

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2022**

# 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 Audit of the Financial Statements**

#### ***Opinions***

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 (the "District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund of the District, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

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

#### ***Emphasis of Matter***

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 87, *Leases*, during the year ended June 30, 2022. Our opinion is not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension asset/(liability), the schedule of District's pension contributions, and schedule of changes in District's total other post-employment benefits liability and related ratios on pages 1 through 15 and 62 through 66, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

R.S. Abrams & Co., LLP  
Islandia, New York  
November 9, 2022

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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, 2022. 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 2022 are as follows:

- On the District-Wide Financial Statements, revenues increased by \$4,118,087, or 3.47%, mainly due to increases in real property taxes, PILOT – payment in lieu of taxes, and operating grants and contributions.
- On the District-Wide Financial Statements, expenses decreased by \$8,906,377, or 7.03%, primarily due to a decrease in instruction expenses due to a reduction in other post-employment benefits and pension expenses based on the current year actuarial valuations.
- The District’s total net position, as reflected in the District-Wide Financial Statements, increased by \$5,076,650, or 43.37%.
- The general fund total fund balance, as reflected in the Fund Financial Statements, increased by \$3,411,189, or 9.81%. This was due to revenues and other financing sources exceeding expenditures and other financing uses on the modified accrual basis of accounting.
- The District adopted GASB Statement No. 87, *Leases*, in July of 2021. See Note 21 to the financial statements for additional information.
- On May 17, 2022, the proposed 2022-23 budget in the amount of \$123,913,904 was authorized by the District’s residents.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

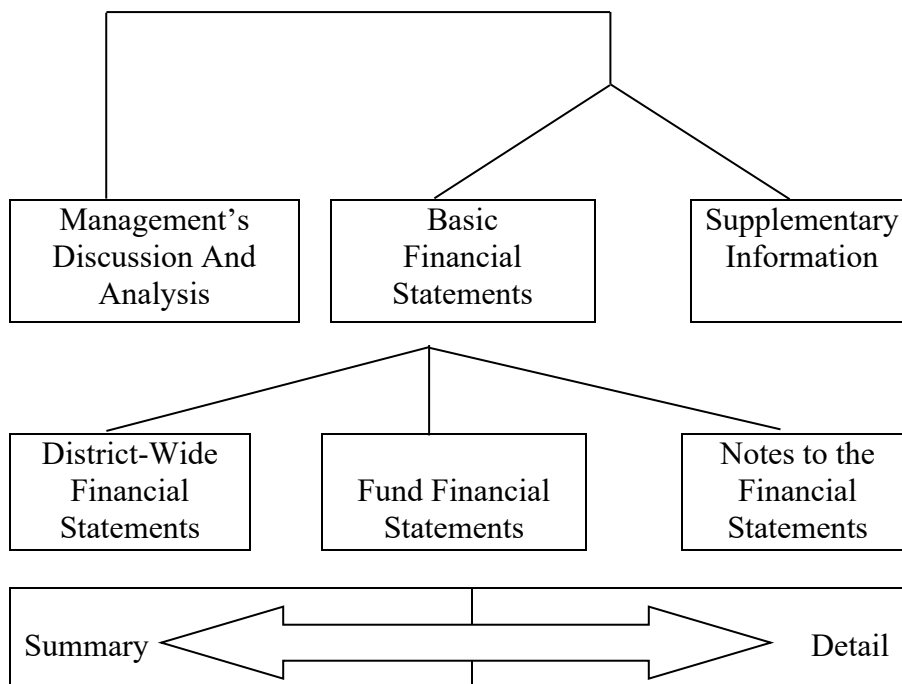
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations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

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MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

- 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 custodian for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. The 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



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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 property taxes collected on behalf of another local government
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
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 financial 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

**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



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 and intangible lease assets are reported as expenditures when financial resources (money) are expended to purchase, finance, or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. The principal and interest payments are both considered expenditures when paid. Depreciation and amortization are not calculated if they do not provide or reduce current financial resources. Finally, capital assets, intangible lease assets, and long-term debt are all accounted for in account groups and do not affect the fund balances.

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

- Capitalize current outlays for capital assets and intangible lease assets;
- Report long-term debt as a liability;
- Depreciate capital assets, amortize intangible lease assets, and allocate the depreciation and amortization to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
  - *Net investment in capital assets*;
  - *Restricted net position* 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, 2022**

**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 Financial 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, miscellaneous special revenue fund, capital projects fund, and debt service fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary fund:* The District is the trustee or *fiduciary* for assets that belong to others. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. This fund reports real property taxes and payments in lieu of taxes (PILOT) collected on behalf of other governments and disbursed to those governments.

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

**A) Net Position:**

Non-current assets and long-term liabilities for 2021 have been restated to reflect the implementation of GASB Statement No. 87, *Leases*. See Note 21 to the financial statements for further information.

	As Restated 2021	As Reported 2021	Increase (Decrease)
Non-current assets	\$62,739,019	\$62,342,368	\$396,651
Long-term liabilities	162,096,190	161,699,539	396,651

The District's total net deficit decreased by \$5,076,650 in the fiscal year ended June 30, 2022, as detailed in table below.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Condensed Statement of Net Position-Governmental Activities

	(As Restated)		Increase (Decrease)	Percentage Change
	Fiscal Year 2022	Fiscal Year 2021		
Current assets and other assets	\$63,152,361	\$50,050,244	\$13,102,117	26.18%
Non-current assets	62,977,600	62,739,019	238,581	0.38%
Net pension asset - proportionate share	49,896,261	-	49,896,261	N/A
Total Assets	<u>176,026,222</u>	<u>112,789,263</u>	<u>63,236,959</u>	56.07%
Deferred outflows of resources	66,185,559	69,438,505	(3,252,946)	(4.68%)
Total Assets and Deferred Outflows of Resources	<u>242,211,781</u>	<u>182,227,768</u>	<u>59,984,013</u>	32.92%
Other liabilities	22,740,731	10,064,412	12,676,319	125.95%
Long-term liabilities	133,071,362	162,096,190	(29,024,828)	(17.91%)
Total Liabilities	<u>155,812,093</u>	<u>172,160,602</u>	<u>(16,348,509)</u>	(9.50%)
Deferred inflows of resources	93,029,184	21,773,312	71,255,872	327.26%
Total Liabilities and Deferred Inflows of Resources	<u>248,841,277</u>	<u>193,933,914</u>	<u>54,907,363</u>	28.31%
Net position				
Net investment in capital assets	54,583,267	50,748,356	3,834,911	7.56%
Restricted	30,161,810	29,623,163	538,647	1.82%
Unrestricted deficit	(91,374,573)	(92,077,665)	703,092	0.76%
Total Net Position	<u>(\$6,629,496)</u>	<u>(\$11,706,146)</u>	<u>\$5,076,650</u>	(43.37%)

Current assets and other assets increased by \$13,102,117. This change is primarily due to increases in cash and cash equivalents, partially offset by a decrease in state aid federal aid receivable. Non-current assets increased by \$238,581 as a result of current year additions exceeding depreciation and amortization.

The District's net pension asset – proportionate share for pension systems increased by \$49,896,261 as a result of the actuarial valuations provided by the State.

The change in deferred outflows of resources represents amortization of the deferred charges on refunding, as discussed in Note 14, amortization of pension related items, as well as the change in the District's contributions to the plans subsequent to the measurement date, as discussed in Note 15, as well as the amortization of deferred outflows related to the total other post-employment benefits obligation, as discussed in Note 17.

Other liabilities increased by \$12,676,319. This is primarily attributable to an increases in bond anticipation note payable, accounts payable, due to other governments, due to teachers' retirement system, and collections in advance, offset by a decrease in accrued liabilities.

Long-term liabilities decreased by \$29,024,828 which was primarily attributable to decreases in the total other post-employment benefits obligation and net pension liabilities as actuarially determined,

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

and bonds payable due to repayment of principal. These decreases were partially offset by increases in compensated absences and claims payable.

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.

The net investment in capital assets, relates to the investment in capital assets at cost such as land, buildings & improvements, land improvements, furniture & equipment, and intangible lease asset net of depreciation, amortization, and related debt. The increase in net investment in capital assets of \$3,834,911 is primarily a result of reductions in related long-term debt and capital asset additions, partially offset by current year depreciation and amortization and the amortization of deferred charges on refunding.

The restricted net position in the amount of \$30,161,810 relates to the District's reserves and amounts restricted for the scholarships and donations and debt service.

The unrestricted net deficit of \$91,374,573 relates to the balance of the District's net position. The unrestricted net deficit decreased by \$703,092 from the prior year.

