

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2021**

# HAUPPAUGE UNION FREE SCHOOL DISTRICT

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**R.S. ABRAMS & CO., LLP**

*Accountants & Consultants for Over 75 years*

Robert S. Abrams  
(1926-2014)

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Alexandria M. Battaglia, CPA

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Hauppauge Union Free School District

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary fund of the Hauppauge Union Free School District (the "District"), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the District, as of June 30, 2021, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, during the year ended June 30, 2021. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total other post-employment benefits liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 and 61 through 65, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2021 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 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, NY

October 20, 2021

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021. 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 2021 are as follows:

- On the District-Wide Financial Statements, the District's total net position decreased by \$7,947,814 primarily due to the change in the District's total other post-employment benefits obligation and the net pension liability – proportionate share – for the teachers' retirement system, as actuarially determined.
- The District's expenses for the year, as reflected in the District-Wide Financial Statements, totaled \$126,653,928. Of this amount, \$702,583 was offset by program charges for services and \$3,596,479 for operating grants and contributions and capital grants. General revenues of \$114,407,052 amount to 96.38% of total revenues.
- The general fund total fund balance, as reflected in the Fund Financial Statements, increased by \$4,876,485. This was due to revenues exceeding expenditures and other financing uses on the modified accrual basis of accounting.
- In accordance with voter approval of capital reserve proposition II in the 2021-22 budget, the District transferred \$675,000 from the District's capital reserve II to the capital projects fund to finance the installation of a new roof at Forest Brook Elementary School.
- The District implemented GASB Statement No. 84, *Fiduciary Activities*, in 2021. This resulted in the restatement of opening net position and fund balance in the amount of \$261,792.
- During the year, the District recognized \$143,281 in federal grant revenue in relation to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). These funds were recorded in operating grants and contributions in the Statement of Activities on the District-Wide Financial Statements.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

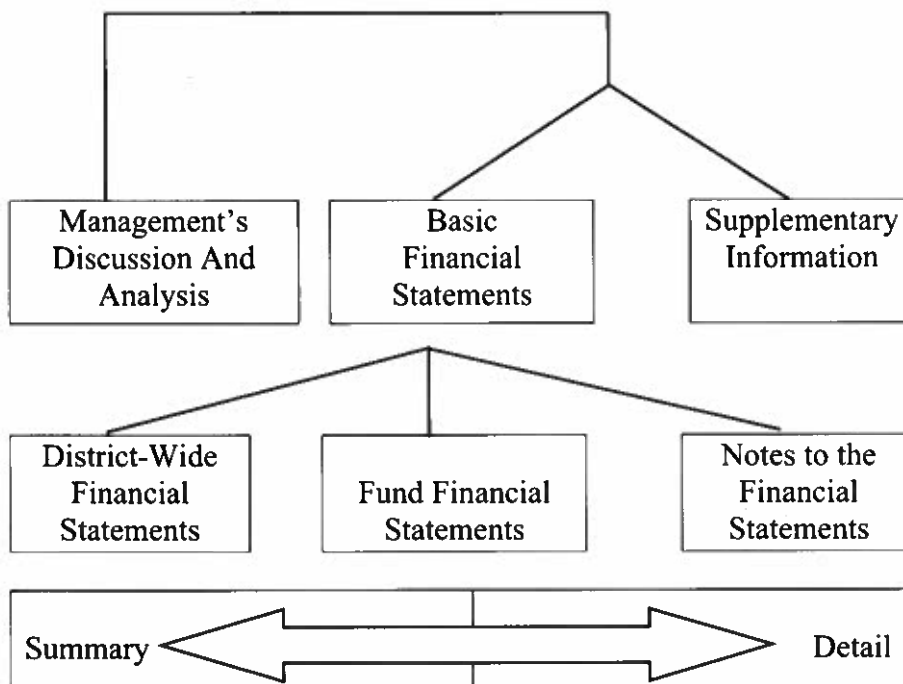
This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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



**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**Major Features of the District-Wide and Fund Financial Statements**

	District-Wide Financial Statements	Fund Financial Statements	
		Governmental	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the District, such as special education and instruction	Instances in which the District administers resources on behalf of others, such as 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



**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**A) District-Wide Financial Statements:**

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

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

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

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

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

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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:**

