(34,745)	-	(1,912,268)	1,654,796
<b>OTHER FINANCING SOURCES AND (USES)</b>						
Operating transfers in	406,502	19,379	4,514		4,000,000	4,430,395
Operating transfers (out)	(4,023,893)			(86)	(406,416)	(4,430,395)
<b>Total Other Financing Sources and (Uses)</b>	<b>(3,617,391)</b>	<b>19,379</b>	<b>4,514</b>	<b>(86)</b>	<b>3,593,584</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>3,797</b>	<b>-</b>	<b>(30,231)</b>	<b>(86)</b>	<b>1,681,316</b>	<b>1,654,796</b>
<b>Fund Balances -</b>						
Beginning of Year	21,114,755		56,724	86	1,537,751	22,709,316
End of Year	\$ 21,118,552	\$ -	\$ 26,493	\$ -	\$ 3,219,067	\$ 24,364,112



**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, 2020**

Net Change in Fund Balances		\$ 1,654,796
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).	\$ 48,821	
Expenditures for insurance are recorded in the governmental fund when paid; however, the expense is recorded in the Statement of Activities in the period that it relates to. Prepaid insurance decreased from June 30, 2019 to June 30, 2020.	(23,451)	
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	(282,745)	
Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.		
Decrease in workers' compensation claims liability	102,023	(155,352)
<u>Capital Related Differences</u>		
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 expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.		
Capital outlays and other additions	1,934,938	
Depreciation expense	(1,509,043)	425,895
<u>Long-Term Debt Transactions Differences</u>		
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.	13,626	
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	540,000	
Repayment of energy performance contract principal	162,917	
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, 2019 to June 30, 2020.	2,886	719,429
<u>Pension and Other Postemployment Benefits Differences</u>		
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	(1,725,416)	
Employees' retirement system	(462,482)	
Other postemployment benefits	(8,167,531)	(10,355,429)
Change in Net Deficit of Governmental Activities		<u>\$ (7,710,661)</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
**June 30, 2020**

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 103,282	\$
Restricted		<u>9,810</u>
Total Assets	<u>\$ 103,282</u>	<u>\$ 9,810</u>
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 85,986	\$
Due to governmental funds	9,484	
Other liabilities	<u>7,812</u>	
Total Liabilities	<u>\$ 103,282</u>	<u>-</u>
 <b>NET POSITION</b>		
Restricted for scholarships		<u>\$ 9,810</u>



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
**For The Year Ended June 30, 2020**

	Private Purpose Trust
<b>ADDITIONS</b>	
Contributions	<u>\$ 6,600</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>7,000</u>
Total Deductions	<u>7,000</u>
Change in Net Position	(400)
Net Position - Beginning of Year	<u>10,210</u>
Net Position - End of Year	<u>\$ 9,810</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 consisting of six 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, the following entity is included in the District's financial statements:

**Extraclassroom Activity Funds**

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education 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. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Fund. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

**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 include operating-specific and discretionary (either operating or capital) grants, 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.

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

**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.

**Fiduciary Funds:** are used to account for activities in which the District acts as trustee or agent 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 are the District's fiduciary funds:



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

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***Agency Funds*** - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

***Private Purpose Trust Funds*** - These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

**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 fund 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 and acquisitions under capital leases 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**

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.

The District also levies the real property taxes for the Port Jefferson Free Library (Library), which are collected by the town and included in the amount remitted to the District. The District remits the Library's share of the tax levy to the Library as it is collected tax revenue from the town. These pass-through amounts are not included in the District's real property tax revenues.

Enforcement

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

**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, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

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.



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

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**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 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. 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. Under the consumption method, a current asset for the inventory 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. The District had no inventory in the school food service fund on June 30, 2020.

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 on the Statement of Net Position using the consumption method.

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

**M. 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:



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

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

**N. 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 the 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 asset or liability 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 relates to the District's OPEB plan and consists of differences between expected and actual experiences and changes of assumptions, which will be amortized over future periods.