**B) Changes in Net Position:**

The results of operations as a whole are reported in the Statement of Activities. A summary of this Statement for the years ended June 30, 2022 and 2021 is as follows:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Fiscal Year 2022	Fiscal Year 2021	Increase/ (Decrease)	Total Percentage Change
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for services	\$700,170	\$702,583	(\$2,413)	(0.34%)
Operating grants and contributions	5,200,008	2,748,739	2,451,269	89.18%
Capital grants and contributions		847,740	(847,740)	N/A
<b>General Revenues</b>				
Real property taxes & STAR	90,195,541	88,878,835	1,316,706	1.48%
PILOT - Payment in Lieu of Taxes	7,827,175	6,964,704	862,471	12.38%
Use of money and property	738,538	746,413	(7,875)	(1.06%)
State sources	16,931,096	16,655,704	275,392	1.65%
Other	1,231,673	1,161,396	70,277	6.05%
Total Revenues	<u>122,824,201</u>	<u>118,706,114</u>	<u>4,118,087</u>	3.47%
<b>Expenses</b>				
General support	18,856,103	20,496,667	(1,640,564)	(8.00%)
Instruction	89,049,562	97,739,145	(8,689,583)	(8.89%)
Pupil transportation	8,006,286	7,101,573	904,713	12.74%
Community services	72,900	241	72,659	30149%
Debt service - interest	480,137	453,870	26,267	5.79%
Food service program	1,282,563	862,432	420,131	48.71%
Total Expenses	<u>117,747,551</u>	<u>126,653,928</u>	<u>(8,906,377)</u>	(7.03%)
Changes in Net Position	<u>\$5,076,650</u>	<u>(\$7,947,814)</u>	<u>\$13,024,464</u>	163.87%

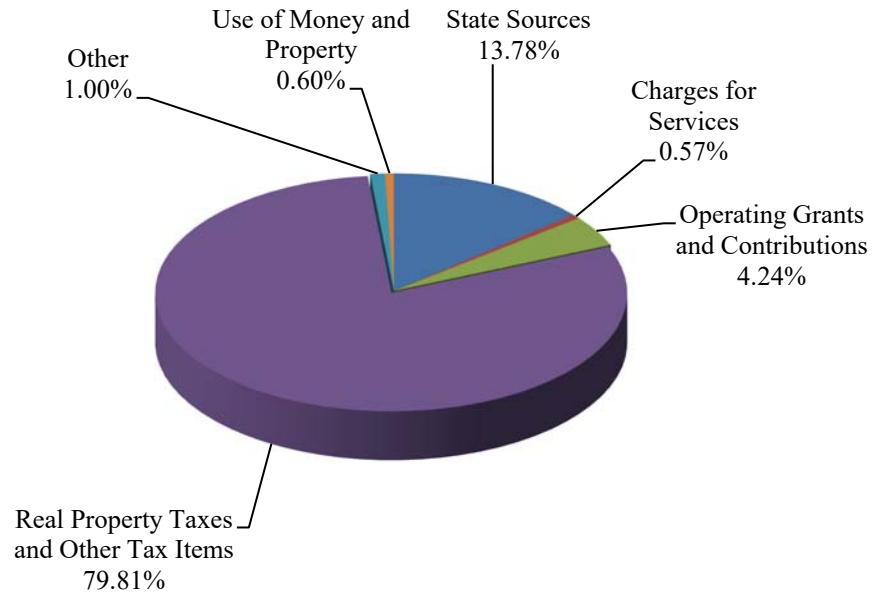
Information for 2021 was not restated because the information necessary was not readily available. The cumulative effect of applying the change in accounting principle is shown as an adjustment to beginning net position. See Note 21 for more information.

The District's fiscal year 2022 revenues totaled \$122,824,201. Real property taxes, STAR and PILOT, and state sources accounted for most of the District's revenue by contributing 79.81% and 13.78%, respectively of total revenues. The remaining revenue sources came from charges for services, operating grants and contributions, use of money and property, and other miscellaneous sources. Total revenues increased by \$4,118,087 or 3.47%. This was primarily attributable to an increase in real property taxes and STAR, PILOT, operating grants and contributions, and state sources.

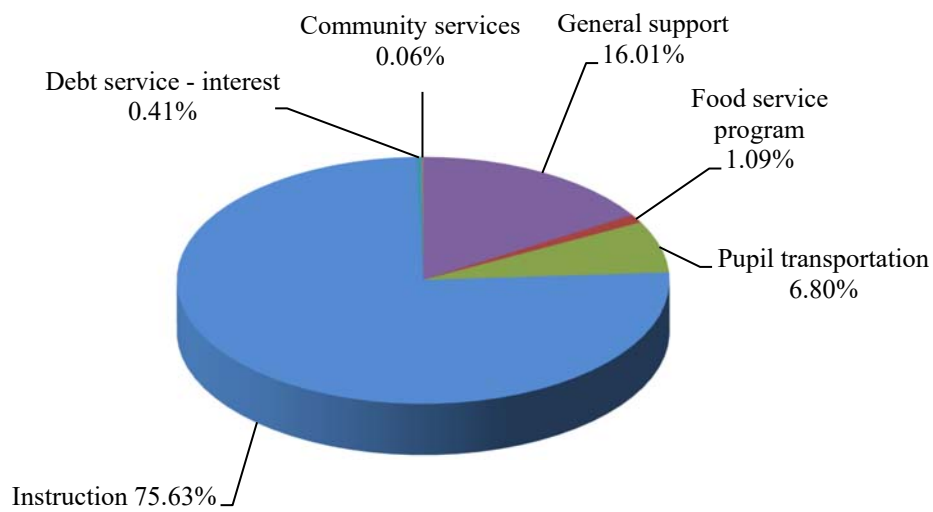
The cost of all programs and services totaled \$117,747,551 for fiscal year 2022. These expenses are predominantly related to instruction and transporting students, which account for 82.43% of the District's total expenses. The District's general support activities accounted for 16.01% of total costs. Total expenses decreased by \$8,906,377 or 7.03%. This was primarily attributable to a reduction in pension and OPEB expense, with the majority being allocated to instruction.

# HAUPPAUGE UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2022

## Revenues for Fiscal Year 2022



## Expenses for Fiscal Year 2022



**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**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.

At June 30, 2022, the District's governmental funds reported a combined fund balance of \$40,244,933, which is an increase of \$165,442 from the prior year.

A summary of the change in fund balance by fund is as follows:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	Fiscal Year 2022	Fiscal Year 2021	Increase (Decrease)	Total Percentage Change
<b>General Fund</b>				
Restricted for workers' compensation	\$1,090,829	\$1,090,257	\$572	0.05%
Restricted for insurance	1,437,826	437,598	1,000,228	228.57%
Restricted for repairs	412,601	412,386	215	0.05%
Restricted for unemployment insurance	172,729	172,639	90	0.05%
Restricted for retirement contributions - ERS	9,442,426	9,686,135	(243,709)	(2.52%)
Restricted for retirement contributions - TRS	2,857,359	1,866,248	991,111	53.11%
Restricted for employee benefit accrued liability	8,657,978	8,429,255	228,723	2.71%
Restricted for capital	5,022,817	3,654,402	1,368,415	37.45%
Assigned - general support	333,224	188,753	144,471	76.54%
Assigned - instruction	141,829	382,550	(240,721)	(62.93%)
Assigned - employee benefits	3,787		3,787	100.00%
year's expenditures	3,640,000	3,640,000	-	0.00%
Unassigned	4,956,556	4,798,549	158,007	3.29%
Total Fund Balance - General Fund	<u>\$38,169,961</u>	<u>\$34,758,772</u>	<u>\$3,411,189</u>	9.81%
<b>School Lunch Fund</b>				
Nonspendable: inventory	\$1,057	\$321	\$736	229.28%
Assigned - unappropriated	1,287,062	908,585	378,477	41.66%
Total Fund Balance - School Lunch Fund	<u>\$1,288,119</u>	<u>\$908,906</u>	<u>\$379,213</u>	41.72%
<b>Miscellaneous Special Revenue Fund</b>				
Restricted for scholarships and donations	\$1,600	\$1,800	(\$200)	(11.11%)
Assigned - extraclassroom activities	167,072	167,755	(683)	(0.41%)
Total miscellaneous special revenue fund	<u>\$168,672</u>	<u>\$169,555</u>	<u>(\$883)</u>	(0.52%)
<b>Capital Projects Fund</b>				
Restricted for capital projects	\$987,191	\$3,768,770	(\$2,781,579)	(73.81%)
Assigned - unappropriated	(447,464)	369,815	(817,279)	(221.00%)
Total Fund Balance - Capital Projects Fund	<u>\$539,727</u>	<u>\$4,138,585</u>	<u>(\$3,598,858)</u>	(86.96%)
<b>Debt Service Fund</b>				
Restricted for debt service	\$78,454	\$103,673	(\$25,219)	(24.33%)
Total Fund Balance - Debt Service Fund	<u>\$78,454</u>	<u>\$103,673</u>	<u>(\$25,219)</u>	(24.33%)
Total Fund Balance - All Funds	<u>\$40,244,933</u>	<u>\$40,079,491</u>	<u>\$165,442</u>	0.41%

**A) General Fund**

Fund balance in the general fund increased by \$3,411,189 as a result of revenues and other financing sources exceeding expenditures and other financing uses. Revenues and other financing sources increased \$3,088,547 or 2.68% compared to the prior year, primarily due to increases in real property



**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

taxes, PILOT, state sources, and an interfund transfer from the capital projects fund for unneeded appropriations on completed projects, partially offset by decreases in STAR and charges for services.

Expenditures and other financing uses increased by \$4,553,843 or 4.13% compared to the prior year, primarily due to an increase in expenditures for central services, teaching – regular school, programs for children with handicapping conditions, occupational education, pupil services, and pupil transportation, partially offset by decreases in instructional media and interfund transfers.

**B) School Lunch Fund**

Fund balance in the school lunch fund increased by \$379,213. This is attributable to greater state and federal reimbursements exceeding the cost of distributing free meals to all students of the District.

**C) Miscellaneous Special Revenue Fund**

Fund balance in the miscellaneous special revenue fund decreased by \$883. This decrease is due to the extraclassroom activities in addition to scholarships awarded exceeding scholarships and donations received.

**D) Capital Projects Fund**

Fund balance in the capital projects fund decreased by \$3,598,858. This decrease is due to capital outlay and transfers to general fund exceeding current year other financing sources.

