

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

HAUPPAUGE UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hauppauge Union Free School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Hauppauge Union Free School District, as of and for the fiscal 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 Hauppauge Union Free School District, as of June 30, 2020, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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 1 through 15 and 60 through 64, 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.

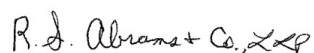
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hauppauge 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 21, 2020 on our consideration of the Hauppauge 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 Hauppauge 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 Hauppauge Union Free School District's internal control over financial reporting and compliance.



R.S. Abrams & Co., LLP
Islandia, NY
October 21, 2020

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following is a discussion and analysis of the Hauppauge Union Free School District’s (the “District”) financial performance for the fiscal year ended June 30, 2020. This section is a summary of the District’s financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District’s financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- On the District-Wide Financial Statements, the District’s total net position decreased by \$7,341,897 primarily due to the change in the District’s total other post-employment benefits obligation and the net pension liability – proportionate share – for the employee’s retirement system, as actuarially determined.
- The District’s expenses for the year, as reflected in the District-Wide Financial Statements, totaled \$123,520,320. Of this amount, \$911,969 was offset by program charges for services and \$2,129,967 for operating grants. General revenues of \$113,136,487 amount to 97.38% of total revenues.
- The general fund total fund balance, as reflected in the Fund Financial Statements, increased by \$2,980,935. This was due to revenues and other financing sources exceeding expenditures and other financing uses on the modified accrual basis of accounting.
- On May 21, 2020 the proposed 2020-2021 budget in the amount of \$115,735,467 was authorized by the District’s residents. This represents a decrease of \$319,207 or 0.28% over the prior year’s budget.
- In accordance with voter approval of capital reserve proposition II, the District transferred \$2,975,000 from the District’s capital reserve II to the capital projects fund to finance the installation of a new roof at Pines Elementary School and District-wide bathroom replacements.
- On March 11, 2020, the World Health Organization declared coronavirus (COVID-19) disease as a global pandemic. Schools, along with all but essential businesses, were ordered closed by the State of New York, and remote learning was conducted for the remainder of the school year. The closure of schools resulted in some areas of savings primarily in the area of transportation, but also included unforeseen expenses such as personal protective equipment and cleaning of buildings.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

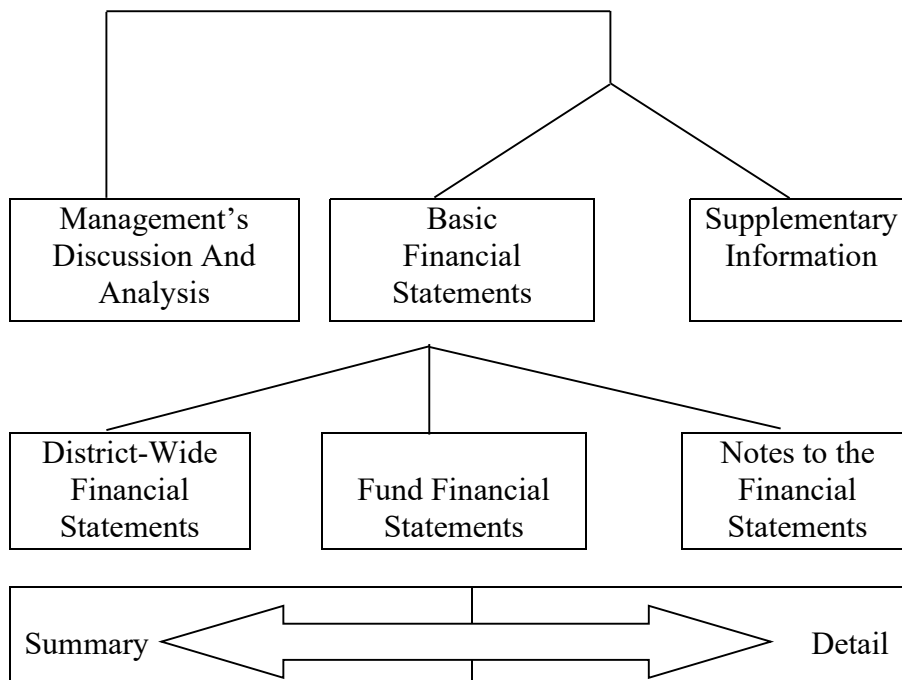
This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.
 - The *Governmental Fund Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.
 - *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. The table below shows how the various parts of this annual report are arranged and related to one another.

Organization of the District's Annual Financial Report



**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The following table summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as employee benefits
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows or resources, liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow and outflow information	All revenues and expenses during the year; regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A) District-Wide Financial Statements:

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Financial Statements report the District's net position and how it has changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating, respectively.
- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

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

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

B) Fund Financial Statements:

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York. The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Governmental Fund Financial Statements focus primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position:

The District's total net position decreased by \$7,341,897 in the fiscal year ended June 30, 2020, as detailed in table below.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Condensed Statement of Net Position-Governmental Activities

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Percentage Change
Current assets and other assets	\$44,156,176	\$40,850,324	\$3,305,852	8.09%
Capital assets, net of depreciation	62,695,408	61,815,805	879,603	1.42%
Net pension asset - proportionate share	7,228,423	4,964,198	2,264,225	45.61%
Total Assets	<u>114,080,007</u>	<u>107,630,327</u>	<u>6,449,680</u>	5.99%
Deferred outflows of resources	<u>65,830,519</u>	<u>47,411,843</u>	<u>18,418,676</u>	38.85%
Total Assets and Deferred Outflows of Resources	<u>179,910,526</u>	<u>155,042,170</u>	<u>24,868,356</u>	16.04%
Other liabilities	9,146,771	9,330,147	(183,376)	(1.97%)
Long-term liabilities	152,036,900	131,216,711	20,820,189	15.87%
Total Liabilities	<u>161,183,671</u>	<u>140,546,858</u>	<u>20,636,813</u>	14.68%
Deferred inflows of resources	<u>22,746,979</u>	<u>11,173,539</u>	<u>11,573,440</u>	103.58%
Total Liabilities and Deferred Inflows of Resources	<u>183,930,650</u>	<u>151,720,397</u>	<u>32,210,253</u>	21.23%
Net position				
Net investment in capital assets	47,436,782	43,029,513	4,407,269	10.24%
Restricted	23,954,631	21,473,924	2,480,707	11.55%
Unrestricted (deficit)	<u>(75,411,537)</u>	<u>(61,181,664)</u>	<u>(14,229,873)</u>	(23.26%)
Total Net Position	<u>(\$4,020,124)</u>	<u>\$3,321,773</u>	<u>(\$7,341,897)</u>	(221.02%)

Current assets and other assets increased by \$3,305,852. This change is primarily due to an increase in cash and cash equivalents, due from fiduciary fund, and accounts receivable. Capital assets (net of depreciation) increased by \$879,603 as a result of current year additions exceeding depreciation.

Net pension asset – proportionate share increased by \$2,264,225. This is a result of changes in the assumptions used to determine the District's proportionate share of the net pension asset or liability for the New York State Teachers' Retirement System ("TRS"). The District is reporting a net pension asset of \$7,228,423 for TRS at June 30, 2020.

The changes in deferred outflows of resources represent the amortization of pension and other post-employment benefits obligation related items, as well as the change in the District's contributions to the pension plans subsequent to the measurement date, as discussed in Notes 15 and 17.

Other liabilities decreased by \$183,376. This is primarily attributable to decreases in accounts payable, due to teachers' retirement system, and accrued interest payable, partially offset by increases in due to other governments and compensated absences payable.

Long-term liabilities increased by \$20,820,189, which is primarily due to an increase in the total other post-employment benefits obligation as actuarially determined, in addition to increases in the

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

District's proportionate share of the net pension liability for the employees' retirement system. These increases were partially offset by a decrease in bonds payable as a result of the current year's principal payments made.

The changes in deferred inflows of resources represents the amortization of pension and other post-employment benefits obligation related items as discussed in Notes 15 and 17, as well as amortization on gain on defeasance, as discussed in Note 14.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, buildings & improvements, land improvements, and furniture & equipment, net of depreciation and related debt. The increase in net investment in capital assets of \$4,407,269 is primarily a result of the reduction in related long-term debt and capital asset additions, partially offset by current year depreciation and the current year's issuance of installment purchase debt. See accompanying Notes to Financial Statements, Note 10 "Capital Assets" for additional information.

The restricted net position in the amount of \$23,954,631 relates to the District's reserves and restricted amounts in the debt service fund and capital projects fund.

The unrestricted net deficit of \$75,411,537 relates to the balance of the District's net position. The unrestricted net deficit increased by \$14,229,873 from the prior year and represents the amount by which the District's liabilities and deferred inflows of resources excluding debt related to capital construction and the gain of the defeasance exceeded assets and deferred outflows of resources other than capital assets.

Overall, total net position decreased by \$7,341,897.