**O. Collections in Advance<sup>27</sup>**

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. 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. Collections in advance consists of amounts received in advance for meals that have not yet been purchased in the school food service fund.

**P. 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.

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

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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>.

**Q. 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.

**R. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and 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. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. 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 asset or liability 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 changes in the total other postemployment benefits obligation not included in OPEB expense.

**S. 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.



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

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*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. The District had no nonspendable fund balance on June 30, 2020.

*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:

*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



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

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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 may also adopt 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.

*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. The reserve is accounted for in the general fund and the capital 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 private purpose trust 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.

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

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**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. 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 standards issued, but statements that the District feels may have a future impact on these financial statements. The District will evaluate the impact of these pronouncements and implement them, as applicable, if material.

<b>Effective for the Year Ending</b>	<b>Statement</b>
June 30, 2021	GASB No. 84 - <i>Fiduciary Activities</i>
June 30, 2022	GASB No. 87 - <i>Leases</i>

GASB Statement No. 84 will require the District to assess activities currently classified as fiduciary and reported in the fiduciary funds to determine if these activities should be considered fiduciary in nature or if these activities should be reported as governmental funds.

GASB Statement No. 87 will change the reporting of leases in the district-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

**3. 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 long-term assets and liabilities.



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

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**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.

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 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.



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

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**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

The District 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 were made during the year:

Transfer from the capital reserve for roof replacement- approved by the District voters on May 21, 2019.	\$ 3,600,000
Workers' compensation settlement funded by the workers' compensation reserve.	<u>139,000</u>
	<u>\$ 3,739,000</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.

**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.

**5. 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.

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

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.

On June 30, 2020, the District's cash balance included \$21,531,609 of restricted cash, which relates directly to the amounts included in the District's reserves.

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2020, the District was billed \$1,661,704 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$303,030. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

On June 30, 2020, the District's cash balance included \$21,531,609 of restricted cash, which relates directly to the amounts included in the District's reserves.

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2020 consisted of:

General Fund	
New York State - general aid	\$ 3,080
New York State - excess cost aid	104,663
	<u>107,743</u>
Special Aid Fund	
Federal and state grants	334,067
School Food Service Fund	
Federal & state food service program reimbursements	24,255
	<u>\$ 466,065</u>

District management expects these amounts to be fully collectible. As a result of New York State withholding 20% of state aid, \$21,549 has been included in deferred inflows of resources at June 30, 2020.

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2020 in the amount of \$546,579 consists of \$220,619 due from other school districts for tuition and health services, \$22,930 due from the Suffolk County IDA, and \$303,030 due from BOCES, of which \$27,272 has been included in deferred inflows of resources.

District management expects these amounts to be fully collectible.



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

**9. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2020, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,026,429	\$ 3,974,244	\$ 406,502	\$ 4,023,893
Special Aid Fund	37,146	673,725	19,379	
School Food Service Fund	1,426	1,132	4,514	
Debt Service Fund				86
Capital Projects Fund	3,593,584		4,000,000	406,416
Total Governmental Funds	4,658,585	4,649,101	\$ 4,430,395	\$ 4,430,395
Fiduciary Funds		9,484		
Total	\$ 4,658,585	\$ 4,658,585		

The District typically transfers from the general fund to the special aid fund and the capital projects fund in accordance with the general fund budget and voter approvals. The debt service fund transferred \$86 to the general fund to offset principal and interest expenditures on the District's serial bonds and close the debt service fund. The capital projects fund transferred \$406,416 of unused appropriations back to the general fund.