**E) Debt Service Fund**

Fund balance in the debt service fund decreased by \$25,219. This decrease is primarily due to debt service payments exceeding interest earnings and an interfund transfer from the general fund.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A) 2021-2022 Budget:**

The District's general fund adopted budget for the year ended June 30, 2022 was \$119,963,719. This amount was increased by encumbrances carried forward from the prior year in the amount of \$571,303 and budget revisions in the amount of \$9,915, which resulted in a final budget of \$120,544,937. The majority of the funding was property taxes and STAR revenue of \$90,093,376.

**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  
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Opening, unassigned fund balance	\$4,798,549
Revenues and other financing sources over budget	2,871,518
Expenditures, other financing uses, and encumbrances under budget	5,172,134
Funding to reserves	(4,067,104)
Unused appropriated reserves	(164,169)
Interest allocated to reserves	(14,372)
Assigned for June 30, 2023 budget	(3,640,000)
Closing, unassigned fund balance	<u>\$4,956,556</u>

The \$4,798,549 represents the portion of the District's June 30, 2021 fund balance that was retained as unassigned fund balance.

The revenues over budget of \$2,871,518 were primarily in miscellaneous revenues, PILOT – payment in lieu of taxes, sale of property and compensation for loss, and state sources (see Supplemental Schedule #1 for further detail).

The expenditures and encumbrances under budget of \$5,172,134 represent savings across the budget but were primarily in central services, instruction, and employee benefits (see Supplemental Schedule #1 for further detail).

The District funded the reserves in the amount of \$4,067,104 as follows: \$989,902 to the TRS retirement contribution reserve, \$709,814 to the employee benefits accrued liability reserve, \$1,000,000 to the liability insurance reserve, and \$1,367,388 to the capital reserve II.

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, of which only \$735,831 was utilized. As such, this resulted in \$164,169 of unused appropriated reserves, which were returned to the respective reserves.

Interest of \$14,372 was allocated to reserves as follows: \$572 to the workers' compensation reserve, \$228 to the insurance reserve, \$215 to the repair reserve, \$90 to the unemployment insurance reserve, \$6,291 to the ERS retirement contribution reserve, \$1,209 to the TRS retirement contribution reserve, \$4,741 to the employee benefit accrued liability reserve, and \$1,026 to the capital reserves.

The assigned, appropriated fund balance of \$3,640,000 for the June 30, 2023 budget is the amount the District has chosen to use to partially fund its operating budget for the 2022-2023 fiscal year.

The closing, unassigned fund balance of \$4,956,556 represents the fund balance retained by the District that is not appropriated for subsequent years taxes.

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

**A) Capital Assets and Intangible Lease Assets:**

The District paid for equipment and various building additions and renovations during the fiscal year 2022. A summary of the District's net capital assets, is as follows:

Category	Fiscal Year 2022	As Restated Fiscal Year 2021	Increase (Decrease)	Percentage Change
Land	\$1,869,776	\$1,869,776	\$ -	0.00%
Construction in progress	3,151,366	773,409	2,377,957	307.46%
Buildings & building improvements	98,341,450	98,341,450	-	0.00%
Land improvement	1,795,651	1,790,401	5,250	0.29%
Furniture & equipment	5,647,966	5,412,352	235,614	4.35%
Vehicles	1,330,215	1,377,151	(46,936)	(3.41%)
Subtotal	112,136,424	109,564,539	2,571,885	2.35%
Less: Accumulated Depreciation	49,396,921	47,222,171	2,174,750	4.61%
Total Net Capital Assets, Net	\$62,739,503	\$62,342,368	\$397,135	0.64%
Intangible Lease Assets, Net	\$238,097	\$396,651	(\$158,554)	(39.97%)

Depreciation expense was \$2,246,482 and amortization expense was \$158,554 for fiscal year ended June 30, 2022. See Note 10 to the financial statements for additional detail.

**B) Long-Term Debt:**

At June 30, 2022, the District had total bonds payable (inclusive of unamortized premiums) of \$8,316,921, lease liability of \$242,326, and installment purchase debt payable of \$61,689. The decrease in outstanding debt represents principal payments made and amortization of bond premiums. A summary of the outstanding debt at June 30, 2022 and 2021 is as follows:

	2022	As Restated 2021	Increase (Decrease)
Serial bonds (inclusive of unamortized premiums)	\$8,316,921	\$11,823,797	(\$3,506,876)
Lease liability	242,326	396,651	(154,325)
Installment purchase debt	61,689	90,829	(29,140)
Total	\$8,620,936	\$12,311,277	(\$3,690,341)

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**7. FACTORS BEARING ON THE DISTRICT’S FUTURE**

- The general fund budget for the 2022-23 school year in the amount of \$123,913,904 was approved by voters. This is an increase of \$3,950,185 or 3.29% over the previous year’s budget.
- The federal government has passed several laws in the past year to address the economic and health consequences of the COVID-19 pandemic, including the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act and the American Rescue Plan (ARP) Act. The District expects to receive non-recurring revenues to be used to fund expenditures that meet the requirements set forth by the U.S. Department of Education.
- The District issued \$29,000,000 in tax anticipation notes on September 13, 2022, maturing June 28, 2023 for the following:

Amount	Rate	Premium	Effective Net Interest Cost
\$29,000,000	4.00%	\$286,810	2.75070%

**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. Brigid Siena  
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, 2022**

<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	
Unrestricted	\$25,712,665
Restricted	30,161,810
Receivables	
State and federal aid	4,289,193
Due from other governments	2,984,375
Accounts receivable	3,261
Inventories	1,057
Non-current assets	
Capital assets	
Capital assets not being depreciated	5,021,142
Capital assets being depreciated, net of accumulated depreciation	57,718,361
Intangible lease asset, net of accumulated amortization	238,097
Net pension asset - proportionate share - employees' retirement system	2,179,564
Net pension asset - proportionate share - teachers' retirement system	47,716,697
<b>TOTAL ASSETS</b>	<u>176,026,222</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charges on refundings	226,603
Pensions	32,154,571
Other post-employment benefits obligation	33,804,385
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>66,185,559</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>242,211,781</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	4,525,798
Accrued liabilities	587,312
Accrued interest payable	173,594
Due to other governments	2,711,932
Due to fiduciary fund	1,702
Due to teachers' retirement system	4,999,988
Due to employees' retirement system	360,304
Compensated absences payable	543,942
Security deposits	66,630
Notes Payable	
Bond anticipation note payable	8,500,000
Unearned credits	
Collections in advance	269,529
Long-term liabilities	
Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	2,451,768
Lease liability	141,718
Installment purchase debt payable	30,261
Compensated absences payable	703,592
Due and payable after one year	
Bonds payable (inclusive of unamortized premiums)	5,865,153
Lease liability	100,608
Installment purchase debt payable	31,428
Compensated absences payable	20,245,186
Claims payable	3,173,386
Total other post-employment benefits obligation	100,328,262
<b>TOTAL LIABILITIES</b>	<u>155,812,093</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions	60,730,657
Other post-employment benefits obligation	32,298,527
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>93,029,184</u>
<b>NET POSITION</b>	
Net investment in capital assets	<u>54,583,267</u>
Restricted:	
Workers' compensation	1,090,829
Insurance	1,437,826
Repair	412,601
Unemployment insurance	172,729
Retirement contribution - ERS	9,442,426
Retirement contribution - TRS	2,857,359
Employee benefit accrued liability	8,657,978
Capital projects	6,010,008
Debt service	78,454
Scholarships & donations	1,600
	<u>30,161,810</u>
Unrestricted (deficit)	<u>(91,374,573)</u>
<b>TOTAL NET POSITION (DEFICIT)</b>	<u><u>(\$6,629,496)</u></u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<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 and Contributions</u>	
<b>FUNCTIONS / PROGRAMS</b>				
General support	(\$18,856,103)			(\$18,856,103)
Instruction	(89,049,562)	\$586,647	\$3,366,091	(85,096,824)
Pupil transportation	(8,006,286)		307,092	(7,699,194)
Community services	(72,900)			(72,900)
Debt service - interest	(480,137)			(480,137)
Food service program	(1,282,563)	113,523	1,526,825	357,785
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<u>(\$117,747,551)</u>	<u>\$700,170</u>	<u>\$5,200,008</u>	<u>(111,847,373)</u>
 <b>GENERAL REVENUES</b>				
Real property taxes				86,742,432
STAR reimbursement				3,453,109
PILOT - payment in lieu of taxes				7,827,175
Use of money and property				738,538
Sale of property and compensation for loss				260,627
Miscellaneous				892,340
State sources				16,931,096
Medicaid reimbursement				78,706
<b>TOTAL GENERAL REVENUES</b>				<u>116,924,023</u>
 <b>CHANGE IN NET POSITION</b>				5,076,650
 <b>TOTAL NET POSITION - BEGINNING OF YEAR</b>				<u>(11,706,146)</u>
 <b>TOTAL NET POSITION - END OF YEAR</b>				<u>(\$6,629,496)</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Miscellaneous Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Cash and cash equivalents							
Unrestricted	\$15,505,551	\$1	\$1,199,452	\$167,072	\$8,840,589		\$25,712,665
Restricted	29,094,565			1,600	987,446	\$78,199	30,161,810
Receivables							
State and federal aid	1,815,195	2,185,864	288,134				4,289,193
Due from other governments	2,984,375						2,984,375
Due from other funds	1,693,056					255	1,693,311
Accounts receivable	3,261						3,261
Inventories			1,057				1,057
<b>TOTAL ASSETS</b>	<u>\$51,096,003</u>	<u>\$2,185,865</u>	<u>\$1,488,643</u>	<u>\$168,672</u>	<u>\$9,828,035</u>	<u>\$78,454</u>	<u>\$64,845,672</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Payables							
Accounts payable	\$3,332,714	\$322,619	\$82,555		\$787,910		\$4,525,798
Accrued liabilities	587,312						587,312
Due to other governments	2,655,376	56,475	81				2,711,932
Due to other funds	1,702	1,692,567	346		398		1,695,013
Due to teachers' retirement system	4,999,988						4,999,988
Due to employees' retirement system	360,304						360,304
Compensated absences	543,942						543,942
Security deposits	66,630						66,630
Notes payable							
Bond anticipation note payable					8,500,000		8,500,000
Unearned credits							
Collections in advance	37,783	114,204	117,542				269,529
<b>TOTAL LIABILITIES</b>	<u>12,585,751</u>	<u>2,185,865</u>	<u>200,524</u>	<u>-</u>	<u>9,288,308</u>	<u>-</u>	<u>24,260,448</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
State aid, Federal aid, and PILOT	99,613						99,613
BAN premium	91,715						91,715
Tuition - parentally placed	148,963						148,963
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>340,291</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,291</u>
<b>FUND BALANCES</b>							
Non-spendable: inventory			1,057				1,057
Restricted:							
Workers' compensation	1,090,829						1,090,829
Insurance	1,437,826						1,437,826
Repair	412,601						412,601
Unemployment insurance	172,729						172,729
Retirement contribution - ERS	9,442,426						9,442,426
Retirement contribution - TRS	2,857,359						2,857,359
Employee benefit accrued liability	8,657,978						8,657,978
Capital projects	5,022,817				987,191		6,010,008
Debt service						\$78,454	78,454
Scholarships & donations				\$1,600			1,600
Assigned:							
Appropriated	3,640,000						3,640,000
Unappropriated	478,840		1,287,062	167,072			1,932,974
Unassigned	4,956,556				(447,464)		4,509,092
<b>TOTAL FUND BALANCES</b>	<u>38,169,961</u>	<u>-</u>	<u>1,288,119</u>	<u>168,672</u>	<u>539,727</u>	<u>78,454</u>	<u>40,244,933</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$51,096,003</u>	<u>\$2,185,865</u>	<u>\$1,488,643</u>	<u>\$168,672</u>	<u>\$9,828,035</u>	<u>\$78,454</u>	<u>\$64,845,672</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2022**