B) Changes in Net Position:

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2020 and 2019 are as follows:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Changes in Net Position from Operating Results Governmental Activities Only

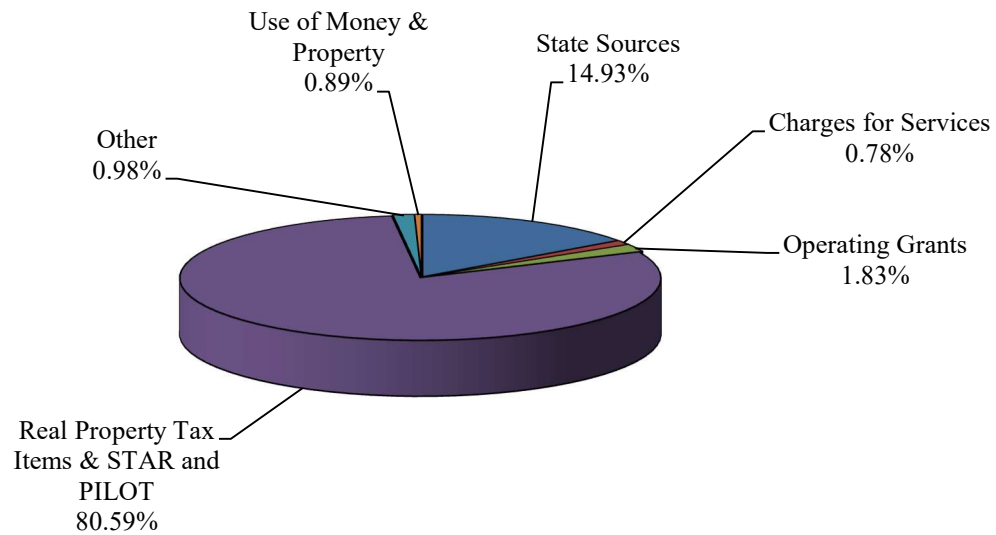
	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	\$911,969	\$1,111,584	(\$199,615)	(17.96%)
Operating grants	2,129,967	2,225,567	(95,600)	(4.30%)
General Revenues				
Real property taxes & STAR	86,886,530	84,772,287	2,114,243	2.49%
PILOT - Payment in Lieu of Taxes	6,737,628	6,042,615	695,013	11.50%
State sources	17,347,103	17,406,362	(59,259)	(0.34%)
Use of money and property	1,034,277	1,181,264	(146,987)	(12.44%)
Other	1,130,949	1,254,499	(123,550)	(9.85%)
Total Revenues	<u>116,178,423</u>	<u>113,994,178</u>	<u>2,184,245</u>	1.92%
Expenses				
General support	19,219,692	18,621,881	597,811	3.21%
Instruction	97,442,912	86,556,403	10,886,509	12.58%
Pupil transportation	5,264,768	7,210,048	(1,945,280)	(26.98%)
Community services	110,803	111,382	(579)	(0.52%)
Debt service - interest	581,516	1,084,297	(502,781)	(46.37%)
Food service program	900,629	1,201,200	(300,571)	(25.02%)
Total Expenses	<u>123,520,320</u>	<u>114,785,211</u>	<u>8,735,109</u>	7.61%
Changes in Net Position	<u>(\$7,341,897)</u>	<u>(\$791,033)</u>	<u>(\$6,550,864)</u>	(828.14%)

The District's fiscal year 2020 revenues totaled \$116,178,423. Real property taxes, STAR and PILOT, and state sources accounted for most of the District's revenue by contributing 80.59% and 14.93%, respectively of total revenues. The remaining revenue sources came from charges for services, operating grants, use of money and property, and other miscellaneous sources. Total revenues increased by \$2,184,245 or 1.92%. This was primarily attributable to an increase in real property taxes and STAR, and PILOT.

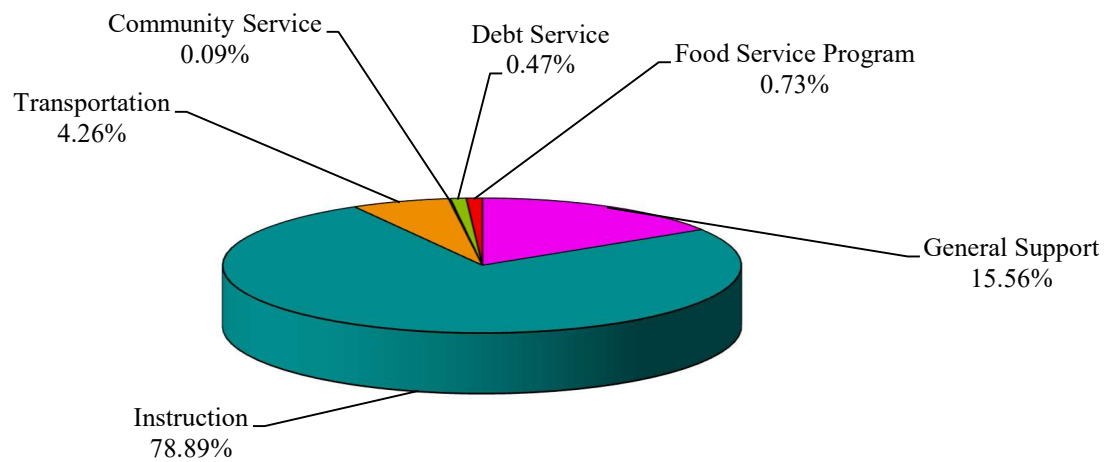
The cost of all programs and services totaled \$123,520,320 for fiscal year 2020. These expenses are predominantly related to instruction and transporting students, which account for 83.15% of district expenses. The District's general support activities accounted for 15.56% of total costs. Total expenses increased by \$8,735,109 or 7.61%. This was primarily due to the increase in the District's other post-employment benefits obligation and net pension liability – proportionate share, as actuarially determined.

HAUPPAUGE UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Revenues for Fiscal Year 2020



Expenses for Fiscal Year 2020



**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

C) Governmental Activities:

The continuation of the overall good financial condition of the District, as a whole, can be credited to:

- Continued leadership of the District's Board and administration;
- Strategic use of services from the Eastern Suffolk BOCES;

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the Governmental Fund Financial Statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the **current financial resources measurement focus** and the **modified accrual basis of accounting**. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2020, the District's combined governmental funds reported a total fund balance of \$34,998,830 which is an increase of \$3,118,156 from the prior year. This increase is primarily due to revenues and other financing sources exceeding expenditures and other financing uses in the general fund.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Changes in Fund Balance - Governmental Funds

	Fiscal Year 2020	Fiscal Year 2019	Increase (Decrease)	Percentage Change
General Fund				
Restricted for workers' compensation	\$1,089,570	\$1,082,507	\$7,063	0.65%
Restricted for insurance	437,321	434,474	2,847	0.66%
Restricted for repairs	412,126	409,455	2,671	0.65%
Restricted for unemployment insurance	172,531	171,424	1,107	0.65%
Restricted for retirement contributions - ERS	6,245,075	3,671,120	2,573,955	70.11%
Restricted for retirement contributions - TRS	925,000		925,000	N/A
Restricted for employee benefit accrued liability	7,996,751	6,759,514	1,237,237	18.30%
Restricted for capital	2,825,464	5,377,850	(2,552,386)	(47.46%)
Assigned - general support	110,049	28,454	81,595	286.76%
Assigned - instruction	753,981	39,367	714,614	1815.26%
Assigned - designated for subsequent year's expenditures	4,285,000	4,285,000	-	0.00%
Unassigned	4,629,419	4,642,187	(12,768)	(0.28%)
Total Fund Balance - General Fund	<u>\$29,882,287</u>	<u>\$26,901,352</u>	<u>\$2,980,935</u>	11.08%
School Lunch Fund				
Nonspendable: inventory	\$1,581	\$583	\$998	171.18%
Assigned - unappropriated	789,169	897,053	(107,884)	(12.03%)
Total Fund Balance - School Lunch Fund	<u>\$790,750</u>	<u>\$897,636</u>	<u>(\$106,886)</u>	(11.91%)
Capital Projects Fund				
Restricted for capital projects	\$3,721,685	\$3,413,818	\$307,867	9.02%
Assigned - unappropriated	475,000	514,106	(39,106)	(7.61%)
Total Fund Balance - Capital Projects Fund	<u>\$4,196,685</u>	<u>\$3,927,924</u>	<u>\$268,761</u>	6.84%
Debt Service Fund				
Restricted for debt service	\$129,108	\$153,762	(\$24,654)	(16.03%)
Total Fund Balance - Debt Service Fund	<u>\$129,108</u>	<u>\$153,762</u>	<u>(\$24,654)</u>	(16.03%)
Total Fund Balance - All Funds	<u>\$34,998,830</u>	<u>\$31,880,674</u>	<u>\$3,118,156</u>	9.78%

The District can attribute changes to fund balance and reserves primarily due to fund operating results, use of restricted fund balances to support appropriations, Board approved transfers, and allocation of interest earnings.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

A) General Fund

The net change in the general fund – fund balance is an increase of \$2,980,935. Revenues and other financing sources increased \$2,150,340 or 1.92% compared to the prior year, primarily due to the increases in real property taxes and PILOT – payment in lieu of taxes.

Expenditures and other financing uses decreased by \$2,957,814 or 2.59% compared to the prior year, primarily due to a decrease in pupil transportation.

B) School Lunch Fund

The net change in the school lunch fund – fund balance is a decrease of \$106,886. This decrease is due to an operating loss of \$112,606, partially offset by a transfer from general fund of \$5,720 for unpaid meal charges.

C) Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$268,761. This increase is due to the current year operating transfers from the general fund and proceeds received from installment debt exceeding the current year capital outlay and transfers back to the general fund for unneeded funds on capital reserve projects.