**10. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2020 were as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 171,241	\$	\$	\$ 171,241
Construction work in progress	8,142,679	1,912,268		10,054,947
Total capital assets not being depreciated	8,313,920	1,912,268	-	10,226,188
Capital assets being depreciated				
Buildings and improvements	32,222,413		(25,810)	32,196,603
Outdoor improvements	1,301,629			1,301,629
Furniture and equipment	1,645,698	22,670	(213,011)	1,455,357
Licensed vehicles	260,119		(22,242)	237,877
Total capital assets being depreciated	35,429,859	22,670	(261,063)	35,191,466
Less accumulated depreciation for:				
Buildings and improvements	24,683,492	1,290,866	(25,810)	25,948,548
Outdoor improvements	1,226,853	43,546		1,270,399
Furniture and equipment	1,027,224	135,235	(213,011)	949,448
Licensed vehicles	159,915	39,396	(22,242)	177,069
Total accumulated depreciation	27,097,484	1,509,043	(261,063)	28,345,464
Total capital assets, being depreciated, net	8,332,375	(1,486,373)	-	6,846,002
Capital assets, net	\$ 16,646,295	\$ 425,895	\$ -	\$ 17,072,190

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
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Depreciation expense was charged to governmental functions as follows:

General support	\$ 36,374
Instruction	1,467,303
Food service program	<u>5,366</u>
Total depreciation expense	<u>\$ 1,509,043</u>

**11. LONG-TERM LIABILITIES**

**A. Changes**

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

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 1,750,000	\$	\$ (540,000)	\$ 1,210,000	\$ 540,000
Add: Premium on refunding	<u>59,678</u>		<u>(28,630)</u>	<u>31,048</u>	<u>18,184</u>
	1,809,678		(568,630)	1,241,048	558,184
Energy performance contract	1,995,466		(162,917)	1,832,549	167,178
Other long-term liabilities:					
Compensated absences	3,621,191	460,476	(177,731)	3,903,936	100,000
Workers' compensation	<u>431,991</u>	<u>405,981</u>	<u>(508,004)</u>	<u>329,968</u>	
	<u>\$ 7,858,326</u>	<u>\$ 866,457</u>	<u>\$ (1,417,282)</u>	<u>\$ 7,307,501</u>	<u>\$ 825,362</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, 2020
Advance refunding	2016	6/1/2023	2% - 5%	<u>\$ 1,210,000</u>

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 540,000	\$ 24,200	\$ 564,200
2022	340,000	13,400	353,400
2023	<u>330,000</u>	<u>6,600</u>	<u>336,600</u>
Total	<u>\$ 1,210,000</u>	<u>\$ 44,200</u>	<u>\$ 1,254,200</u>



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**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, 2020
Energy performance contract	12/15/2016	12/15/2030	2.599%	<u>\$ 1,832,549</u>

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 167,178	\$ 46,549	\$ 213,727
2022	171,552	42,176	213,728
2023	176,039	37,688	213,727
2024	180,644	33,082	213,726
2025	185,369	28,358	213,727
2026-2030	<u>951,767</u>	<u>65,740</u>	<u>1,017,507</u>
Total	<u>\$ 1,832,549</u>	<u>\$ 253,593</u>	<u>\$ 2,086,142</u>

**D. Advance 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)
2021	\$ 9,529	\$ (18,184)	\$ (8,655)
2022	5,069	(9,672)	(4,603)
2023	<u>1,673</u>	<u>(3,192)</u>	<u>(1,519)</u>
Total	<u>\$ 16,271</u>	<u>\$ (31,048)</u>	<u>\$ (14,777)</u>

**E. Interest Expense**

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

Interest paid	\$ 109,155
Less interest accrued in the prior year	(6,888)
Plus interest accrued in the current year	4,002
Less EPC adjustment-new amortization schedule	(7,145)
Less amortization of deferred amounts from bond refunding	<u>(13,626)</u>
Total interest expense on long-term debt	<u>\$ 85,498</u>

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**12. 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, 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 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



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
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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 10.62% of covered payroll for the TRS' fiscal year ended June 30, 2019. The District's average contribution rate was 14.5% of covered payroll for the ERS' fiscal year ended March 31, 2020.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2020 was \$1,446,761 for TRS at the contribution rate of 8.86% and \$480,359 for ERS at an average contribution rate of 14.5%.