Total Governmental Fund Balances	\$40,244,933	
Amounts reported for governmental activities in the Statement of Net Position are different because:		
<p>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.</p>		
Original cost of capital assets	\$112,136,424	
Accumulated depreciation	<u>(49,396,921)</u>	62,739,503
<p>The present value cost of leasing capital assets (buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include those leased capital assets among the assets of the district as a whole, and their original present value costs are expensed annually over the shorter of their useful lives or the length of the lease agreements.</p>		
Original present value cost of leased assets	\$396,651	
Accumulated amortization	<u>(158,554)</u>	238,097
<p>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 and employees' retirement systems were as follows:</p>		
Net pension asset - proportionate share - ERS	\$2,179,564	
Net pension asset - proportionate share - TRS	<u>47,716,697</u>	49,896,261
<p>The Statement of Net Position will amortize deferred charges from bond refundings received over the life of the bond. Governmental funds record the deferred charges in the year of issuance. The balance on deferred charges from refundings at June 30, 2022 was:</p>		
		226,603
<p>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:</p>		
Employees' retirement system	\$4,996,573	
Teachers' retirement system	27,157,998	
Other post-employment benefits obligation	<u>33,804,385</u>	65,958,956
<p>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:</p>		
Accrued interest payable		(173,594)
<p>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.</p>		
		340,291
<p>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:</p>		
Employees' retirement system	(\$7,566,594)	
Teachers' retirement system	(53,164,063)	
Other post-employment benefits obligation	<u>(32,298,527)</u>	(93,029,184)
<p>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:</p>		
Bonds payable (inclusive of unamortized premiums)	(\$8,316,921)	
Lease liability	(242,326)	
Installment purchase debt payable	(61,689)	
Compensated absences payable	(20,948,778)	
Claims payable	(3,173,386)	
Total other post-employment benefits obligation	<u>(100,328,262)</u>	<u>(133,071,362)</u>
Total Net Position		<u>(\$6,629,496)</u>



**HAUPPAUGE UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>General</u>	<u>Special Aid</u>	<u>School Lunch</u>	<u>Miscellaneous Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Real property taxes	\$86,742,432						\$86,742,432
STAR reimbursement	3,453,109						3,453,109
PILOT - Payment in Lieu of Taxes	7,827,175						7,827,175
Charges for services	204,351			\$382,296			586,647
Use of money and property	738,067		\$132	57		\$282	738,538
Sale of property and compensation for loss	260,627						260,627
Miscellaneous	891,922		418	8,500			900,840
State sources	16,741,375	\$961,786	24,927				17,728,088
Federal sources	78,706	2,702,897	1,408,620				4,190,223
Surplus food			93,278				93,278
Sales			113,523				113,523
<b>TOTAL REVENUES</b>	<u>116,937,764</u>	<u>3,664,683</u>	<u>1,640,898</u>	<u>390,853</u>	<u>-</u>	<u>282</u>	<u>122,634,480</u>
<b>EXPENDITURES</b>							
General support	14,740,065						14,740,065
Instruction	62,224,808	3,643,380		391,736			66,259,924
Pupil transportation	7,469,079	307,092					7,776,171
Community service	52,130						52,130
Employee benefits	25,854,004						25,854,004
Debt service- principal	154,325					3,214,140	3,368,465
Debt service - interest	316,765					461,872	778,637
Cost of sales			1,261,685				1,261,685
Capital outlay					\$2,377,957		2,377,957
<b>TOTAL EXPENDITURES</b>	<u>110,811,176</u>	<u>3,950,472</u>	<u>1,261,685</u>	<u>391,736</u>	<u>2,377,957</u>	<u>3,676,012</u>	<u>122,469,038</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>6,126,588</u>	<u>(285,789)</u>	<u>379,213</u>	<u>(883)</u>	<u>(2,377,957)</u>	<u>(3,675,730)</u>	<u>165,442</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Operating transfers in	1,367,388	285,789			146,487	3,650,511	5,450,175
Operating transfers (out)	(4,082,787)				(1,367,388)		(5,450,175)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<u>(2,715,399)</u>	<u>285,789</u>	<u>-</u>	<u>-</u>	<u>(1,220,901)</u>	<u>3,650,511</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	3,411,189	-	379,213	(883)	(3,598,858)	(25,219)	165,442
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>34,758,772</u>	<u>-</u>	<u>908,906</u>	<u>169,555</u>	<u>4,138,585</u>	<u>103,673</u>	<u>40,079,491</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$38,169,961</u>	<u>\$ -</u>	<u>\$1,288,119</u>	<u>\$168,672</u>	<u>\$539,727</u>	<u>\$78,454</u>	<u>\$40,244,933</u>

**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, 2022**

Net Change in Fund Balances		\$165,442
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.		189,721
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, 2021 to June 30, 2022 changed by:		(888,877)
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, 2021 to June 30, 2022 changed by:		(387,109)
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.		(6,538,143)
Non-Current Asset 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	\$2,643,617
	Depreciation expense and loss on disposals	<u>(2,246,482)</u>
		397,135
Capital outlays related to leasing capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual amortization expense in the Statement of Activities.		
	Intangible lease capital outlays	\$ -
	Amortization expense	<u>(\$158,554)</u>
		(158,554)
Long-Term Debt Differences		
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		3,185,000
Repayment of lease obligations principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		154,325
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.		29,140
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, 2021 to June 30, 2022 changed by:		70,635
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.		227,865
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	\$7,529,975
	Employees' retirement system	<u>1,100,095</u>
		<u>8,630,070</u>
Change in Net Position		<u>\$5,076,650</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2022**

	<b>Custodial</b>
<b>ASSETS</b>	
Due from governmental funds	\$1,702
<b>TOTAL ASSETS</b>	<b>\$1,702</b>
<b>LIABILITIES</b>	
Due to other governments - Public Library	\$1,702
<b>TOTAL LIABILITIES</b>	<b>1,702</b>
<b>NET POSITION</b>	
Restricted	-
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$1,702</b>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<b>Custodial</b>
<b>ADDITIONS</b>	
Real property taxes collected for other governments - Public Library	\$ 2,690,355
PILOT collected for other governments - Public Library	136,252
<b>TOTAL ADDITIONS</b>	<b>2,826,607</b>
<b>DEDUCTIONS</b>	
Real property taxes disbursed to other governments - Public Library	\$ 2,690,355
PILOT disbursed to other governments - Public Library	136,252
<b>TOTAL DEDUCTIONS</b>	<b>2,826,607</b>
<b>CHANGE IN NET POSITION</b>	-
<b>NET POSITION - BEGINNING OF YEAR</b>	-
<b>NET POSITION - ENDING OF YEAR</b>	<b>\$ -</b>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**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 (the “Board”) consisting of seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for and controls all activities related to public school education within the District. The Board has authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

**B) Joint venture:**

The District is a component district in the 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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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:**

District-Wide Financial Statements

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

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

Fund Financial Statements

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

**Miscellaneous Special Revenue Fund:** This fund is used to account for assets held by the District in accordance with grantor or contributor stipulations. Other activities included in this fund are extraclassroom activities.

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

**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 custodian for resources that belong to others. These activities are not included in the District-Wide Financial Statements because their resources do not belong to the District and are not available to be used. The District's fiduciary fund includes the custodial fund. This fund is custodial in nature and is used to account for real property taxes and payments in lieu of taxes (PILOT) collected on behalf of other governments and disbursed to other governments.