The June 30, 2020 current and other assets, current and other liabilities, restricted net position, unrestricted net position, and total net position (deficit) were restated as a result of the implementation of GASB Statement No. 84, *Fiduciary Activities*. This Statement eliminates the trust and agency fund and now records those activities in the general fund and miscellaneous special revenue fund. See Note 21 for further information. In addition, deferred outflows of resources, deferred inflows of resources, and long-term liabilities have been reclassified. See Note 13 for further information. The following is a summary of these changes:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	As Restated 2020	As Reported 2020	Increase/ (Decrease)
Current and other assets	\$ 44,561,255	\$ 44,156,176	\$ 405,079
Current and other liabilities	9,290,058	9,146,771	143,287
Deferred outflows of resources	66,261,996	65,830,519	431,477
Long-term liabilities	153,548,115	152,036,900	1,511,215
Deferred inflows of resources	21,667,241	22,746,979	(1,079,738)
Net Position			
Restricted	23,958,631	23,954,631	4,000
Unrestricted (Deficit)	(75,153,745)	(75,411,537)	257,792
Total Net Position (Deficit)	(3,758,332)	(4,020,124)	261,792

The District's total net deficit increased by \$7,947,814 in the fiscal year ended June 30, 2021, as detailed in table below.

**Condensed Statement of Net Position-Governmental Activities**

	Fiscal Year 2021	(As Restated) Fiscal Year 2020	Increase (Decrease)	Percentage Change
Current assets and other assets	\$50,050,244	\$44,561,255	\$5,488,989	12.32%
Capital assets, net	62,342,368	62,695,408	(353,040)	(0.56%)
Net pension asset - proportionate share	-	7,228,423	(7,228,423)	(100.00%)
Total Assets	112,392,612	114,485,086	(2,092,474)	(1.83%)
Deferred outflows of resources	69,438,505	66,261,996	3,176,509	4.79%
Total Assets and Deferred Outflows of Resources	181,831,117	180,747,082	1,084,035	0.60%
Other liabilities	10,064,412	9,290,058	774,354	8.34%
Long-term liabilities	161,699,539	153,548,115	8,151,424	5.31%
Total Liabilities	171,763,951	162,838,173	8,925,778	5.48%
Deferred inflows of resources	21,773,312	21,667,241	106,071	0.49%
Total Liabilities and Deferred Inflows of Resources	193,537,263	184,505,414	9,031,849	4.90%
Net position				
Net investment in capital assets	50,748,356	47,436,782	3,311,574	6.98%
Restricted	29,623,163	23,958,631	5,664,532	23.64%
Unrestricted deficit	(92,077,665)	(75,153,745)	(16,923,920)	(22.52%)
Total Net Position	(11,706,146)	(3,758,332)	(7,947,814)	211.47%

Current assets and other assets increased by \$5,488,989. This change is primarily due to increases in cash and cash equivalents, state aid federal aid receivable, and due from other governments, partially

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

offset by decreases in due from fiduciary fund and accounts receivable. Capital assets (net of depreciation) decreased by \$353,040 as a result of current year depreciation and loss on disposals exceeding current year additions.

The net pension asset – proportionate share for teachers' retirement system (TRS) decreased by \$7,228,423 as a result of the actuarial valuation provided by the State. The District is reporting a net pension liability of \$7,684,467 for TRS at June 30, 2021.

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 \$774,354. This is primarily attributable to increases in accounts payable, accrued liabilities, and due to teachers' retirement system, partially offset by decreases in due to other governments, compensated absences payable, and accrued interest payable.

Long-term liabilities increased by \$8,151,424, which is primarily due to increases in the total other post-employment benefits obligation and the District's proportionate share of the net pension liability for the teachers' retirement system, as actuarially determined, and compensated absences payable. These increases were partially offset by decreases in bonds payable, installment purchase debt payable, claims payable, and the District's proportionate share of the net pension liability for the employees' retirement system, as actuarially determined.

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, and furniture & equipment, net of depreciation and related debt. The increase in net investment in capital assets of \$3,311,574 is primarily a result of the reduction in related long-term debt and capital asset additions, partially offset by current year depreciation and loss on disposals, as well as the amortization of deferred charges on refunding.

The restricted net position in the amount of \$29,623,163 relates to the District's reserves and amounts restricted for the scholarships and donations and debt service.

The unrestricted net deficit of \$92,077,665 relates to the balance of the District's net position. The unrestricted net deficit increased by \$16,923,920 from the prior year.