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

At June 30, 2020, 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, 2019, for TRS and March 31, 2020 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, 2019	March 31, 2020
District's proportionate share of the net pension asset/(liability)	\$ 2,582,304	\$ (2,712,633)
District's portion of the Plan's total net pension asset/(liability)	0.099396%	0.010244%
Change in proportion since the prior measurement date	0.0026240	(0.0000023)

For the year ended June 30, 2020, the District recognized pension expense of \$3,174,162 for TRS and \$957,292 for ERS. At June 30, 2020, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 1,749,961	\$ 159,649	\$ 192,025	\$ -
Changes of assumptions	4,878,317	54,620	1,189,472	47,163
Net difference between projected and actual earnings on pension plan investments		1,390,628	2,070,874	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	123,194	120,292	252,348	34,798
District contributions subsequent to the measurement date	1,446,761	142,736		
<b>Total</b>	<b>\$ 8,198,233</b>	<b>\$ 1,867,925</b>	<b>\$ 3,704,719</b>	<b>\$ 81,961</b>

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District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. 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
2020	\$ 1,148,969	\$
2021	54,828	291,910
2022	1,144,735	416,733
2023	739,498	515,226
2024	71,873	419,359
Thereafter	(113,150)	
	<u>\$ 3,046,753</u>	<u>\$ 1,643,228</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, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Inflation	2.20%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.10%	6.80%
Cost of living adjustments	1.30%	1.30%

For TRS, annuitant mortality rates are based on plan member experience, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018, 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, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2018.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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.



**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
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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 Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2019		March 31, 2020
Asset type				
Domestic equity	33.0%	6.30%	36.0%	4.05%
International equity	16.0%	7.80%	14.0%	6.15%
Global equity	4.0%	7.20%		
Real estate	11.0%	4.60%	10.0%	4.95%
Private equities	8.0%	9.90%	10.0%	6.75%
Alternative investments			8.0%	3.25-5.95%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.60%		
Bonds and mortgages			17.0%	0.75%
Private debt	1.0%	6.50%		
Real estate debt	7.0%	2.90%		
Cash and equivalents	1.0%	0.30%		
Cash			1.0%	0.00%
Inflation indexed bonds			4.0%	0.50%
	<u>100.0%</u>		<u>100.0%</u>	

Real rates of return are net of a long-term inflation assumption of 2.2% for TRS and 2.5% for ERS.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.10% for TRS and 6.80% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2018, was 7.25% and the discount rate used by the ERS at the prior year's measurement date of March 31, 2019, was 7.0%). 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.

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**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 7.10% for TRS and 6.80% 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 (6.10% for TRS and 5.80% for ERS) or 1 percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

	1% Decrease 6.10 %	Current Assumption 7.10 %	1% Increase 8.10 %
<b>TRS</b>			
District's proportionate share of the net pension asset/(liability)	<u>\$ (11,656,249)</u>	<u>\$ 2,582,304</u>	<u>\$ 14,526,842</u>
	1% Decrease 5.80 %	Current Assumption 6.80 %	1% Increase 7.80 %
<b>ERS</b>			
District's proportionate share of the net pension asset/(liability)	<u>\$ (4,978,448)</u>	<u>\$ (2,712,633)</u>	<u>\$ (625,808)</u>

**Pension Plan Fiduciary Net Position**

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2019	March 31, 2020
Employers' total pension liability	\$ (119,879,474)	\$ (194,596,261)
Plan fiduciary net position	<u>122,477,481</u>	<u>168,115,682</u>
Employers' net pension asset/(liability)	<u>\$ 2,598,007</u>	<u>\$ (26,480,579)</u>
Ratio of plan fiduciary net position to the employers' net pension asset/(liability)	102.17%	86.39%

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the system in September, October and November 2020 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2020, represent employer and employee contributions for the fiscal year ended June 30, 2020, 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, 2020 amounted to \$1,446,761 of employer contributions and \$77,990 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, 2020, represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$142,736 of employer contributions. Employee contributions are remitted monthly.



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**13. 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, 2020, totaled \$163,761 and \$1,229,937, 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, 2020 totaled \$144,421, including Roth contributions of \$1,525.