**D) Measurement focus and basis of accounting:**

The District-Wide and Fiduciary Fund Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include 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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are 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, leases, 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:**

Calendar

Real property taxes are levied annually by the Board 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 respective Town Comptrollers until their respective tax levies are satisfied in accordance with the Suffolk County Tax Act.

Enforcement:

Uncollected real property taxes are subsequently enforced by 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 flows. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers



**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

of funds include the transfer of expenditures and revenues to provide financing or other services.

In the District-Wide Financial Statements, eliminations have been made for all interfund receivables and payables between the funds, 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 and deferred outflows, liabilities and deferred inflows, and disclosure of contingent items at the date of the financial statements, and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, workers' compensation claims, potential contingent liabilities, other post-employment benefits, net pension asset/liability, lease liability, and useful lives of capital assets and intangible lease 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:**

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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

**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:

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

**M) Intangible lease assets:**

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

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

**N) 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 rent, drivers' education fees, and retirees prepaid health insurance premiums in the general fund, grant advances in the special aid fund, and grant advances and meals that have not yet been purchased in the school lunch fund. See Note 8 for further detail.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

**O) Deferred outflows and inflows of resources:**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category at June 30, 2022, which are amounts related to deferred charges on bond refundings, pensions and other post-employment benefits obligation, which are reported in the District-Wide Statement of Net Position, and are detailed further in Notes 14, 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 reported deferred inflows of resources related to pensions and OPEB reported in the District-Wide Statement of Net Position, and are detailed further in Notes 15 and 17.

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, \$340,291 for state aid, billings to other districts, and PILOT due from Suffolk County that will not be available in the current period has been reported as a deferred inflows of resources. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

**P) 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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

**Q) Other benefits:**

District employees participate in the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS).

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 recognized on the accrual basis of accounting in accordance with GASB Statement No. 75 (GASB 75), *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**R) 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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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 \$28,000,000 TAN in the fiscal year ended June 30, 2022. In addition, the District issued a, \$8,500,000 BAN on June 15, 2022 to be matured on June 15, 2023. See Note 12 for further detail.

**S) Accrued liabilities and long-term obligations:**

Payables, accrued liabilities, and long-term liabilities 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, net pension liability, other post-employment benefits obligation, compensated absences, and lease liability that will be paid from governmental funds are reported as liabilities in the Fund Financial Statements only to the extent that they are due for payment in the current year. Bonds and other long-term liabilities that will be paid from governmental funds are recognized as a liability in the Fund Financial Statements when due.

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

**T) Equity classifications:**

District-Wide Financial Statements:

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

Net investment in capital assets - consists of net capital assets and intangible lease assets (cost less accumulated depreciation and amortization) 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, and/or 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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

Fund 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:

**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 \$1,057.

**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.

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.

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, without voter approval, may establish a repair reserve fund by a majority vote of its members. Voter

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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.

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.

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 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.

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.

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

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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 and capital projects fund.

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.

Restricted for Scholarships and Donations

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

**Committed fund balance** – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District’s highest level of decision-making authority, (the Board). The District has no committed fund balances as of June 30, 2022.

**Assigned fund balance** – Includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. This intent can be expressed by the Board or through the Board delegating this responsibility to the District management through Board policies.

**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 expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or Board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall



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be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

**U) New accounting pronouncements:**

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2022. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources. The District has adopted and implemented GASB Statement No. 87, *Leases*, in 2022. See Note 21 for further consideration.

**V) Future accounting pronouncements:**

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, defines a subscription-based technology arrangement as a contract that conveys control of the right to use a vendor's software, alone or in combination with tangible capital assets requiring governments to recognize a right-to-use subscription asset and a corresponding subscription liability. The requirements of this Statement are effective for periods beginning after June 15, 2022.

This is the statement that the District feels may have an impact on these financial statements and is not an all-inclusive list of GASB statements issued. The District will evaluate the impact this pronouncement 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.

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

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

Long-term revenue and expense differences:

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

Capital related differences:

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

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.

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 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.

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Appropriations are adopted at the program line item level.

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

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 and Cash Equivalents:**

New York State law governs the District's investment policies. Resources must be deposited in Federal Deposit Insurance Company (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of

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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 of New York 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.

Restricted cash and cash equivalents:

Restricted cash and cash equivalents represent 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 and cash equivalents at June 30, 2022 included \$30,161,810 within the governmental funds for general and capital reserves, scholarships and donations, and debt service.

**B) Investments:**

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

**NOTE 5 – PARTICIPATION IN BOCES:**

During the year ended June 30, 2022, the District was billed \$7,298,759 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,393,941. Financial statements for the Eastern Suffolk BOCES are available from the Eastern Suffolk BOCES administrative office at 201 Sunrise Highway, Patchogue, NY 11772.

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**NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:**

State and federal aid receivables at June 30, 2022 consisted of the following:

General Fund	
Basic aid	\$27,234
Prior year basic aid	16,639
Excess cost aid	292,941
Prior year excess cost aid	82,974
BOCES aid	1,393,941
OMRDD tuition	1,466
Total - General Fund	1,815,195
Special Aid Fund	
Federal aid	1,221,584
State/local aid	964,280
Total - Special Aid Fund	2,185,864
School Lunch Fund	
Federal lunch	280,887
State lunch	7,247
Total - School Lunch Fund	288,134
Total - All Funds	\$4,289,193

The general fund state and federal aid receivable includes \$99,613 of unavailable revenues which is 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 in the general fund at June 30, 2022 consisted of the following:

General Fund	
Suffolk County IDA - PILOT	\$508,224
Town of Smithtown IDA - PILOT	2,271,839
Town of Islip IDA - PILOT	29,373
Tuition or health services - other districts	158,410
Miscellaneous	16,529
Total - Due from Other Governments	\$2,984,375

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The due from other governments in the general fund includes \$148,963 of unavailable revenues due from other districts for parentally placed tuition, 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, 2022 consisted of the following:

General Fund	
Rent collected in advanced	\$24,594
Driver's education fees	5,740
Retiree health insurance premiums	7,449
Total - General Fund	37,783
Special Aid Fund	
Federal grants	114,204
School Lunch Fund	
Supply chain assistance grant	70,397
Student prepaid meals	47,145
Total - School Lunch Fund	117,542
Total - Collections in Advance	\$269,529

**NOTE 9 – DEFERRED INFLOWS OF RESOURCES - GENERAL FUND:**

Deferred inflows of resources in the general fund at June 30, 2022 consisted of the following:

General Fund	
Basic state aid - prior years	\$16,639
Excess cost aid - prior years	82,974
Tuition - parentally placed	148,963
BAN proceeds	91,715
Total - General fund	\$ 340,291

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**NOTE 10 - CAPITAL ASSETS:**

**A) Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$1,869,776			\$1,869,776
Construction in progress	773,409	\$2,377,957		3,151,366
Total capital assets not being depreciated	<u>2,643,185</u>	<u>2,377,957</u>	<u>-</u>	<u>5,021,142</u>
Capital assets that are being depreciated:				
Building and building improvements	98,341,450			98,341,450
Land improvements	1,790,401	5,250		1,795,651
Furniture and equipment	5,412,352	260,410	(24,796)	5,647,966
Vehicles	1,377,151		(46,936)	1,330,215
Total capital assets being depreciated	<u>106,921,354</u>	<u>265,660</u>	<u>(71,732)</u>	<u>107,115,282</u>
Less accumulated depreciation:				
Building and building improvements	41,205,349	1,740,136		42,945,485
Land improvements	1,767,948	1,410		1,769,358
Furniture and equipment	3,160,761	422,774	(24,796)	3,558,739
Vehicles	1,088,113	82,162	(46,936)	1,123,339
Total accumulated depreciation	<u>47,222,171</u>	<u>2,246,482</u>	<u>(71,732)</u>	<u>49,396,921</u>
Total capital assets being depreciated, net	<u>59,699,183</u>	<u>(1,980,822)</u>	<u>-</u>	<u>57,718,361</u>
Capital assets, net	<u>\$62,342,368</u>	<u>\$397,135</u>	<u>\$ -</u>	<u>\$62,739,503</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$1,132,031
Instruction	1,011,138
Transportation	82,435
Food service program	20,878
	<u>\$2,246,482</u>

**B) Intangible Lease Assets**

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In 2022, the District adopted and implemented the provisions of GASB Statement No. 87, *Leases*. As such, the District recognized a lease liability obligation and an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various copiers and other equipment items with implicit interest rates ranging from 2.05% to 3.13%.