D) Debt Service Fund

The net change in the debt service fund – fund balance is a decrease of \$24,654. This decrease is primarily due to debt service payments exceeding revenues and the operating transfer in from the general fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2019-2020 Budget:

The District's general fund adopted budget for the year ended June 30, 2020 was \$116,054,674. This amount was increased by encumbrances carried forward from the prior year in the amount of \$67,821 and budget revisions in the amount of \$2,975,750 for gifts and donations received and use of the capital reserve. This resulted in a final budget of \$119,098,245. The majority of the funding was property taxes and STAR revenue of \$86,870,169.

B) Change in the General Fund Unassigned Fund Balance (Budget to Actual):

The general fund's unassigned fund balance is a component to total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves and assignments to fund subsequent years' budgets. It is this balance that is commonly referred to as "Fund Balance". The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget are as follows:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Opening, unassigned fund balance	\$4,642,187
Revenues over budget	3,187,227
Expenditures and encumbrances under budget	7,157,499
Funding to reserves	(5,568,255)
Unused appropriated reserves	(379,358)
Interest allocated to reserves	(124,881)
Assigned for June 30, 2021 budget	<u>(4,285,000)</u>
Closing, unassigned fund balance	<u>\$4,629,419</u>

The \$4,642,187 represents the portion of the District's June 30, 2019 fund balance that was retained as unassigned fund balance.

The revenues over budget of \$3,187,227 were across the budget but were primarily in PILOT – payment in lieu of taxes, use of money and property, sale of property and compensation for loss, and state sources (see Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$7,157,499 were across the budget but were primarily in general support, instruction, and pupil transportation (see Supplemental Schedule #1 for detail).

The District funded the reserves in the amount of \$5,568,255 as follows: \$2,800,000 to the ERS retirement contribution reserve, \$925,000 to the TRS retirement contribution reserve, and \$1,843,255 to the employee benefits accrued liability reserve.

The District transferred back \$379,358 of leftover funds on prior year capital projects back to the capital reserves. In addition, the District budgeted for use of the ERS retirement contribution reserve and employee benefit accrued liability reserve in the amount of \$250,000 and \$650,000, respectively. These budgeted use of reserves resulted in no net effect to unassigned fund balance.

The District also received voter approval to utilize \$2,975,000 of their capital reserves which were transferred to the capital projects fund to fund various district-wide projects. This was recorded as a budget revision and therefore resulted in no net change to general fund unassigned fund balance.

Interest of \$124,881 was allocated to reserves as follows: \$7,063 to the workers' compensation reserve, \$1,107 to the unemployment insurance reserve, \$23,955 to the ERS retirement contribution reserve, \$2,846 to the insurance reserve, \$43,982 to the employee benefit accrued liability reserve, \$43,256 to the capital reserves, and \$2,672 to the repair reserve.

The assigned, appropriated fund balance of \$4,285,000 for the June 30, 2021 budget is the amount the District has chosen to use to partially fund its operating budget for the 2020-2021 fiscal year.

The closing, unassigned fund balance of \$4,629,419 represents the fund balance retained by the District that is not appropriated for subsequent years taxes.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The changes in fund balances are discussed further in Management Discussion and Analysis Section 4 – Financial Analysis of the District's Funds.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets:

The District paid for equipment and various building additions and renovations during the fiscal year 2020. A summary of the District's capital assets, net of depreciation is as follows:

Capital Assets (Net of Depreciation)

Category	Fiscal Year 2020	Fiscal Year 2019	Net Increase (Decrease)	Percentage Change
Construction in progress	\$40,309	\$3,025,833	(\$2,985,524)	(98.67%)
Land	1,869,776	1,869,776	-	0.00%
Buildings & improvements	98,341,450	92,870,091	5,471,359	5.89%
Land improvements	1,769,401	1,769,401	-	0.00%
Furniture and equipment	4,578,435	4,156,499	421,936	10.15%
Vehicles	1,491,792	1,456,797	34,995	2.40%
Subtotal	108,091,163	105,148,397	2,942,766	2.80%
Less: Accumulated depreciation	(45,395,755)	(43,332,592)	(2,063,163)	4.76%
Total capital assets, net	\$62,695,408	\$61,815,805	\$879,603	1.42%

The District spent \$2,637,358 in the capital projects fund on building improvements, furniture and equipment and construction in progress, \$290,200 in the general fund on furniture, equipment and vehicle purchases, and \$44,724 in the school lunch fund on equipment. The District recognized depreciation expense of \$2,092,679 during the current year. The District also had disposals of \$29,516 in the general fund for vehicles which were fully depreciated at the time of disposing. See accompanying Notes to Financial Statements, Note 10 "Capital Assets" for additional information.

B) Long-Term Debt:

At June 30, 2020, the District had total bonds payable of \$14,060,000 and installment purchase debt payable of \$118,888. The decrease in outstanding debt represents principal payments made of \$3,342,636, partially offset by the issuance of installment purchase debt in the amount of \$151,524. A summary of the outstanding debt at June 30, 2020 and 2019 is as follows:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	2020	2019	Increase (Decrease)
Serial bonds	\$14,060,000	\$17,370,000	(\$3,310,000)
Installment purchase debt	118,888		118,888
Total	<u>\$14,178,888</u>	<u>\$17,370,000</u>	<u>(\$3,191,112)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- The general fund budget for the 2020-21 school year in the amount of \$115,735,467 was approved by voters. This is a decrease of \$319,207 or 0.28% over the previous year's budget. The tax cap discussed below, as well as uncertainty in state aid and federal funds, as well as potential operating adjustments that may be needed due to COVID-19 may impact the District's future budgets.
- The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year, which was made permanent. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote.
- The District issued \$32,000,000 in tax anticipation notes on October 30, 2020, maturing June 25, 2021 for the following:

Amount	Rate	Premium	Interest Cost
\$32,000,000	1.250%	\$171,040	0.4312%

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Hauppauge Union Free School District
Ms. Jacqueline Pirro
Assistant Superintendent for Business and Operations
495 Hoffman Lane
PO Box 6006
Hauppauge, New York 11788
631-761-8211

HAUPPAUGE UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS	
Current assets	
Cash and cash equivalents	
Unrestricted	\$14,097,013
Restricted	23,954,631
Receivables	
State and federal aid	2,658,097
Due from other governments	2,856,831
Due from fiduciary fund	224,358
Accounts receivable	363,665
Inventories	1,581
Non-current assets	
Capital assets	
Capital assets not being depreciated	1,910,085
Capital assets being depreciated, net of accumulated depreciation	60,785,323
Net pension asset - proportionate share - teachers' retirement system	7,228,423
TOTAL ASSETS	114,080,007
DEFERRED OUTFLOWS OF RESOURCES	
Pensions	28,370,800
Other post-employment benefits obligation	37,459,719
TOTAL DEFERRED OUTFLOWS OF RESOURCES	65,830,519
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	179,910,526
LIABILITIES	
Payables	
Accounts payable	981,676
Accrued liabilities	402,326
Due to other governments	1,453,244
Due to fiduciary fund	552
Due to teachers' retirement system	4,344,852
Due to employees' retirement system	407,743
Compensated absences payable	1,160,503
Accrued interest payable	339,992
Unearned credits	
Collections in advance	55,883
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,300,000
Installment debt payable	28,059
Compensated absences payable	633,603
Due and payable after one year	
Bonds payable	10,760,000
Installment debt payable	90,829
Claims payable	2,990,460
Compensated absences payable	17,952,074
Total other post-employment benefits obligation	108,878,744
Net pension liability - proportionate share - employees' retirement system	7,403,131
TOTAL LIABILITIES	161,183,671
DEFERRED INFLOWS OF RESOURCES	
Gain on defeasance, net	1,079,738
Pensions	10,243,167
Other post-employment benefits obligation	11,424,074
TOTAL DEFERRED INFLOWS OF RESOURCES	22,746,979
NET POSITION	
Net investment in capital assets	47,436,782
Restricted:	
Workers' compensation	1,089,570
Insurance	437,321
Repair	412,126
Unemployment insurance	172,531
Retirement contribution - ERS	6,245,075
Retirement contribution - TRS	925,000
Employee benefit accrued liability	7,996,751
Capital projects	6,547,149
Debt service	129,108
	23,954,631
Unrestricted (deficit)	(75,411,537)
TOTAL NET POSITION	(\$4,020,124)

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTIONS / PROGRAMS				
General support	(\$19,219,692)			(\$19,219,692)
Instruction	(\$97,442,912)	\$417,992	\$1,551,054	(95,473,866)
Pupil transportation	(\$5,264,768)		\$267,122	(4,997,646)
Community services	(\$110,803)			(110,803)
Debt service - interest	(\$581,516)			(581,516)
Food service program	(\$900,629)	\$493,977	\$311,791	(94,861)
TOTAL FUNCTIONS AND PROGRAMS	<u>(\$123,520,320)</u>	<u>\$911,969</u>	<u>\$2,129,967</u>	<u>(120,478,384)</u>
GENERAL REVENUES				
Real property taxes				82,855,414
STAR reimbursement				4,031,116
PILOT - payment in lieu of taxes				6,737,628
Use of money and property				1,034,277
Sale of property and compensation for loss				469,051
Miscellaneous				551,789
State sources				17,347,103
Medicaid reimbursement				110,109
TOTAL GENERAL REVENUES				<u>113,136,487</u>
CHANGE IN NET POSITION				(7,341,897)
TOTAL NET POSITION - BEGINNING OF YEAR				<u>3,321,773</u>
TOTAL NET POSITION - END OF YEAR				<u>(\$4,020,124)</u>