**14. 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.

*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	229
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>235</u>
	<u><u>464</u></u>

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**B. Total OPEB Liability**

The District's total OPEB liability of \$120,885,075 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that 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	2.20%
Salary increases	various varies by pension retirement system membership
Discount rate	2.21%
Healthcare cost trend rates	5.30% for 2018, decreasing to an ultimate rate of 3.84% 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-2019.

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

Balance at June 30, 2019	<u>\$ 106,153,224</u>
Changes for the year	
Service cost	4,141,835
Interest	3,820,656
Changes of benefit terms	
Differences between expected and actual experience	(14,109,224)
Changes in assumptions or other inputs	23,792,633
Benefit payments	<u>(2,914,049)</u>
	<u>14,731,851</u>
Balance at June 30, 2020	<u>\$ 120,885,075</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.51% in 2019 to 2.21% in 2020.



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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 (1.21%) or 1 percentage point higher (3.21%) than the current discount rate:

	1% Decrease 1.21 %	Discount Rate 2.21 %	1% Increase 3.21 %
<u>OPEB</u>			
Total OPEB liability	<u>\$ (145,181,284)</u>	<u>\$(120,885,075)</u>	<u>\$(101,945,208)</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 (4.30%) or 1 percentage point higher (6.30%) than the current healthcare cost trend rate:

	1% Decrease 4.30 % decreasing to 2.84 %	Healthcare Cost Trend Rates 5.30 % decreasing to 3.84 %	1% Increase 6.30 % decreasing to 4.84 %
<u>OPEB</u>			
Total OPEB liability	<u>\$(97,463,890)</u>	<u>\$ (120,885,075)</u>	<u>\$(152,418,471)</u>

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$11,081,580. At June 30, 2020, 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	\$ 3,678,421	\$(11,757,687)
Changes of assumptions or other inputs	28,637,699	(2,667,516)
District contributions subsequent to the measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 32,316,120</u>	<u>\$(14,425,203)</u>

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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
2021	\$ 3,119,089
2022	3,119,089
2023	3,119,089
2024	3,119,089
2025	3,333,070
Thereafter	2,081,491
	<u>\$ 17,890,917</u>

**15. DEFERRED INFLOWS OF RESOURCES**

In the governmental fund financial statements, deferred inflows of resources, at June 30, 2020, consists of that portion of the amount due from New York State for local aid payments, including BOCES aid, which is unavailable. Of the 2019-2020 school year aid payments outstanding at June 30, 2020, 20% was effectively withheld by the State, in response to revenue losses such as sales and income taxes, and additional cost, arising from the COVID-19 Pandemic. Unavailable revenues, in the general fund at June 30, 2020, total \$48,821.

Additionally, 20% of the amounts payable to the District at June 30, 2020, was withheld by the State for child nutrition reimbursements and aid for the summer placement program. These amounts have not been reflected as unavailable resources, as the timing of the collection and amount of these receipts do not have a material impact on the school food service fund or the special aid fund, respectively.

**16. 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:

	2019	2020
Unpaid claims at beginning of year	\$ 413,492	\$ 431,991
Incurred claims and claim adjustment expenses	210,893	405,981
Claim payments	<u>(192,394)</u>	<u>(508,004)</u>
Unpaid claims at year end	<u>\$ 431,991</u>	<u>\$ 329,968</u>



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

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**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.

**17. RESTRICTED FOR CAPITAL RESERVE**

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

	<u>Capital Reserve</u>
Date Created	May 2015
Number of Years to Fund	10
Maximum Funding	<u>\$ 1,500,000</u>
<b>General Fund</b>	
Funding Provided Since Inception	\$ 9,000,000
Interest Earnings Since Inception	110,553
Use of Reserve Since Inception	<u>(5,112,000)</u>
Total General Fund	<u>3,998,553</u>
<b>Capital Projects Fund</b>	
Funding Provided Since Inception	5,112,000
Use of Reserve Since Inception	<u>(1,892,933)</u>
Total Capital Projects Fund	<u>3,219,067</u>
Balance as of June 30, 2020	<u>\$ 7,217,620</u>

**18. 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 \$22,930. The amount of the District's property tax reduction was not available.