The following schedule summarizes the district's intangible lease asset activity for the fiscal year ended June 30, 2022:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Intangible lease assets				
Furniture & equipment	\$ 396,651		\$ -	\$ 396,651
Total intangible lease assets being amortized	<u>396,651</u>	<u>-</u>	<u>-</u>	<u>396,651</u>
Less accumulated amortization:				
Furniture & equipment	-	158,554	-	158,554
Total accumulated amortization	<u>-</u>	<u>158,554</u>	<u>-</u>	<u>158,554</u>
Total intangible lease assets, net	<u>\$ 396,651</u>	<u>\$ (158,554)</u>	<u>\$ -</u>	<u>\$ 238,097</u>

Amortization expense was charged to governmental functions as follows:

General support	<u>\$ 158,554</u>
	<u>\$ 158,554</u>

**NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**



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	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$1,693,056	\$1,702	\$1,367,388	\$4,082,787
Special Aid Fund		1,692,567	285,789	
School Lunch		346		
Capital Projects Fund		398	146,487	1,367,388
Debt Service Fund	255		3,650,511	
Total governmental activities	1,693,311	1,695,013	5,450,175	5,450,175
Fiduciary - Custodial Fund	1,702			
Totals	<u>\$1,695,013</u>	<u>\$1,695,013</u>	<u>\$5,450,175</u>	<u>\$5,450,175</u>

The District typically transfers from the general fund to the special aid fund to fund the District's local share of the summer program for students with disabilities and to fund the District's local share of the State Supported Section 4201 schools. The District transferred from the general fund to the capital projects fund to finance capital construction projects. The District transferred from the capital projects fund to the general fund to return unused funds on completed projects. The District also transferred \$3,650,511 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:**

The District issued two short term notes during fiscal year June 30, 2022. On September 29, 2021, the District issued tax anticipation notes in the amount of \$28,000,000. This debt was issued for interim financing of general fund operations. On June 15, 2022, the District issued bond anticipation notes in the amount of \$8,500,000. This debt was issued for interim financing of ongoing capital projects. Transactions on short-term debt for the year are summarized below:

Type	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance at June 30, 2022
TAN	6/24/22	1.50%	\$ -	\$ 28,000,000	\$ (28,000,000)	\$ -
BAN	6/15/23	3.00%	-	8,500,000		8,500,000
		Total	<u>\$ -</u>	<u>\$ 36,500,000</u>	<u>\$ (28,000,000)</u>	<u>\$ 8,500,000</u>

Interest on short-term debt for the year was \$309,167.

**NOTE 13 – LONG-TERM LIABILITIES:**

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Long-term liability balances and activity for the year ended June 30, 2022 are summarized below:

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Bonds payable	\$10,760,000		(\$3,185,000)	\$7,575,000	\$2,155,000
Add: Premiums on obligations	1,063,797		(321,876)	741,921	296,768
Total Bonds payable	<u>11,823,797</u>	<u>-</u>	<u>(3,506,876)</u>	<u>8,316,921</u>	<u>2,451,768</u>
Other long-term liabilities:					
Lease liability*	396,651		(154,325)	242,326	141,718
Installment purchase debt payable	90,829		(29,140)	61,689	30,261
Compensated absences payable	20,059,901	1,374,709	(485,832)	20,948,778	703,592
Claims payable	2,786,277	1,368,903	(981,794)	3,173,386	
Total other post-employment benefits obligation	119,227,928	8,809,302	(27,708,968)	100,328,262	
Net pension liability-proportionate share:					
Teachers' retirement system	7,684,467		(7,684,467)	-	
Employees' retirement system	26,340		(26,340)	-	
Total long-term liabilities	<u>\$162,096,190</u>	<u>11,552,914</u>	<u>(\$40,577,742)</u>	<u>\$133,071,362</u>	<u>\$3,327,339</u>

\*Beginning balance as restated. See Note 21 for further details.

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

**A) Bonds Payable**

Existing serial bond obligations are comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Refunding bond - 2017	12/29/2017	7/15/2025	5.00%	<u>\$ 7,575,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
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
	<u>\$7,575,000</u>	<u>\$659,375</u>	<u>\$8,234,375</u>

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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) Lease Liability**

In 2022, the District adopted and implemented the provisions of GASB Statement No. 87, *Leases*. As such, the District recognized a lease liability obligation and an intangible lease asset for agreements whereby the District obtains the right to the present service capacity of an underlying asset and the right to determine the nature and manner of an underlying asset's use for a period of one year or greater. The District has entered into such lease agreements for various copiers and other equipment items with implicit interest rates ranging from 2.05% to 3.13%.

Principal and interest expense paid on the District's lease liability amounted to \$154,325 and \$7,598, respectively, for the fiscal year ended June 30, 2022.

The following is a summary of the principal and interest requirements to maturity for the District's leases:

Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$ 141,718	\$ 5,205	\$ 146,923
2024	100,608	1,766	102,374
	\$ 242,326	\$ 6,971	\$ 249,297

**C) Installment Purchase Debt Payable**

Installment purchase debt payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2022
Wheel Loader	11/19/2019	11/30/2024	3.85%	\$61,689

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

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Fiscal Year Ended June 30,	Principal	Interest	Total
2023	\$30,261	\$2,375	\$32,636
2024	31,428	1,210	32,638
	<u>\$61,689</u>	<u>\$3,585</u>	<u>\$65,274</u>

Principal and interest expense for installment purchase debt for the fiscal year ended June 30, 2022 was \$29,140 and \$3,497, respectively.

**D) Long-Term Interest**

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

	<u>Total</u>
Interest paid	\$469,469
Less interest accrued in the prior year	(244,228)
Plus interest accrued in the current year	173,594
Less amortization of deferred premiums	(321,876)
Plus amortization on deferred charges on refundings	94,011
Total expense	<u>\$170,970</u>

**NOTE 14 – DEFERRED OUTFLOWS OF RESOURCES – DEFERRED CHARGES:**

The deferred charges on refundings recorded in the District-Wide Financial Statements as deferred outflows of resources at June 30, 2022 consisted of the following:

	<u>2011</u>	<u>2017</u>	<u>Total</u>
Total deferred charges on refundings	\$202,222	\$634,487	\$836,709
Accumulated amortization	(202,222)	(407,884)	(610,106)
Balance of deferred charges on refundings	<u>\$ -</u>	<u>\$226,603</u>	<u>\$226,603</u>

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

**NOTE 15 – PENSION PLANS:**

**A) Plan Description and Benefits Provided:**

i) Teachers' Retirement System (TRS)

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The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at [www.nystrs.org](http://www.nystrs.org).

ii) Employees' Retirement System

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

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

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31<sup>st</sup>. The District's average contribution rate for ERS' fiscal year ended March 31, 2022 for covered payroll was 22.9% for Tier 2, 18.1% for Tiers 3 & 4, 15.1% for Tier 5, and 10.6% for Tier 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, 2022 was 9.8% of covered payroll.

The District's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years based on covered payroll for the District's year end were:

	ERS	TRS
2022	\$ 1,520,782	\$ 4,766,547
2021	\$ 1,529,273	\$ 4,454,485
2020	\$ 1,503,963	\$ 4,182,029

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

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At June 30, 2022, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2022 for ERS and June 30, 2021 for TRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Net pension asset/(liability)	\$ 2,179,564	\$ 47,716,697
District's portion of the System's total net pension asset/(liability)	0.0266627%	0.275357%
Change in proportion since the prior measurement date	0.0002097%	-0.002736%

For the fiscal year ended June 30, 2022, the District recognized pension expense (credit) of \$436,188 for ERS and (\$2,761,438) for TRS. At June 30, 2022, 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	\$165,061	\$6,577,241	\$ 214,094	\$247,909
Changes of assumptions	3,637,448	15,695,019	61,378	2,779,357
Net difference between projected and actual earnings on pension plan investments	-	-	7,137,160	49,940,461
Changes in proportion and differences between the District's contributions and proportionate share of contributions	833,760	119,191	153,962	196,336
District's contributions subsequent to the measurement date	360,304	4,766,547	-	-
	<u>\$4,996,573</u>	<u>\$27,157,998</u>	<u>\$7,566,594</u>	<u>\$53,164,063</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset/(liability) in the year ended June 30, 2023. 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:		
2022		(\$6,185,505)
2023	(\$301,646)	(7,270,776)
2024	(596,450)	(9,140,052)
2025	(1,723,795)	(12,051,337)
2026	(308,434)	2,273,942
Thereafter	-	1,601,116
	<u>(\$2,930,325)</u>	<u>(\$30,772,612)</u>

Actuarial Assumptions

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Actuarial valuation date	April 1, 2021	June 30, 2020
Interest rate	5.90%	6.95%
Salary scale	4.40%	5.18% - 1.95%
Cost of living adjustments	1.4% annually	1.3%, annually
Decrement tables	April 1, 2015 - March 31, 2020	July 1, 2015 - June 30, 2020
	System's Experience	System's Experience
Inflation rate	2.70%	2.40%

For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2020, applied on a generational basis. Active member mortality rates are based on plan member experience.

For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2020 valuation are based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

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*



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*for Measuring Pension Obligations.* ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized below:

<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	March 31, 2022		June 30, 2021	
	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
<u>Asset type</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	32%	3.30%	33%	6.80%
International equity	15%	5.85%	16%	7.60%
Global equity			4%	7.10%
Private equity	10%	6.50%	8%	10.00%
Real estate	9%	5.00%	11%	6.50%
Opportunistic/Absolute return strategy	3%	4.10%		
Credit	4%	3.78%		
Real assets	3%	5.58%		
Fixed income	23%	0.00%		
Cash	1%	-1.00%		
Domestic fixed income securities			16%	1.30%
Global bonds			2%	0.80%
High-yield bonds			1%	3.80%
Private debt			1%	5.90%
Real estate debt			7%	3.30%
Cash equivalents			1%	-0.20%
	100%		100%	

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

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9% for ERS and 5.95% for TRS) or 1-percentage-point higher (6.9% for ERS and 7.95% for TRS) than the current rate:

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
District's proportionate share of the net pension asset/(liability)	(\$5,610,175)	\$2,179,564	\$8,695,305

TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
District's proportionate share of the net pension asset/(liability)	\$5,007,172	\$47,716,697	\$83,610,954

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2022	June 30, 2021
Employers' total pension liability	\$ (223,874,888)	\$ (130,819,415)
Plan Net Position	<u>232,049,473</u>	<u>148,148,457</u>
Employers' net pension asset/(liability)	<u>\$ 8,174,585</u>	<u>\$ 17,329,042</u>

Ratio of plan net position to the		
Employers' total pension liability	103.65%	113.25%

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, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022

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based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$360,304.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions as of June 30, 2022 amounted to \$4,999,998.