HAUPPAUGE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
ASSETS						
Cash and cash equivalents						
Unrestricted	\$13,251,607		\$845,400	\$6		\$14,097,013
Restricted	23,825,523			129,108		23,954,631
Receivables						
State and federal aid	1,886,575	\$723,670	47,852			2,658,097
Due from other governments	2,856,831					2,856,831
Due from other funds	828,767		5,720	4,275,626	\$129,108	5,239,221
Accounts receivable	356,281	505	6,879			363,665
Inventories			1,581			1,581
TOTAL ASSETS	\$ 43,005,584	\$ 724,175	\$ 907,432	\$ 4,404,740	\$ 129,108	\$ 49,171,039
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Payables						
Accounts payable	\$798,280	\$80,755	\$23,700	\$78,941		\$981,676
Accrued liabilities	402,326					402,326
Due to other governments	1,377,416	40,638	35,190			1,453,244
Due to other funds	4,281,892	602,782	1,627	129,114		5,015,415
Due to teachers' retirement system	4,344,852					4,344,852
Due to employees' retirement system	407,743					407,743
Compensated absences	1,160,503					1,160,503
Unearned credits						
Collections in advance			55,883			55,883
TOTAL LIABILITIES	12,773,012	724,175	116,400	208,055	-	13,821,642
DEFERRED INFLOWS OF RESOURCES						
State aid - General, Excess Cost and BOCES aid and PILOT	350,285		282			350,567
TOTAL DEFERRED INFLOWS OF RESOURCES	350,285	-	282	-	-	350,567
FUND BALANCES						
Non-spendable: inventory			1,581			1,581
Restricted:						
Workers' compensation	1,089,570					1,089,570
Insurance	437,321					437,321
Repair	412,126					412,126
Unemployment insurance	172,531					172,531
Retirement contribution - ERS	6,245,075					6,245,075
Retirement contribution - TRS	925,000					925,000
Employee benefit accrued liability	7,996,751					7,996,751
Capital projects	2,825,464			3,721,685		6,547,149
Debt service					\$129,108	129,108
Assigned:						
Appropriated	4,285,000					4,285,000
Unappropriated	864,030		789,169	475,000		2,128,199
Unassigned	4,629,419					4,629,419
TOTAL FUND BALANCES	29,882,287	-	790,750	4,196,685	129,108	34,998,830
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$43,005,584	\$724,175	\$907,432	\$4,404,740	\$129,108	\$49,171,039

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2020**

Total Governmental Fund Balances	\$34,998,830
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Amounts reported for governmental activities in the Statement of Net Position are different because:

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position 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	\$108,091,163	
Accumulated depreciation	<u>(45,395,755)</u>	62,695,408

Deferred inflows of resources - state aid - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual.	350,567
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Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. Deferred inflows related to pensions and other post-employment benefits obligation that will be recognized as a reduction in expense in future periods amounted to:	(21,667,241)
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Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions and other post-employment benefits obligation that will be recognized as expenditures in future periods amounted to:	65,830,519
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Certain disbursements previously expended in the governmental funds relating to pensions are treated as long term assets and increase net position. The net pension asset - proportionate share at year-end for the teachers' retirement system was:	7,228,423
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Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest payable	(339,992)
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Governmental funds may report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	(1,079,738)
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable	(\$14,060,000)	
Claims payable	(2,990,460)	
Compensated absences payable	(18,585,677)	
Total other post-employment benefits obligation	(108,878,744)	
Net pension liability - proportionate share (ERS)	<u>(7,403,131)</u>	<u>(152,036,900)</u>

Total Net Position	<u><u>(\$4,020,124)</u></u>
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HAUPPAUGE UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Special Aid	School Lunch	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes	\$82,855,414					\$82,855,414
STAR reimbursement	4,031,116					4,031,116
PILOT - Payment in Lieu of Taxes	6,737,628					6,737,628
Charges for services	417,992					417,992
Use of money and property	1,032,020		\$1,411		\$846	1,034,277
Sale of property and compensation for loss	469,051					469,051
Miscellaneous	549,846	\$526	1,417			551,789
State sources	17,159,069	797,318	12,256			17,968,643
Federal sources	110,109	1,020,858	220,436			1,351,403
Surplus food			79,099			79,099
Sales			493,977			493,977
TOTAL REVENUES	113,362,245	1,818,702	808,596	-	846	115,990,389
EXPENDITURES						
General support	13,414,574					13,414,574
Instruction	59,543,373	1,903,061				61,446,434
Pupil transportation	4,655,021	267,122				4,922,143
Community service	66,238					66,238
Employee benefits	25,172,065					25,172,065
Debt service- principal					3,342,636	3,342,636
Debt service - interest	326,083				775,025	1,101,108
Cost of sales			921,202			921,202
Capital outlay				\$2,637,357		2,637,357
TOTAL EXPENDITURES	103,177,354	2,170,183	921,202	2,637,357	4,117,661	113,023,757
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	10,184,891	(351,481)	(112,606)	(2,637,357)	(4,116,815)	2,966,632
OTHER FINANCING SOURCES AND (USES)						
Proceeds from installment debt				151,524		151,524
Operating transfers in	695,406	351,481	5,720	3,450,000	4,092,161	8,594,768
Operating transfers (out)	(7,899,362)			(695,406)		(8,594,768)
TOTAL OTHER FINANCING SOURCES AND (USES)	(7,203,956)	351,481	5,720	2,906,118	4,092,161	151,524
NET CHANGE IN FUND BALANCES	2,980,935	-	(106,886)	268,761	(24,654)	3,118,156
FUND BALANCES - BEGINNING OF YEAR	26,901,352	-	897,636	3,927,924	153,762	31,880,674
FUND BALANCES - END OF YEAR	\$29,882,287	\$ -	\$790,750	\$4,196,685	\$129,108	\$34,998,830

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances			\$3,118,156
Amounts reported for governmental activities in the Statement of Activities are different because:			
Long-Term Revenue and Expense Differences			
Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under modified accrual method.			188,034
In the Statement of Activities, certain operating expenses-compensated absences (vacation and sick days), are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. Compensated absences from June 30, 2019 to June 30, 2020 changed by:			(895,914)
Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, however the payable is recognized as it accrues regardless of when it is due. Claims payable from June 30, 2019 to June 30, 2020 changed by:			82,565
Changes in total other post-employment benefits obligation and related deferred inflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.			(8,389,776)
Long-Term Debt Differences			
Proceeds from the issuance of installment purchase debt is an other financing source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			(151,524)
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			3,310,000
Repayment of installment purchase debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			32,636
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest from June 30, 2019 to June 30, 2020 changed by:			183,038
Governmental funds may report the premiums, discounts, and similar items on refunded bonds as revenues or expenditures in the year of issue. These amounts are deferred and amortized in the Statement of Activities.			336,554
Capital Related Differences			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.			
	Capital outlays	\$2,972,282	
	Depreciation expense	<u>(2,092,679)</u>	879,603
Pension Differences			
Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.			
	Teachers' retirement system	(\$4,701,023)	
	Employees' retirement system	<u>(1,334,246)</u>	<u>(6,035,269)</u>
Change in Net Position			<u><u>(\$7,341,897)</u></u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2020**

	Agency Funds
<hr/>	
ASSETS	
Cash and cash equivalents - restricted	\$624,691
Accounts receivable	4,194
Due from governmental funds	552
TOTAL ASSETS	<hr/> \$629,437 <hr/>
LIABILITIES	
Extra classroom activity balance	\$257,792
Other liabilities	147,287
Due to governmental funds	224,358
TOTAL LIABILITIES	<hr/> \$629,437 <hr/>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

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

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

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District’s financial reporting entity. 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 is a brief description of an entity that is included in the District’s reporting entity.

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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 as an 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 shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

C) Basis of presentation:

i) District-Wide Financial Statements

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

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

ii) Fund Financial Statements

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

The District reports the following major governmental funds:

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

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources, such as federal and state grants, that are legally restricted to expenditures for specified purposes. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

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

The District reports the following fiduciary fund:

Fiduciary Fund: This fund is used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or 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. The District has the following fiduciary fund:

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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.

D) Measurement focus and basis of accounting:

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year including 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, other post-employment benefits obligations, and net pension liabilities, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than October 1, and become a lien on December 1. The District's tax levy is collected by the Towns of Islip and Smithtown along with the respective Town and Suffolk County levies. Tax collections are remitted to the District and Town Comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act.

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ii) Enforcement:

Uncollected real property taxes are subsequently enforced by Suffolk County (the "County"). The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F) Restricted resources:

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

G) Interfund transactions:

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

In the District-Wide Financial 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.

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

Refer to Note 11 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated

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absences, net pension asset/liability, other post-employment benefits, workers' compensation claims, potential contingent liabilities and useful lives of capital assets.

I) Cash and cash equivalents:

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

J) Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K) Inventories and prepaid items:

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market.

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

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2020.