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

**19. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2020, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
General support	\$ 856,180
Instruction	169,852
Transportation	11,620
	<u>1,037,652</u>
Special Aid Fund	
Supplies - special education grants to states	23,683
School food service fund	
Cafeteria repairs	1,752
Restricted Fund Balance:	
Capital Projects Fund	
Capital projects	<u>2,675,818</u>
	<u>\$ 3,738,905</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.

**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$39,416. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 39,416
2022	39,416
2023	<u>29,562</u>
	<u>\$ 108,394</u>



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

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**20. 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, except for the following:

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic. COVID 19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the District's residents, employees and vendors, as well as the State, all of which are uncertain and cannot be predicted.

**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, 2020**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 35,720,114	\$ 35,906,713	\$ 35,906,900	\$ 187
Other tax items	2,669,741	2,483,142	2,500,155	17,013
Charges for services	640,000	640,000	760,779	120,779
Use of money and property	604,610	604,610	743,818	139,208
Forfeitures	500	500	257	(243)
Sale of property and compensation for loss			7,375	7,375
Miscellaneous	144,650	144,650	240,011	95,361
Total Local Sources	39,779,615	39,779,615	40,159,295	379,680
State Sources	3,767,551	3,767,551	3,741,779	(25,772)
Total Revenues	43,547,166	43,547,166	43,901,074	353,908
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In			406,502	406,502
Total Revenues and Other Sources	43,547,166	43,547,166	44,307,576	\$ 760,410
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	114,000	114,000		
Prior Year's Encumbrances	750,704	750,704		
Appropriated Reserves	275,000	4,014,000		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 44,686,870	\$ 48,425,870		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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



**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, 2020

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 43,935	\$ 43,935	\$ 36,398	\$	\$ 7,537
Central administration	360,873	344,873	316,650		28,223
Finance	789,352	810,895	737,094	6,092	67,709
Staff	308,531	308,531	266,872	250	41,409
Central services	3,821,879	4,889,709	3,779,316	849,838	260,555
Special items	464,868	478,752	447,521		31,231
Total General Support	5,789,438	6,876,695	5,583,851	856,180	436,664
Instruction					
Administration & improvement	2,002,551	2,033,260	1,887,828	4,057	141,375
Teaching - regular school	11,576,555	11,203,576	10,930,559	40,707	232,310
Programs for students with disabilities	5,212,771	5,423,677	5,272,185	975	150,517
Occupational education	166,910	181,910	179,985		1,925
Teaching - special schools	-	-	-		-
Instructional media	1,083,235	1,423,535	1,244,361	114,193	64,981
Pupil services	2,377,858	2,403,205	2,110,734	9,920	282,551
Total Instruction	22,419,880	22,669,163	21,625,652	169,852	873,659
Pupil Transportation	2,363,300	2,351,904	1,775,377	11,620	564,907
Employee Benefits	12,739,325	11,682,609	10,490,079		1,192,530
Debt Service					
Principal	695,772	695,772	695,772		-
Interest	244,155	114,727	109,155		5,572
Total Debt Service	939,927	810,499	804,927	-	5,572
Total Expenditures	44,251,870	44,390,870	40,279,886	1,037,652	3,073,332
<b>OTHER FINANCING USES</b>					
Operating Transfers Out	435,000	4,035,000	4,023,893		11,107
Total Expenditures and Other Uses	\$ 44,686,870	\$ 48,425,870	44,303,779	\$ 1,037,652	\$ 3,084,439
Net Change in Fund Balances			3,797		
Fund Balance - Beginning of Year			21,114,755		
Fund Balance - End of Year			\$ 21,118,552		