**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, 2022 totaled \$277,041 and \$3,501,2364, 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, 2021 totaled \$469,770.

**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. 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 75.

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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 2022, the District contributed an estimated \$2,271,159 to the Plan, including \$2,271,159 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund the Plan by any other means than the “pay as you go” method.

Employees Covered by Benefit Terms

At June 30, 2020, the date of the most recent valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	239
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	<u>605</u>
Total	<u><u>844</u></u>

**B) Total OPEB Liability:**

The District’s total OPEB liability of \$100,328,262 was measured as of June 30, 2022, and was determined by an actuarial valuation as of June 30, 2022, with a valuation date of June 30, 2020 and a measurement date of June 30, 2022.

Actuarial Assumptions and Other Inputs

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

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Inflation	2.50%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount rate	3.54%
Mortality Table	Pub-2010 Headcount-Weighted table (Teachers for TRS group and General Employees for ERS group) projected fully generationally using MP-2020
Health Care Cost Trends:	
Medical	5.10% for 2022 decreasing to an ultimate rate of 4.04% by 2075
Part B Reimbursements	5.71% for 2022 decreasing gradually to an ultimate rate of 4.04% by 2075.

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

**C) Changes in the Total OPEB Liability:**

Balance at June 30, 2021	<u>\$119,227,928</u>
Changes for the fiscal year:	
Service cost	5,197,672
Interest	2,663,195
Changes of benefit terms	
Differences between expected and actual experience	3,139,939
Changes in assumptions or other inputs	(27,629,313)
Benefit payments	<u>(2,271,159)</u>
Net changes	<u>(18,899,666)</u>
Balance at June 30, 2022	<u><u>\$100,328,262</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 5.10% decreasing gradually to an ultimate rate of 4.04% by 2075.

Medicare Part B trend rates have been updated to an initial rate of 5.71% in 2022, decreasing gradually to an ultimate rate of 4.04% by 2075.

The discount rate was changed from 2.16% at June 30, 2021 to 3.54% at June 30, 2022.

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

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

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB liability	<u>\$119,403,133</u>	<u>\$100,328,262</u>	<u>\$85,249,264</u>

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.10%) or 1-percentage-point higher (6.10%) than the current healthcare cost trend rates:

	1% Decrease (4.10% decreasing to 3.04%)	Healthcare Cost Trend Rates (5.10% decreasing to 4.04%)	1% Increase (6.10% decreasing to 5.04%)
Total OPEB liability	<u>\$81,827,956</u>	<u>\$100,328,262</u>	<u>\$124,732,155</u>

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

For the fiscal year ended June 30, 2022, the District recognized OPEB expense of \$8,809,302. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,178,754	\$ 6,498,538
Changes of assumptions or other inputs	<u>27,625,631</u>	<u>25,799,989</u>
	<u>\$ 33,804,385</u>	<u>\$ 32,298,527</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:	
2023	\$948,435
2024	948,435
2025	948,435
2026	948,435
2027	1,078,543
Thereafter	<u>(3,366,425)</u>
	<u>\$ 1,505,858</u>

**NOTE 18 – RISK MANAGEMENT:**

**A) General:**

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. These risks are covered by 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, 2022, the District has recorded potential workers' compensation claims of \$3,173,386 and has a workers' compensation reserve balance of \$1,090,829 in the general fund.

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The claims activity is follows:

	2022	2021
Unpaid claims at beginning of year	\$2,786,277	\$2,990,460
Incurred claims	1,368,903	664,304
Claims payments and adjustments	(981,794)	(868,487)
Claims payable	\$3,173,386	\$2,786,277

**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 (IDA), 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 \$3,486,047 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$2,242,244 for these programs during the fiscal year.

Related to agreements with the Suffolk County IDA, the District's property tax revenue was reduced by \$608,493 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$549,862 for these programs during the fiscal year.

All IDA agreements in Smithtown are negotiated by the Suffolk County IDA with the Town of Smithtown acting merely as a collection agent for any PILOT payments. Related to these agreements, the District's property tax revenue was reduced by \$6,318,388 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$5,012,969 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.



**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
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**B) Litigation:**

As of June 30, 2022 the District is unaware of any pending or threatened litigation or un-asserted claims or assessment against the District which require disclosure.

**C) Encumbrances:**

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

General fund for:

General support	\$337,011
Instruction	141,829
Total General fund	\$478,840

Special aid fund for:

Instruction	\$478,840
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School lunch fund for:

Contractual	\$230,961
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Capital projects fund for:

Capital projects	\$8,442,548
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**NOTE 21 – RESTATEMENT OF FUND BALANCES / NET POSITION**

During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*. The adoption and implementation of this Statement resulted in the restatement of opening balances of non-current assets and long-term liabilities. These changes have been restated as follows:

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	<u>Statement of Net Position (Deficit)</u>
Net position (deficit), beginning of year, as reported	<u>\$ (11,706,146)</u>
Non-current assets	
Intangible lease assets	<u>396,651</u>
Total non-current assets	<u>396,651</u>
Long-term liabilities	
Lease liability	<u>396,651</u>
Total long-term liabilities	<u>396,651</u>
Net position (deficit), beginning of year, as restated	<u><u>\$ (11,706,146)</u></u>

**NOTE 22 – 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 that the following subsequent event has occurred that would require disclosure in the notes to financial statements:

- A) On September 13, 2022, the District issued a tax anticipation note in the amount of \$29,000,000, which is due June 28, 2023, and bears an interest rate of 4.00%, and a premium of \$286,810, for an effective net interest rate of 2.7507%.

**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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Budgetary Actual</u>
<b>REVENUES</b>				
Local sources				
Real property taxes	\$90,093,376	\$86,640,267	\$86,742,432	\$102,165
STAR reimbursement		3,453,109	3,453,109	-
PILOT - payment in lieu of taxes	7,517,407	7,517,407	7,827,175	309,768
Charges for services	270,000	270,000	204,351	(65,649)
Use of money and property	639,500	639,500	738,067	98,567
Sale of property and compensation for loss			260,627	260,627
Miscellaneous	300,000	309,915	891,922	582,007
State sources				
Basic formula	16,543,436	16,543,436	11,614,249	(4,929,187)
Excess cost aid			2,001,782	2,001,782
Lottery aid			1,101,259	1,101,259
BOCES aid			1,393,941	1,393,941
Tuition aid			344,163	344,163
Textbook aid			200,031	200,031
Computer software aid			64,550	64,550
Library aid			21,400	21,400
Federal sources	60,000	60,000	78,706	18,706
Other financing sources				
Transfers from other funds	-	-	1,367,388	1,367,388
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>115,423,719</u>	<u>115,433,634</u>	<u>\$118,305,152</u>	<u>\$2,871,518</u>
Appropriated fund balance	3,640,000	3,640,000		
Appropriated reserves	1,471,303	1,471,303		
<b>TOTAL REVENUES, OTHER FINANCING SOURCES &amp; APPROPRIATED FUND BALANCE &amp; RESERVES</b>	<u>\$120,535,022</u>	<u>\$120,544,937</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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Budgetary Actual and Encumbrances</u>
<b>EXPENDITURES</b>					
General support					
Board of education	\$86,240	\$92,813	\$79,559		\$13,254
Central administration	350,276	355,177	333,748		21,429
Finance	1,397,151	1,398,397	1,268,765	\$30,950	98,682
Staff	942,884	971,194	840,702		130,492
Central services	12,011,584	12,051,793	11,042,536	306,061	703,196
Special items	1,400,499	1,400,499	1,174,755		225,744
Total general support	<u>16,188,634</u>	<u>16,269,873</u>	<u>14,740,065</u>	<u>337,011</u>	<u>1,192,797</u>
Instructional					
Instruction, adm. & imp.	5,964,316	5,945,750	5,486,007	3,841	455,902
Teaching - regular school	33,210,793	33,115,038	32,330,003	20,364	764,671
Programs for children with handicapping conditions	16,147,647	16,254,544	16,087,226		167,318
Occupational education	723,600	723,600	730,881		(7,281)
Special schools	92,500	123,602	123,846		(244)
Instructional media	2,651,949	2,651,839	2,363,588	115,865	172,386
Pupil services	5,400,354	5,571,273	5,103,257	1,759	466,257
Total instructional	<u>64,191,159</u>	<u>64,385,646</u>	<u>62,224,808</u>	<u>141,829</u>	<u>2,019,009</u>
Pupil transportation	<u>7,453,515</u>	<u>7,377,117</u>	<u>7,469,079</u>	<u>-</u>	<u>(91,962)</u>
Community services	<u>90,000</u>	<u>90,000</u>	<u>52,130</u>	<u>-</u>	<u>37,870</u>
Employee benefits	<u>27,814,216</u>	<u>27,493,791</u>	<u>25,854,004</u>	<u>-</u>	<u>1,639,787</u>
Debt service					
Debt service principal		154,325	154,325		-
Debt service interest	675,500	652,187	316,765	-	335,422
Total debt service	<u>675,500</u>	<u>806,512</u>	<u>471,090</u>	<u>-</u>	<u>335,422</u>
<b>TOTAL EXPENDITURES</b>	<u>116,413,024</u>	<u>116,422,939</u>	<u>110,811,176</u>	<u>478,840</u>	<u>5,132,923</u>
Other financing uses					
Transfers to other funds	<u>4,121,998</u>	<u>4,121,998</u>	<u>4,082,787</u>	<u>-</u>	<u>39,211</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$120,535,022</u>	<u>\$120,544,937</u>	<u>114,893,963</u>	<u>\$478,840</u>	<u>\$5,172,134</u>
Net change in fund balances			3,411,189		
Fund balances - beginning of year			<u>34,758,772</u>		
Fund balances - end of year			<u>\$38,169,961</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 CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
FOR THE FISCAL YEARS ENDED JUNE 30,**