**B) Changes in Net Position:**

Prior year revenues for charges for services and operating grants and contributions, as well as instruction expenses were increased due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. The following schedule outlines these changes:

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	As Restated 2020	As Reported 2020	Increase
<b>Revenues</b>			
Charges for services	\$ 1,375,733	\$ 911,969	\$ 463,764
Operating grants and contributions	2,133,967	2,129,967	4,000
<b>Expenses</b>			
Instruction	97,835,003	97,442,912	392,091

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, 2021 and 2020 are as follows:

**Changes in Net Position from Operating Results**

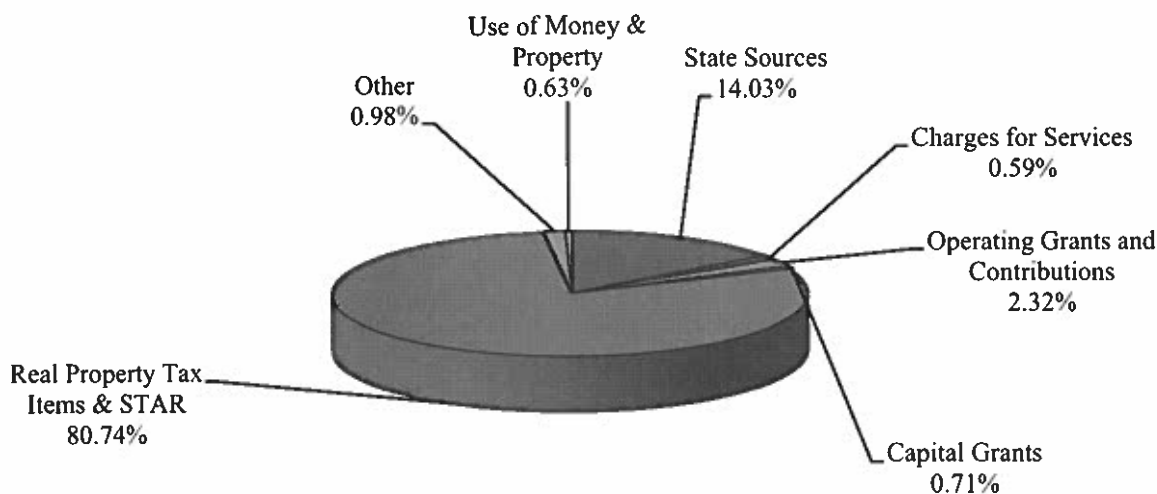
	Fiscal Year 2021	As Restated Fiscal Year 2020	Increase/ (Decrease)	Total Percentage Change
<b>Revenues</b>				
<b>Program Revenues</b>				
Charges for services	\$702,583	\$1,375,733	(\$673,150)	(48.93%)
Operating grants and contributions	2,748,739	2,133,967	614,772	28.81%
Capital grants	847,740	-	847,740	N/A
<b>General Revenues</b>				
Real property taxes & STAR	88,878,835	86,886,530	1,992,305	2.29%
PILOT - Payment in Lieu of Taxes	6,964,704	6,737,628	227,076	3.37%
Use of money and property	746,413	1,034,277	(287,864)	(27.83%)
State sources	16,655,704	17,347,103	(691,399)	(3.99%)
Other	1,161,396	1,130,949	30,447	2.69%
<b>Total Revenues</b>	<u>118,706,114</u>	<u>116,646,187</u>	<u>2,059,927</u>	1.77%
<b>Expenses</b>				
General support	20,496,667	19,219,692	1,276,975	6.64%
Instruction	97,739,145	97,835,003	(95,858)	(0.10%)
Pupil transportation	7,101,573	5,264,768	1,836,805	34.89%
Community services	241	110,803	(110,562)	(99.78%)
Debt service - interest	453,870	581,516	(127,646)	(21.95%)
Food service program	862,432	900,629	(38,197)	(4.24%)
<b>Total Expenses</b>	<u>126,653,928</u>	<u>123,912,411</u>	<u>2,741,517</u>	2.21%
<b>Changes in Net Position</b>	<u>(\$7,947,814)</u>	<u>(\$7,266,224)</u>	<u>(\$681,590)</u>	(9.38%)

The District's fiscal year 2021 revenues totaled \$118,706,114. Real property taxes, STAR and PILOT, and state sources accounted for most of the District's revenue by contributing 80.74% and 14.03%, respectively of total revenues. The remaining revenue sources came from charges for services, operating grants and contributions, capital grants, use of money and property, and other miscellaneous sources. Total revenues increased by \$2,059,927 or 1.77%. This was primarily attributable to an increase in real property taxes and STAR, PILOT, operating grants and contributions, and capital grants.