**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 Seven Fiscal Years**

*Teachers' Retirement System*

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)	0.0993960%	0.0967720%	0.0979360%	0.0967410%	0.0988670%	0.0966540%	0.0949220%
District's proportionate share of the net pension asset (liability)	\$ 2,582,304	\$ 1,749,884	\$ 744,407	\$ (1,036,138)	\$ 10,269,101	\$ 10,766,658	\$ 624,830
District's covered payroll	\$ 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	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	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%
Discount rate	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

*Employees' Retirement System*

	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension (liability)	0.0102439%	0.0102462%	0.0112775%	0.0105772%	0.0106930%	0.0109275%	0.0109275%
District's proportionate share of the net pension (liability)	\$ (2,712,633)	\$ (725,973)	\$ (363,974)	\$ (993,860)	\$ (1,716,255)	\$ (369,157)	\$ (493,797)
District's covered payroll	\$ 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 (liability) as a percentage of its covered payroll	(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 (liability)	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
Discount rate	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*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 1,446,761	\$ 1,761,936	\$ 1,544,773	\$ 1,818,892	\$ 1,979,471	\$ 2,607,335	\$ 2,313,223	\$ 1,659,326	\$ 1,614,280	\$ 1,330,200
Contributions in relation to the contractually required contribution	1,446,761	1,761,936	1,544,773	1,818,892	1,979,471	2,607,335	2,313,223	1,659,326	1,614,280	1,330,200
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	16,329,131	16,590,734	15,762,990	15,519,556	15,372,816	15,696,052	15,055,528	14,882,547	15,458,092	16,437,107
Contributions as a percentage of covered payroll	9%	11%	10%	12%	13%	17%	15%	11%	10%	8%

*Employees' Retirement System*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 480,359	\$ 447,787	\$ 470,687	\$ 445,275	\$ 474,183	\$ 535,302	\$ 545,222	\$ 598,836	\$ 451,428	\$ 359,121
Contributions in relation to the contractually required contribution	480,359	447,787	470,687	445,275	474,183	535,302	545,222	598,836	451,428	359,121
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	3,329,865	3,321,919	3,215,584	3,186,677	3,203,475	3,282,751	3,211,679	3,173,931	3,227,021	3,225,691
Contributions as a percentage of covered payroll	14%	13%	15%	14%	15%	16%	17%	19%	14%	11%

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

	2020	2019	2018
Total OPEB liability			
Service cost	\$ 4,141,835	\$ 2,481,813	\$ 2,573,451
Interest	3,820,656	3,390,774	3,101,407
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(14,109,224)	4,904,561	-
Changes of assumptions or other inputs	23,792,633	11,747,339	(4,396,416)
Benefit payments	<u>(2,914,049)</u>	<u>(2,984,363)</u>	<u>(2,593,658)</u>
Net change in total OPEB liability	14,731,851	19,540,124	(1,315,216)
Total OPEB liability, beginning	<u>106,153,224</u>	<u>86,613,100</u>	<u>87,928,316</u>
Total OPEB liability, ending	<u><u>\$ 120,885,075</u></u>	<u><u>\$ 106,153,224</u></u>	<u><u>\$ 86,613,100</u></u>
Covered employee payroll	\$ 18,730,411	\$ 17,601,933	\$ 18,077,259
Total OPEB liability as a percentage of covered employee payroll	645.39%	603.08%	479.13%
Discount rate	2.21%	3.51%	3.87%
Health care trend rates	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.

**Health Care Cost Trends**

Medical Actual premium increases from 2018 to 2020, followed by 5.30% decreasing to an ultimate rate of 3.84% by 2075

Part B Reimbursement 6.49% in 2019 decreasing to an ultimate rate of 3.84% by 2075

Dental and Vision 4.25% in 2019 decreasing by 0.25% annually to an ultimate rate of 3.00% in 2024

**Discount Rate**

The discount rate was 3.51% and 2.21% for 2019 and 2020, respectively

## **SUPPLEMENTARY INFORMATION**



**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, 2020**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 43,936,166
Additions:	
Prior year's encumbrances	<u>750,704</u>
Original Budget	44,686,870
Budget revisions	<u>3,739,000</u>
Final Budget	<u><u>\$ 48,425,870</u></u>