L) Capital assets:

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

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

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	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building & building improvements	\$1,000	Straight-line	50 years
Land improvements	\$1,000	Straight-line	20 years
Furniture & equipment	\$1,000	Straight-line	5-20 years
Vehicles	\$1,000	Straight-line	8 years

M) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. Collections in advance consist of amounts received in advance for meals that have not yet been purchased in the school lunch fund.

N) Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category at June 30, 2020, which are amounts related to pensions and other post-employment benefits obligation, which are reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17, respectively.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has three items that qualify for reporting in this category at June 30, 2020. The District has a deferred gain on refunding which resulted from the difference in carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt, and is detailed further in Note 14. The other two items are related to pensions and other post-employment benefits obligation, which are reported in the Statement of Net Position, and are detailed further in Notes 15 and 17, respectively.

A deferred inflow of resources in the Fund Financial Statements results when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded. In the general fund, \$350,285 for state aid, BOCES aid, and PILOT due from Suffolk County that will not be available in the current period has been reported as a deferred inflow of resources. The District-Wide Financial Statements, however, report these deferred inflows of resources

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as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

O) Vested employee benefits:

Compensated absences:

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

P) Other benefits:

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

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

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors. Collective bargaining agreements determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the District-Wide Statements, the cost of post-employment health insurance coverage is

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recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

Q) Short-term debt:

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

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

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

The District issued and retired a \$26,000,000 TAN in the fiscal year ended June 30, 2020 (See Note 12 for further detail).

R) Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, compensated absences, other post-employment obligations, and net pension liabilities that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

S) Equity classifications:

i) District-Wide Financial Statements:

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

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Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gain on refunding).

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

Unrestricted net position - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ii) Funds Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

- 1) **Non-spendable fund balance** – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$1,581.
- 2) **Restricted fund balance** – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

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. This reserve is accounted for in the general fund as restricted fund balance.

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Insurance Reserve

Insurance reserve (GML §6-n), is used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by Board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the general fund as restricted fund balance.

Repair Reserve

Repair reserve (GML §6-d), is used to pay the costs of repairs to capital improvements or equipment, which repairs are of a type not recurring annually. The Board of Education without voter approval may establish a repair reserve fund by a majority vote of its members. Voter approval is required to fund this reserve (opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held, except in emergency situations. If no hearing is held, the amount expended must be repaid to the reserve fund over the next two subsequent fiscal years. This reserve is accounted for in the general fund as restricted fund balance.

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 restricted fund balance. This reserve is accounted for in the general fund as restricted fund balance.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML§6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for

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financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

Employee Benefit Accrued Liability Reserve

Employee benefit accrued liability reserve (GML §6-p), must be used for the payment of accrued employee benefits due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general fund as restricted fund balance.

Capital Reserve

Capital reserve (GML §3651), is used to pay the costs of capital improvements for which the District may issue bonds pursuant to Local Finance Law. A proposition indicating the purpose, ultimate amount, probable term, and funding source must be approved by the voters. Voter approval is also required before any funds may be expended for the specific purpose for which the reserve was established. Funds may be transferred with voter approval to other funds or the fund may be liquidated if the original purpose for which the fund was established is determined to be no longer needed. Upon liquidation, proceeds must first be applied to any outstanding bonded indebtedness with the remaining, if any, used to reduce the annual tax level. This reserve is accounted for in the general fund as restricted fund balance.

Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by the capital reserve.

Debt Service

Debt service accumulates funds from unused bond proceeds and interest earnings. The accumulated funds must be used to offset the cost of the bond principal and interest payments. This reserve is accounted for in the debt service fund, as restricted fund balance.

- 3) **Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, (i.e., Board of Education). The District has no committed fund balances as of June 30, 2020.

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- 4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District’s Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year’s budget and to fund insurance recoveries. Assigned fund balance also includes Board designations and encumbrances not classified as restricted or committed at the end of the fiscal year.
- 5) **Unassigned fund balance** –Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District’s budget for the general fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves), the Board of Education will assess the current financial condition of the District and then determine the order of application expenditures to which fund balance classification will be charged.

T) Future changes in accounting standards:

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2021. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2022. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will

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evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

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

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

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

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

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

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

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iii) Long-term debt differences:

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

iv) Pension differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and difference between the District's contributions and its proportionate share of the total contributions to the pension systems.

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on Supplemental Schedule #5.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

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The amount that may be raised by the District for real property taxes (levy) in any fiscal year, is limited by the Constitution of the State of New York to the lesser of 2% or inflation with certain adjustments and exclusions for court ordered exclusions, local capital expenditures and pension exclusions.

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 reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

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

All of the District's aggregate bank balances were covered by depository insurance or were collateralized with securities held by the pledging financial institution in the District's name at year-end.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
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Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amount required by statute to be reserved for various purposes. Restricted cash at June 30, 2020 included \$23,954,631 within the governmental funds for general reserve purposes, debt service and capital projects, and \$624,691 in the fiduciary fund.

B) Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2020, the District was billed \$5,448,759 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,136,594. The District also entered into a lease agreement with Eastern Suffolk BOCES, see Note 20B for further information. Financial statements for the Eastern Suffolk BOCES are available from the Eastern Suffolk BOCES administrative office at 201 Sunrise Highway, Patchogue, NY 11772.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivables at June 30, 2020 consisted of the following:

General Fund	
General aid	\$12,674
CRP tuition reimbursement	288,659
Excess cost aid	377,503
BOCES aid	562,052
Homeless aid	388,097
OMRDD tuition/transportation	157,977
Prior year excess cost aid	82,974
Prior year transportation aid	16,639
Total - General Fund	<u>1,886,575</u>
Special Aid Fund	
Federal aid	306,178
State and local aid	417,492
Total - Special Aid Fund	<u>723,670</u>
School Lunch Fund	
Federal aid	46,443
State aid	1,409
Total - School Lunch Fund	<u>47,852</u>
Total - All Funds	<u><u>\$2,658,097</u></u>

The general fund state aid receivable includes \$290,059 of unavailable revenues and the school lunch fund state aid receivable includes \$282 of unavailable revenues, which are included in deferred inflows of resources on the balance sheet.

District management has deemed these receivables as fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments at June 30, 2020 consisted of the following:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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General Fund

Suffolk County IDA - PILOT	\$374,617
Town of Smithtown IDA - PILOT	2,196,902
Tuition	96,200
Non-resident - homeless/fostercare	169,559
Library Portion	5,787
Health Services	11,616
Miscellaneous	2,150
Total - General Fund	<u>\$2,856,831</u>

The general fund due from other governments includes \$60,226 of unavailable revenues due from the Suffolk County IDA, which is included in deferred inflows of resources on the balance sheet.

District management has deemed these receivables as fully collectible.

NOTE 8 – COLLECTIONS IN ADVANCE:

Collections in advance at June 30, 2020 consisted of the following:

School Lunch Fund

Student prepaid meals	<u>\$55,883</u>
Total - School Lunch Fund	<u>\$55,883</u>

NOTE 9 – DEFERRED INFLOWS OF RESOURCES - GENERAL FUND:

Deferred inflows of resources in the general fund at June 30, 2020 consisted of the following:

General Fund

General state aid - prior years	\$16,639
Excess cost state aid - prior years	82,974
General state aid - current year	2,535
Excess cost state aid - current year	75,501
BOCES aid - current year	112,410
Suffolk County IDA - PILOT	60,226
Total - General Fund	<u>\$350,285</u>

School Lunch Fund

State aid	<u>282</u>
Total - School Lunch Fund	<u>\$282</u>
Total - All Funds	<u>\$350,567</u>

HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 10 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$1,869,776			\$1,869,776
Construction in progress	3,025,833	\$40,309	(\$3,025,833)	40,309
Total capital assets not being depreciated	4,895,609	40,309	(3,025,833)	1,910,085
Capital assets that are being depreciated:				
Building & building improvements	92,870,091	2,445,526	3,025,833	98,341,450
Land improvement	1,769,401			1,769,401
Furniture and equipment	4,156,499	451,452	(29,516)	4,578,435
Vehicles	1,456,797	34,995		1,491,792
Total capital assets being depreciated	100,252,788	2,931,973	2,996,317	106,181,078
Less accumulated depreciation:				
Building & building improvements	37,753,622	1,711,593		39,465,215
Land improvement	1,766,445	268		1,766,713
Furniture and equipment	2,785,720	276,354	(29,516)	3,032,558
Vehicles	1,026,805	104,464		1,131,269
Total accumulated depreciation	43,332,592	2,092,679	(29,516)	45,395,755
Total capital assets being depreciated, net	56,920,196	839,294	3,025,833	60,785,323
Capital assets, net	\$61,815,805	\$879,603	\$ -	\$62,695,408

Depreciation expense was charged to governmental functions as follows:

General support	\$1,149,477
Instruction	837,860
Transportation	81,191
Food service program	24,151
	<u>\$2,092,679</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$828,767	\$4,281,892	\$695,406	\$7,899,362
Special Aid Fund		602,782	351,481	
School Lunch	5,720	1,627	5,720	
Capital Projects Fund	4,275,626	129,114	3,450,000	695,406
Debt Service Fund	129,108		4,092,161	
Total governmental activities	5,239,221	5,015,415	8,594,768	8,594,768
Fiduciary Agency Fund	552	224,358		
Totals	<u>\$5,239,773</u>	<u>\$5,239,773</u>	<u>\$8,594,768</u>	<u>\$8,594,768</u>