<b>Total OPEB Liability</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Service cost	\$5,197,672	\$5,208,503	\$3,865,614	\$1,826,938	\$1,899,902
Interest	2,663,195	2,496,346	3,293,783	2,622,718	2,387,056
Changes of benefit terms		-	-	-	-
Differences between expected and actual experience	3,139,939	1,920,945	(10,397,662)	3,317,666	-
Changes of assumptions or other inputs	(27,629,313)	2,996,684	23,234,244	18,094,530	(3,378,790)
Benefit payments	(2,271,159)	(2,273,294)	(2,164,524)	(1,501,979)	(1,796,562)
<b>Net change in total OPEB liability</b>	<b>(18,899,666)</b>	<b>10,349,184</b>	<b>17,831,455</b>	<b>24,359,873</b>	<b>(888,394)</b>
<b>Total OPEB liability - beginning</b>	<b>119,227,928</b>	<b>108,878,744</b>	<b>91,047,289</b>	<b>66,687,416</b>	<b>67,575,810</b>
<b>Total OPEB liability - ending</b>	<b>\$100,328,262</b>	<b>\$119,227,928</b>	<b>\$108,878,744</b>	<b>\$91,047,289</b>	<b>\$66,687,416</b>
<b>Covered-employee payroll</b>	<b>\$58,158,875</b>	<b>\$52,545,552</b>	<b>\$52,271,158</b>	<b>\$51,122,323</b>	<b>\$50,382,583</b>
<b>Total OPEB liability as a percentage of covered-employee payroll</b>	<b>172.51%</b>	<b>226.90%</b>	<b>208.30%</b>	<b>178.10%</b>	<b>132.36%</b>

**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 2022:

The discount rate changed from 3.87% at June 30, 2018 to 3.51% at June 30, 2019 to 2.21% at June 30, 2020 to 2.16% at June 30, 2021, and to 3.54% at June 30, 2022.

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 5.10% decreasing gradually to an ultimate rate of 4.04% by 2075.

Medicare Part B trend rates have been updated to an initial rate of 2.70% in 2020, followed by projected Part B premium increase shown in the 2020 Medicare Trustees report, decreasing gradually to an ultimate rate of 4.04% by 2075.

**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, \***

<b>NYSERS Pension Plan</b>									
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
District's proportion of the net pension asset/(liability)	0.0266627%	0.0264530%	0.0279568%	0.0287445%	0.0317425%	0.0301705%	0.0304968%	0.0308284%	0.0308284%
District's proportionate share of the net pension asset/(liability)	\$2,179,564	(\$26,340)	(\$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	\$9,760,015	\$9,829,954	\$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	22.33%	0.27%	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)	103.65%	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
<b>NYSTRS Pension Plan</b>									
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
District's proportion of the net pension asset/(liability)	0.275357%	0.278093%	0.278230%	0.274528%	0.275208%	0.273756%	0.274577%	0.273437%	0.273437%
District's proportionate share of the net pension asset/(liability)	\$47,716,697	(\$7,684,467)	\$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	\$47,385,904	\$47,950,703	\$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	100.70%	16.03%	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)	113.25%	97.76%	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,

<b>NYSERS Pension Plan</b>										
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$1,520,782	\$1,529,273	\$1,503,963	\$1,493,393	\$1,586,356	\$1,389,760	\$1,616,047	\$1,812,720	\$1,877,608	\$1,760,597
Contributions in relation to the contractually required contribution	<u>1,520,782</u>	<u>1,529,273</u>	<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>
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	\$10,352,848	\$9,617,967	\$10,353,007	\$10,495,813	\$10,334,949	\$10,271,340	\$10,122,291	\$9,997,494	\$9,922,530	\$9,596,977
Contributions as a percentage of covered payroll	14.69%	15.90%	14.53%	14.23%	15.35%	13.53%	15.97%	18.13%	18.92%	18.35%
<b>NYSTRS Pension Plan</b>										
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$4,766,547	\$4,454,485	\$4,182,029	\$4,932,232	\$4,382,325	\$5,111,339	\$5,601,455	\$7,273,639	\$6,563,520	\$4,723,082
Contributions in relation to the contractually required contribution	<u>4,766,547</u>	<u>4,454,485</u>	<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>
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	\$49,495,080	\$47,385,904	\$47,950,703	\$47,512,719	\$46,913,728	\$44,240,121	\$43,835,149	\$42,885,592	\$42,027,173	\$41,535,727
Contributions as a percentage of covered payroll	9.63%	9.40%	8.72%	10.38%	9.34%	11.55%	12.78%	16.96%	15.62%	11.37%



**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, 2022**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$119,963,719
Add: Prior year's encumbrances		<u>571,303</u>
Original Budget		120,535,022
Budget Revisions:		
Gifts and donations	<u>\$9,915</u>	
Total budget revisions		<u>9,915</u>
Final Budget		<u><u>\$120,544,937</u></u>

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

2022-2023 voter approved expenditure budget		<u>\$123,913,904</u>
Maximum fund balance allowed (4% of 2022-2023 budget)		<u><u>\$4,956,556</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$4,118,840	
Unassigned fund balance	<u>4,956,556</u>	
Total unrestricted fund balance		\$9,075,396
Less:		
Appropriated fund balance	3,640,000	
Encumbrances	<u>478,840</u>	
Total adjustments		<u>\$4,118,840</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$4,956,556</u></u>
Actual percentage of 2022-2023 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, 2022

Project Title	Project #	Expenditures to Date						Methods of Financing					Fund	
		Original	Revised	Prior Year's	Current Year	Transfer to GF	Total	Unexpended Balance	Proceeds of Obligations	Budgetary Appropriation	State Aid	Capital	Total	Balance June 30, 2022
		Appropriation	Appropriation									Reserve II		
19/20 MS Curbing/Paving	002-031	\$286,221	\$341,020	\$60,366	\$295,223		\$355,589	(\$14,569)		\$341,020		\$341,020	(\$14,569) *	
19/20 MS Bathrooms	002-031	225,000	620,894	60,263	314,275		374,538	246,356			\$620,894	620,894	246,356	
19/20 HS Valves/Abatements	N/A	188,779	133,980				-	133,980	133,980			133,980	133,980	
19/20 HS Bathrooms	008-049	225,000	616,099	81,595	444,541		526,136	89,963			616,099	616,099	89,963	
19/20 Pines Roof	006-024	2,525,000	2,525,000	526,365	631,247	\$1,367,388	2,525,000	-			2,525,000	2,525,000	-	
2019 Bond HS STEM Lab	008-050	1,475,000	1,475,000	739	366,192		366,931	1,108,069				-	(366,931) *	
2019 Bond FB Playground/Doors	010-020	193,520	227,676	13,660	11,285		24,945	202,731				-	(24,945) *	
2019 Bond BW Playground/Doors	007-024	193,520	226,437	14,960	11,071		26,031	200,406				-	(26,031) *	
2019 Bond PI Playground/Doors	006-025	311,520	376,730	15,460	18,812		34,272	342,458				-	(34,272) *	
2019 Bond MS Roof	002-033	3,477,000	3,477,000		71,474		71,474	3,405,526				-	(71,474) *	
2019 Bond HS Roof	008-051	5,099,600	5,099,600		189,709		189,709	4,909,891				-	(189,709) *	
2019 Bond Future Bond Projects	N/A	2,749,840	2,617,557				-	2,617,557				-	-	
20/21 FB Roof	010-021	675,000	675,000		24,128		24,128	650,872			675,000	675,000	650,872	
20/21 SSBA PH 1	N/A	848,033	847,740	847,740			847,740	-		\$847,740		847,740	-	
21/22 FI Playground	006-025	67,400	67,400				-	67,400		67,401		67,401	67,401	
21/22 BW Playground	007-024	39,543	39,543				-	39,543		39,543		39,543	39,543	
21/22 FB Playground	010-020	39,543	39,543				-	39,543		39,543		39,543	39,543	
<b>TOTAL</b>		<b>\$18,619,519</b>	<b>\$19,406,219</b>	<b>\$1,621,148</b>	<b>\$2,377,957</b>	<b>\$1,367,388</b>	<b>\$5,366,493</b>	<b>\$14,039,726</b>	<b>\$ -</b>	<b>\$621,487</b>	<b>\$847,740</b>	<b>\$4,436,993</b>	<b>\$5,906,220</b>	<b>\$539,727</b>

\* The negative fund balances will be eliminated once permanent financing is received.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
JUNE 30, 2022**

<b>Capital assets, net</b>		\$62,739,503
<b>Intangible lease assets, net</b>		238,097
<b>Add:</b>		
Deferred charges on refunding		226,603
<b>Deduct:</b>		
Short-term portion of bonds payable (inclusive of unamortized premiums)	\$2,451,768	
Long-term portion of bonds payable (inclusive of unamortized premiums)	5,865,153	
Short-term portion of lease liability	141,718	
Long-term portion of lease liability	100,608	
Short-term portion of installment purchase debt payable	30,261	
Long-term portion of installment purchase debt payable	31,428	
Bond anticipation note payable (BAN)	8,500,000	
Less: Unspent BAN proceeds	<u>(8,500,000)</u>	<u>8,620,936</u>
<b>Net investment in capital assets</b>		<u><u>\$54,583,267</u></u>

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

To the Board of Education  
Hauppauge Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary fund of the Hauppauge Union Free School District (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 9, 2022.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## **Purpose of This Report**

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

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

R.S. Abrams & Co., LLP  
Islandia, New York  
November 9, 2022