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

2020-2021 voter-approved expenditure budget	<u><u>\$ 44,739,855</u></u>
Maximum allowed (4% of 2020-2021 budget)	<u><u>\$ 1,789,594</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 1,037,652
Unassigned fund balance	<u>1,768,358</u>
	\$ 2,806,010
Less:	
Encumbrances	<u>1,037,652</u>
Total adjustments	<u>1,037,652</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 1,768,358</u></u>
Actual Percentage	3.95%

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures and Financing Resources -**  
**Capital Projects Fund**  
**For The Year Ended June 30, 2020**

PROJECT TITLE	Budget June 30, 2019	Budget June 30, 2020	Expenditures				Methods of Financing					Fund Balance June 30, 2020
			Prior Years	Current Year	Transfers to General Fund	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	
HS Electrical Upgrade	\$ 675,000	\$ 675,000	\$ 648,465	\$ 51	\$ 26,535	\$ 675,051	\$ (51)			\$ 675,000	\$ 675,000	\$ (51)
HS Track/Masonry Project	590,000	590,000	396,868		193,132	590,000	-			590,000	590,000	-
HS Roof replacement	456,000	778,789	778,789			778,789	-			778,789	778,789	-
ES Paving	179,767	179,767	179,767			179,767	-		179,767		179,767	-
HS Paving	70,433	70,433	70,433			70,433	-		70,433		70,433	-
Tech Ed upgrade	1,197,313	1,197,313	1,088,329		108,984	1,197,313	-			1,197,313	1,197,313	-
EPC	2,262,668	2,262,668	2,262,668			2,262,668	-	2,262,668			2,262,668	-
HS Bathroom Renovations	400,000	400,000	379,027		20,973	400,000	-			400,000	400,000	-
HS Elevator	930,000	930,000	873,208		56,792	930,000	-			930,000	930,000	-
MS Office/ADA/Security	812,000	884,876	402,866	482,010		884,876	-			884,876	884,876	-
HS Roof Replacement - Phase II	1,056,000	1,056,000	11,010	934,436		945,446	110,554			1,056,000	1,056,000	110,554
ES Security Vestibules		327,124		388,490		388,490	(61,366)			327,124	327,124	(61,366)
ES Roof Replacement - Phase III		1,108,211		24,128		24,128	1,084,083			1,108,211	1,108,211	1,084,083
HS Roof Replacement - Phase III		2,169,000		83,153		83,153	2,085,847			2,169,000	2,169,000	2,085,847
	<u>\$ 8,629,181</u>	<u>\$ 12,629,181</u>	<u>\$ 7,091,430</u>	<u>\$ 1,912,268</u>	<u>\$ 406,416</u>	<u>\$ 9,410,114</u>	<u>\$ 3,219,067</u>	<u>\$ 2,262,668</u>	<u>\$ 250,200</u>	<u>\$ 10,116,313</u>	<u>\$ 12,629,181</u>	<u>\$ 3,219,067</u>

**PORT JEFFERSON UNION FREE SCHOOL DISTRICT**  
**Schedule of Net Investment in Capital Assets**  
June 30, 2020

Capital assets, net	<u>\$ 17,072,190</u>
Deduct:	
Short-term portion of bonds payable	540,000
Long-term portion of bonds payable	670,000
Short-term portion of energy performance contract payable	167,178
Long-term portion of energy performance contract payable	<u>1,665,371</u>
	<u>3,042,549</u>
Net investment in capital assets	<u><u>\$ 14,029,641</u></u>



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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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of the Port Jefferson Union Free School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Port Jefferson Union Free School District's basic financial statements, and have issued our report thereon dated October 1, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Port Jefferson Union Free School District's internal control over financial reporting (internal control) as a basis for designing the 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 Port Jefferson Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port Jefferson Union Free School District's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

R.S. Abrams & Co., LLP  
Islandia, NY  
October 1, 2020