The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school handicap expenses required by New York State law and to fund the State Supported Section 4201 schools. The District transferred \$5,720 from the general fund to the school lunch fund to cover negative student account balances at June 30, 2020. The District transferred \$3,450,000 from the general fund to the capital projects fund to fund projects. The District transferred \$695,406 from the capital projects fund to the general fund for unspent funds on completed capital projects. The District also transferred \$4,092,161 to the debt service fund in accordance with the general fund budget.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

NOTE 12 - SHORT-TERM DEBT:

On October 8, 2019, the District issued tax anticipation notes in the amount of \$26,000,000. This debt was issued for interim financing of general fund operations. Transactions in short-term debt for the year are summarized below:

Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
6/26/20	1.75%	\$ -	\$26,000,000	\$26,000,000	\$ -

Interest on short-term debt for the year was \$326,083.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 13 – LONG-TERM LIABILITIES:

Long-term liability balances and activity for the year ended June 30, 2020 are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Serial bonds	\$17,370,000		(\$3,310,000)	\$14,060,000	\$3,300,000
Installment purchase debt		\$151,524	(32,636)	118,888	28,059
Other long-term liabilities:					
Claims payable	3,073,025	728,323	(810,888)	2,990,460	
Compensated absences payable	17,689,763	1,884,009	(988,095)	18,585,677	633,603
Total other post-employment benefits obligation	91,047,289	19,995,979	(2,164,524)	108,878,744	
Net pension liability-proportionate share-employers' retirement system	2,036,634	8,204,706	(2,838,209)	7,403,131	
Total long-term liabilities	<u>\$131,216,711</u>	<u>\$30,964,541</u>	<u>(\$10,144,352)</u>	<u>\$152,036,900</u>	<u>\$3,961,662</u>

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

A) Bonds Payable

Existing serial bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Refunding bond - 2011	9/8/2011	8/1/2021	3.00-5.00%	\$2,475,000
Refunding bond - 2017	12/29/2017	7/15/2025	5.00%	11,585,000
				<u>\$14,060,000</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
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The following is a summary of debt service requirements for bonds payable:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$3,300,000	\$620,500	\$3,920,500
2022	3,185,000	458,375	3,643,375
2023	2,155,000	324,875	2,479,875
2024	2,255,000	214,625	2,469,625
2025	2,350,000	99,500	2,449,500
2026	815,000	20,375	835,375
	\$14,060,000	\$1,738,250	\$15,798,250

Upon default of the payment of principal or interest on the serial bonds, the bond holders have the right to litigate and the New York State Comptroller is required, under the conditions and to the extent prescribed by Section 99-b of the New York State Finance Law, to withhold state aid and assistance and apply the amount withheld to the payment of the defaulted principal or interest.

B) Installment Debt

Installment debt is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Wheel Loader	11/19/2019	11/30/2024	3.85%	\$118,888

The following is a summary of the maturing debt service requirements of installment purchase debt:

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$28,059	\$4,577	\$32,636
2022	29,140	3,497	32,637
2023	30,261	2,375	32,636
2024	31,428	1,210	32,638
	\$118,888	\$11,659	\$130,547

Principal and interest expense for installment purchase debt for the fiscal year ended June 30, 2020 was \$32,636 and \$0, respectively.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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C) Long-Term Interest

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

	<u>Total</u>
Interest paid	\$775,025
Less interest accrued in the prior year	(523,030)
Plus interest accrued in the current year	339,992
Less amortization of gain on defeasance	(336,554)
Total expense	<u><u>\$255,433</u></u>

NOTE 14 – DEFERRED INFLOWS OF RESOURCES – GAIN ON DEFEASANCE:

The gain on defeasance pertaining to the 2010, 2011, and 2017 bond refundings recorded in the District-Wide Financial Statements as deferred inflows of resources at June 30, 2020 consisted of the following:

	<u>2010</u>	<u>2011</u>	<u>2017</u>	<u>Total</u>
Total gain on defeasance	\$390,277	\$1,201,624	\$1,240,527	\$2,832,428
Accumulated amortization	(260,186)	(1,049,459)	(443,045)	(1,752,690)
Balance of gain on defeasance	<u><u>\$130,091</u></u>	<u><u>\$152,165</u></u>	<u><u>\$797,482</u></u>	<u><u>\$1,079,738</u></u>

The gain on defeasance is being amortized on the District-Wide Financial Statements using the straight-line method over 14 years for the 2010 refunding, over 11 years for the 2011 refunding, and over 8 years for the 2017 refunding, which is the time to maturity on the refunded bonds, at the point of refunding, and is included as a reduction to interest expense.

NOTE 15 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State

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Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

ii) Employees' Retirement System

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

B) Funding Policies:

The Systems are noncontributory, except as follows:

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

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31. The District's contribution rates for ERS' fiscal year ended March 31, 2020, by tier, of covered payroll was as follows:

Tier 1	21.4%
Tier 2	19.6%
Tier 3	16.1%
Tier 4	16.1%
Tier 5	13.4%
Tier 6	9.6%

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2020 was 8.86% of covered payroll.

	NYSERS	NYSTRS
2020	\$ 1,503,963	\$ 4,182,029
2019	\$ 1,493,393	\$ 4,932,232
2018	\$ 1,586,356	\$ 4,382,325

C) Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:

At June 30, 2020, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2020 for ERS and June 30, 2019 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Net pension asset/(liability)	\$ (7,403,131)	\$ 7,228,423
District's portion of the Plan's total		
net pension liability	0.0279568%	0.278230%
Change in proportion since the prior		
measurement date	-0.0007877%	0.003702%

For the fiscal year ended June 30, 2020, the District recognized pension expense of \$2,838,209 for ERS and \$8,888,410 for TRS. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>
Differences between expected and actual experience	\$435,704	\$4,898,518	\$ -	\$537,520
Changes of assumptions	149,064	13,655,458	128,714	3,329,587
Net difference between projected and actual earnings on pension plan investments	3,795,205	-	-	5,796,822
Changes in proportion and differences between the District's contributions and proportionate share of contributions	787,884	59,195	139,829	310,695
District's contributions subsequent to the measurement date	407,743	4,182,029	-	-
	<u>\$5,575,600</u>	<u>\$22,795,200</u>	<u>\$268,543</u>	<u>\$9,974,624</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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	<u>ERS</u>	<u>TRS</u>
Plan Year ended:		
2020		\$3,219,462
2021	\$968,471	156,726
2022	1,266,880	3,207,609
2023	1,485,528	2,111,077
2024	1,178,435	222,148
Thereafter	-	(278,475)
	<u>\$4,899,314</u>	<u>\$8,638,547</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:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.8%	7.10%
Salary scale	4.20%	4.72% - 1.90%
Cost of living adjustments	1.30% annually	1.30%, annually
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.20%

For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2018. 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.

For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2018 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of

HAUPPAUGE UNION FREE SCHOOL DISTRICT
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an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized below:

<u>Measurement date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>March 31, 2020</u>		<u>June 30, 2019</u>	
<u>Asset type</u>	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>expected real</u>	<u>Allocation</u>	<u>expected real</u>
		<u>rate of return</u>		<u>rate of return</u>
Domestic equity	36%	4.05%	33%	6.3%
International equity	14%	6.15%	16%	7.8%
Global equity			4%	7.2%
Private equity	10%	6.75%	8%	9.9%
Real estate	10%	4.95%	11%	4.6%
Absolute return strategies	2%	3.25%		
Opportunistic portfolio	3%	4.65%		
Real assets	3%	5.95%		
Bonds and mortgages	17%	0.75%		
Cash	1%	0.00%		
Inflation-indexed bonds	4%	0.50%		
Domestic fixed income securities			16%	1.3%
Global fixed income securities			2%	0.9%
High-yield fixed income securities			1%	3.6%
Private debt			1%	6.5%
Real estate debt			7%	2.9%
Short-term			1%	0.3%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.2% for TRS.

Discount Rate

The discount rate used to calculate the total pension liability was 6.8% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HAUPPAUGE UNION FREE SCHOOL DISTRICT
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Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.8% for ERS and 7.10% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage point lower (5.8% for ERS and 6.10% for TRS) or 1-percentage point higher (7.8% for ERS and 8.10% for TRS) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
ERS			
Employer's proportionate share of the net pension asset (liability)	(\$13,586,836)	(\$7,403,131)	(\$1,707,913)
TRS			
Employer's proportionate share of the net pension asset (liability)	(\$32,628,347)	\$7,228,423	\$40,663,755

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. 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 wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$407,743.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 employee and employer contributions for the fiscal year ended June 30, 2020 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020 amounted to \$4,344,852.

NOTE 16 – OTHER RETIREMENT PLANS:

A) Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District is also required to make non-elective contributions of certain termination payments based on collectively bargained agreements, and payments based on certain non-aligned contract agreements. Contributions made by the District and the employees for the fiscal year ended June 30, 2020 totaled \$549,377 and \$3,172,137, respectively.

B) Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code Section 457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the fiscal year ended June 30, 2020 totaled \$480,169

NOTE 17 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A) General Information about the OPEB Plan:

Plan Description

The District's OPEB Plan (the "Plan"), defined as a single employer defined benefit plan, primarily provides post-employment health insurance coverage to retired employees and their eligible dependents in accordance with the provisions of various employment contracts. Benefits are provided by the Empire Plan (Core Plus Enhancements), a community-rated PPO, administered by the New York State Health Insurance Program (NYSHIP). Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. Benefit terms provide for the District to contribute between 50% and 100% of premiums for retirees, between 35% and 100% for family coverage, and 0% of the premiums for surviving spouses, depending on the coverage selected and date of retirement. The District recognizes the cost of the Plan annually as expenditures in the fund financial statements as payments are accrued. For fiscal year 2020, the District contributed an estimated \$2,164,524 to the Plan, including \$2,164,524 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any other means than the “pay as you go” method.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	187
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	641
Total	<u>828</u>

B) Total OPEB Liability:

The District’s total OPEB liability of \$108,878,744 was measured as of June 30, 2020, and was determined by an actuarial valuation as of June 30, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount rate	2.21%
Mortality Table	Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2018
Health Care Cost Trends:	
Medical	5.30% for 2020 decreasing to an ultimate rate of 3.84% by 2075
Part B Reimbursements	6.49% for 2019 decreasing to an ultimate rate of 3.84% by 2075

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

C) Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at June 30, 2019	<u>\$91,047,289</u>
Changes for the fiscal year:	
Service cost	3,865,614
Interest	3,293,783
Changes of benefit terms	-
Differences between expected and actual experience	(10,397,662)
Changes in assumptions or other inputs	23,234,244
Benefit payments	<u>(2,164,524)</u>
Net changes	<u>17,831,455</u>
Balance at June 30, 2020	<u><u>\$ 108,878,744</u></u>

The following assumptions were updated since the last full valuation:

Health care trend rates have been updated as follows:

Medical trend rates have been updated to the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model with initial trend rate of 5.30% decreasing gradually to an ultimate rate of 3.84% by 2075.

Medicare Part B trend rates have been updated to an initial rate of 6.49% decreasing gradually to an ultimate rate of 3.84% by 2075.

The discount rate was changed from 3.51% at June 30, 2019 to 2.21% at June 30, 2020.

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%)
Total OPEB liability	<u>\$132,774,785</u>	<u>\$108,878,744</u>	<u>\$90,379,549</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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 rates:

	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%)
Total OPEB liability	<u>\$85,903,008</u>	<u>\$108,878,744</u>	<u>\$140,102,690</u>

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

For the fiscal year ended June 30, 2020, the District recognized OPEB expense (credit) of \$10,554,300. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 2,654,132	\$ (9,097,954)
Changes of assumptions or other inputs	34,805,587	(2,326,120)
	<u>\$ 37,459,719</u>	<u>\$ (11,424,074)</u>

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

Fiscal Year ended June 30:	
2021	\$3,394,903
2022	3,394,903
2023	3,394,903
2024	3,394,903
2025	3,394,903
Thereafter	<u>9,061,130</u>
	<u>\$26,035,645</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 18 – RISK MANAGEMENT:

A) General:

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

B) Consortiums and Self-Insured Plans:

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 claims which were incurred on or before year-end but not paid. Liabilities do not include an amount for reported claims which were incurred on or before year-end but not reported (IBNR), had an actuary valuation been performed the liability amount may significantly change. As of June 30, 2020, the District has recorded potential workers' compensation claims of \$2,990,460 and has a workers' compensation reserve balance of \$1,089,570 in the general fund.

The claims activity is follows:

	2020	2019
Unpaid claims at beginning of year	\$3,073,025	\$3,576,764
Incurred claims	728,323	403,280
Claims payments and adjustments	<u>(810,888)</u>	<u>(907,019)</u>
Claims payable	<u>\$2,990,460</u>	<u>\$3,073,025</u>

NOTE 19 - TAX ABATEMENTS:

Suffolk County Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 911-A, and the Town of Islip Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 898-b, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the County and Town.

Related to agreements with the Town of Islip IDA, the District's property tax revenue was reduced by \$3,048,435 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$1,756,711 for these programs during the fiscal year.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Related to agreements with the Suffolk County IDA, the District's property tax revenue was reduced by \$591,553 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$314,391 for these programs during the fiscal year.

All IDA agreements in Smithtown are negotiated by the Suffolk County IDA with the Town acting merely as a collection agent for any PILOT payments. Related to these agreements the District's property tax revenue was reduced by \$6,188,696 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$4,644,427 for these programs during the fiscal year.

NOTE 20 – COMMITMENTS AND CONTINGENCIES:

A) 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, will be immaterial.

B) Operating Leases:

In September of 2019 the District entered into a 48-month non-cancelable operating lease with the Eastern Suffolk Board of Cooperative Educational Services (Eastern Suffolk BOCES) for 37 Xerox copiers to support administrative functions throughout the District. The total amount of the lease of \$812,270 is comprised of \$297,789 in hardware costs, \$408,533 in maintenance costs, and \$105,948 in additional BOCES fees. The lease will expire in the 2023-2024 fiscal year. Lease expenditures were \$135,378 for the fiscal year ended June 30, 2020. The minimum remaining lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2021	\$203,068
2022	203,068
2023	203,067
2024	67,689
Total Lease Payments	<u><u>\$676,892</u></u>

C) Litigation:

As of June 30, 2020, the District is unaware of any pending or threatened litigation or unasserted claims or assessment against the District which require disclosure.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

D) Encumbrances:

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

General fund for:	
General support	\$110,049
Instruction	753,981
Total General fund	<u>\$864,030</u>
Capital projects fund for:	
Capital projects	<u>\$72,962</u>

NOTE 21 – SUBSEQUENT EVENTS:

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management evaluated the activity of the District through the date of this report and concluded the following subsequent event has occurred that would require disclosure in the notes to financial statements:

- 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.
- On August 13, 2020, the Division of the Budget (DOB) issued their "FY 2021 First Quarterly State Budget Financial Plan Update" which notes that the DOB approved payment of 80% for accrued General Aid, Excess Cost Aid, BOCES Aid, and School Lunch State Aid payments. These financial statements reflect revenue at 80% of the accrued amounts for these aids in the general fund. The remaining 20% is included in deferred inflows of resources and will be recognized as revenue upon such time this deferred aid is received.

SUPPLEMENTARY INFORMATION

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
REVENUES				
Local sources				
Real property taxes	\$86,870,169	\$82,839,053	\$82,855,414	\$16,361
STAR reimbursement		4,031,116	4,031,116	-
PILOT - payment in lieu of taxes	6,021,026	6,021,026	6,737,628	716,602
Charges for services	450,663	450,663	417,992	(32,671)
Use of money and property	589,340	589,340	1,032,020	442,680
Sale of property and compensation for loss		-	469,051	469,051
Miscellaneous	265,000	265,750	549,846	284,096
State sources				
Basic formula	16,648,476	16,648,476	11,033,177	(5,615,299)
Excess cost aid			2,271,284	2,271,284
Lottery aid			1,308,985	1,308,985
BOCES aid			1,136,594	1,136,594
Tuition aid			748,922	748,922
Textbook aid			208,885	208,885
Computer software aid			66,464	66,464
Library aid			21,950	21,950
Other state aid			362,808	362,808
Federal sources	<u>25,000</u>	<u>25,000</u>	<u>110,109</u>	<u>85,109</u>
Other financing sources				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>695,406</u>	<u>695,406</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>110,869,674</u>	<u>110,870,424</u>	<u>114,057,651</u>	<u>\$3,187,227</u>
Appropriated fund balance	4,285,000	4,285,000		
Appropriated reserves	<u>967,821</u>	<u>3,942,821</u>		
TOTAL REVENUES, OTHER FINANCING SOURCES & APPROPRIATED FUND BALANCE & RESERVES	<u>\$116,122,495</u>	<u>\$119,098,245</u>		

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.

HAUPPAUGE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
EXPENDITURES					
General support					
Board of education	\$88,525	\$91,929	\$81,506	\$11	\$10,412
Central administration	349,601	349,601	338,771		10,830
Finance	1,409,352	1,406,960	1,301,551	39,178	66,231
Staff	808,951	887,474	854,696	23	32,755
Central services	11,446,908	11,370,080	9,703,535	70,837	1,595,708
Special items	1,258,453	1,258,453	1,134,515		123,938
Total general support	15,361,790	15,364,497	13,414,574	110,049	1,839,874
Instructional					
Instruction, adm. & imp.	5,893,461	5,978,401	5,639,004	55,123	284,274
Teaching - regular school	32,714,285	32,768,887	31,770,650	22,224	976,013
Programs for children with handicapping conditions	14,953,558	15,258,156	14,544,898	23	713,235
Occupational education	264,195	264,195	263,056		1,139
Special schools	70,500	70,500	65,180		5,320
Instructional media	2,639,740	3,401,476	2,549,370	676,458	175,648
Pupil services	5,289,203	5,283,037	4,711,215	153	571,669
Total instructional	61,824,942	63,024,652	59,543,373	753,981	2,727,298
Pupil transportation	7,246,056	6,398,912	4,655,021	-	1,743,891
Community services	95,500	95,500	66,238	-	29,262
Employee benefits	26,014,681	25,597,531	25,172,065	-	425,466
Debt service					
Debt service interest	780,000	717,791	326,083	-	391,708
TOTAL EXPENDITURES	111,322,970	111,198,883	103,177,354	864,030	7,157,499
Other financing uses					
Transfers to other funds	4,799,525	7,899,362	7,899,362	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$116,122,495	\$119,098,245	111,076,716	\$864,030	\$7,157,499
Net change in fund balances			2,980,935		
Fund balances - beginning of year			26,901,352		
Fund balances - end of year			\$29,882,287		

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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY
AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,**

Total OPEB Liability	2020	2019	2018
Service cost	\$3,865,614	\$1,826,938	\$1,899,902
Interest	3,293,783	2,622,718	2,387,056
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(10,397,662)	3,317,666	-
Changes of assumptions or other inputs	23,234,244	18,094,530	(3,378,790)
Benefit payments	(2,164,524)	(1,501,979)	(1,796,562)
Net change in total OPEB liability	17,831,455	24,359,873	(888,394)
Total OPEB liability - beginning	91,047,289	66,687,416	67,575,810
Total OPEB liability - ending	\$108,878,744	\$91,047,289	\$66,687,416
 Covered-employee payroll	 \$52,271,158	 \$51,122,323	 \$50,382,583
 Total OPEB liability as a percentage of covered-employee payroll	 208.30%	 178.10%	 132.36%

Notes to Schedule:

Trust Assets

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

Changes of Assumptions

For 2020:

The discount rate changed from 3.51% at June 30, 2019 to 2.21% at June 30, 2020.

Health care trend rates have been updated as follows:

Medical trend rates have been updated to the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model with initial trend rate of 5.30% decreasing gradually to an ultimate rate of 3.84% by 2075. At June 30, 2019 medical trend rates were 5.50% for 2018 decreasing to an ultimate rate of 3.84% by 2075.

Medicare Part B trend rates have been updated to an initial rate of 6.49% decreasing gradually to an ultimate rate of 3.84% by 2075. At June 30, 2019, Medicare Part B trend rates were 1.12% for 2018 increasing to an ultimate rate of 3.84% by 2075.

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

NYSERS Pension Plan							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset (liability)	0.0279568%	0.0287445%	0.0317425%	0.0301705%	0.0304968%	0.0308284%	0.0308284%
District's proportionate share of the net pension asset (liability)	(\$7,403,131)	(\$2,036,634)	(\$1,024,473)	(\$2,834,892)	(\$4,894,814)	(\$1,041,458)	(\$1,393,091)
District's covered payroll	\$10,475,894	\$10,420,976	\$10,860,856	\$10,563,688	\$9,946,998	\$9,713,389	\$9,894,086
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	70.67%	19.54%	9.43%	26.84%	49.21%	10.72%	14.08%
Plan fiduciary net position as a percentage of the total pension asset (liability)	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
NYSTRS Pension Plan							
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset (liability)	0.278230%	0.274528%	0.275208%	0.273756%	0.274577%	0.273437%	0.273437%
District's proportionate share of the net pension asset (liability)	\$7,228,423	\$4,964,198	\$2,091,852	(\$2,932,037)	\$28,519,759	\$30,459,170	\$1,792,642
District's covered payroll	\$47,512,719	\$46,913,728	\$44,240,121	\$43,835,149	\$42,885,592	\$42,027,173	\$41,535,727
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	15.21%	10.58%	4.73%	6.69%	66.50%	72.47%	4.32%
Plan fiduciary net position as a percentage of the total pension asset (liability)	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

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

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

NYSERS Pension Plan										
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$1,503,963	\$1,493,393	\$1,586,356	\$1,389,760	\$1,616,047	\$1,812,720	\$1,877,608	\$1,760,597	\$1,428,316	\$1,249,334
Contributions in relation to the contractually required contribution	<u>1,503,963</u>	<u>1,493,393</u>	<u>1,586,356</u>	<u>1,389,760</u>	<u>1,616,047</u>	<u>1,812,720</u>	<u>1,877,608</u>	<u>1,760,597</u>	<u>1,428,316</u>	<u>1,249,334</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$10,353,007	\$10,495,813	\$10,334,949	\$10,271,340	\$10,122,291	\$9,997,494	\$9,922,530	\$9,596,977	\$9,532,366	\$9,254,719
Contributions as a percentage of covered payroll	14.53%	14.23%	15.35%	13.53%	15.97%	18.13%	18.92%	18.35%	14.98%	13.50%
NYSTRS Pension Plan										
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$4,182,029	\$4,932,232	\$4,382,325	\$5,111,339	\$5,601,455	\$7,273,639	\$6,563,520	\$4,723,082	\$4,327,387	\$3,441,854
Contributions in relation to the contractually required contribution	<u>4,182,029</u>	<u>4,932,232</u>	<u>4,382,325</u>	<u>5,111,339</u>	<u>5,601,455</u>	<u>7,273,639</u>	<u>6,563,520</u>	<u>4,723,082</u>	<u>4,327,387</u>	<u>3,441,854</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$47,950,703	\$47,512,719	\$46,913,728	\$44,240,121	\$43,835,149	\$42,885,592	\$42,027,173	\$41,535,727	\$40,886,780	\$42,093,484
Contributions as a percentage of covered payroll	8.72%	10.38%	9.34%	11.55%	12.78%	16.96%	15.62%	11.37%	10.58%	8.18%

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		\$116,054,674
Add: Prior year's encumbrances		<u>67,821</u>
Original Budget		116,122,495
Budget Revisions:		
Gifts and donations	\$750	
Use of capital reserves	<u>2,975,000</u>	
Total budget revisions		<u>2,975,750</u>
Final Budget		<u><u>\$119,098,245</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-2021 voter approved expenditure budget		<u><u>\$115,735,467</u></u>
Maximum fund balance allowed (4% of 2020-2021 budget)		<u><u>\$4,629,419</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$5,149,030	
Unassigned fund balance	<u>4,629,419</u>	
Total unrestricted fund balance		\$9,778,449
Less:		
Appropriated fund balance	4,285,000	
Encumbrances	<u>864,030</u>	
Total adjustments		\$5,149,030
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$4,629,419</u></u>
Actual percentage of 2020-2021 budget		<u><u>4.00%</u></u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

		Expenditures to Date							Methods of Financing					Fund
		Original	Revised					Unexpended	Proceeds	Budgetary	Capital	Capital		
Project Title	Project #	Appropriation	Appropriation	Prior Year's	Current Year	Transfer to GF	Total	Balance	of Obligations	Appropriation	Reserve	Reserve II	Total	June 30, 2020
17/18 High School Chillers	008-047	\$637,000	\$637,000	\$550,773	\$8,707	\$77,520	\$637,000	\$ -				\$637,000	\$637,000	\$ -
18/19 Middle School Science Lab	002-030	436,600	436,600	59,256	144,361	232,983	436,600	-		\$436,600			436,600	-
18/19 Middle School Bathrooms	002-030	800,000	404,106	44,301	359,805		404,106	-				404,106	404,106	-
18/19 High School Bathrooms	008-048	800,000	408,901	36,254	372,647		408,901	-				408,901	408,901	-
18/19 Forest Brook Roof	010-019	2,210,000	2,210,000	401,854	1,506,307	301,839	2,210,000	-			\$1,950,000	260,000	2,210,000	-
18/19 Bretton Woods Gym Bleachers/Floor	N/A	136,762	136,762		53,698	83,064	136,762	-		136,762			136,762	-
19/20 Middle School Curbing and Pav	002-031	286,221	286,221					286,221		286,221			286,221	286,221
19/20 Middle School Bathrooms	002-031	225,000	620,894		1,920		1,920	618,974				620,894	620,894	618,974
19/20 High School Valves/Abatements	N/A	188,779	188,779					188,779		188,779			188,779	188,779
19/20 High School Bathrooms	008-049	225,000	616,099		1,880		1,880	614,219				616,099	616,099	614,219
19/20 Pines Roof	006-024	2,525,000	2,525,000		36,508		36,508	2,488,492				2,525,000	2,525,000	2,488,492
19/20 Installment Purchase	N/A	151,524	151,524		151,524		151,524	-		151,524			151,524	-
TOTAL		<u>\$8,621,886</u>	<u>\$8,621,886</u>	<u>\$1,092,438</u>	<u>\$2,637,357</u>	<u>\$695,406</u>	<u>\$4,425,201</u>	<u>\$4,196,685</u>	<u>\$ -</u>	<u>\$1,199,886</u>	<u>\$1,950,000</u>	<u>\$5,472,000</u>	<u>\$8,621,886</u>	<u>\$4,196,685</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Capital assets, net		\$62,695,408
Deduct:		
Gain on defeasance, net	\$1,079,738	
Short-term portion of bonds payable	3,300,000	
Long-term portion of bonds payable	10,760,000	
Short-term portion of installment debt payable	28,059	
Long-term portion of installment debt payable	<u>90,829</u>	<u>15,258,626</u>
Net investment in capital assets		<u><u>\$47,436,782</u></u>



R.S. ABRAMS & CO., LLP

Accountants & Consultants for Over 75 years

Robert S. Abrams
(1926–2014)

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

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

To the Board of Education
Hauppauge 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 fund of Hauppauge Union Free School District, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Hauppauge Union Free School District's basic financial statements, and have issued our report thereon dated October 21, 2020.

Internal Control over Financial Reporting

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

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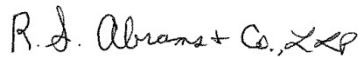
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hauppauge 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. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "R.S. Abrams & Co., LLP".

R.S. Abrams & Co., LLP
Islandia, NY
October 21, 2020