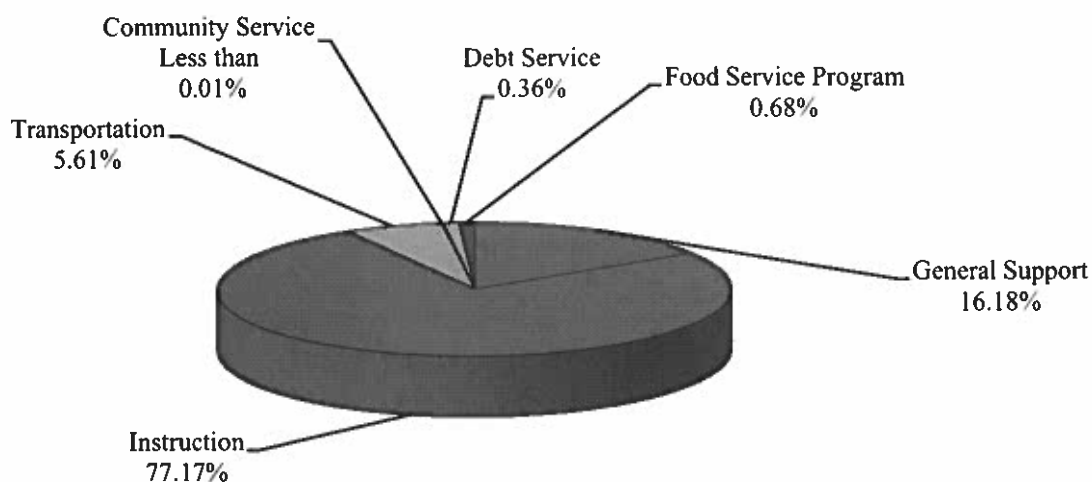
**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The cost of all programs and services totaled \$126,653,928 for fiscal year 2021. These expenses are predominantly related to instruction and transporting students, which account for 82.78% of the District's total expenses. The District's general support activities accounted for 16.18% of total costs. Total expenses increased by \$2,741,517 or 2.21%. This was primarily due to increases in general support and pupil transportation.

**Revenues for Fiscal Year 2021**



**Expenses for Fiscal Year 2021**



**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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, 2021, the District's governmental funds reported a combined fund balance of \$40,079,491, which is an increase of \$4,818,869 from the prior year. Fund balance for 2020 was restated to include a miscellaneous special revenue fund due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. See Note 21 for further information.

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, 2021**

	Fiscal Year 2021	As Restated Fiscal Year 2020	Increase (Decrease)	Total Percentage Change
<b>General Fund</b>				
Restricted for workers' compensation	\$1,090,257	\$1,089,570	\$687	0.06%
Restricted for insurance	437,598	437,321	277	0.06%
Restricted for repairs	412,386	412,126	260	0.06%
Restricted for unemployment insurance	172,639	172,531	108	0.06%
Restricted for retirement contributions - ERS	9,686,135	6,245,075	3,441,060	55.10%
Restricted for retirement contributions - TRS	1,866,248	925,000	941,248	101.76%
Restricted for employee benefit accrued liability	8,429,255	7,996,751	432,504	5.41%
Restricted for capital	3,654,402	2,825,464	828,938	29.34%
Assigned - general support	188,753	110,049	78,704	71.52%
Assigned - instruction	382,550	753,981	(371,431)	(49.26%)
Assigned - designated for subsequent year's expenditures	3,640,000	4,285,000	(645,000)	(15.05%)
Unassigned	4,798,549	4,629,419	169,130	3.65%
Total Fund Balance - General Fund	<u>\$34,758,772</u>	<u>\$29,882,287</u>	<u>\$4,876,485</u>	16.32%
<b>School Lunch Fund</b>				
Nonspendable: inventory	\$321	\$1,581	(\$1,260)	(79.70%)
Assigned - unappropriated	908,585	789,169	119,416	15.13%
Total Fund Balance - School Lunch Fund	<u>\$908,906</u>	<u>\$790,750</u>	<u>\$118,156</u>	14.94%
<b>Miscellaneous Special Revenue Fund</b>				
Restricted for scholarships and donations	\$1,800	\$4,000	(\$2,200)	(55.00%)
Assigned - extraclassroom activities	167,755	257,792	(90,037)	(34.93%)
Total miscellaneous special revenue fund	<u>\$169,555</u>	<u>\$261,792</u>	<u>(\$92,237)</u>	(35.23%)
<b>Capital Projects Fund</b>				
Restricted for capital projects	\$3,768,770	\$3,721,685	\$47,085	1.27%
Assigned - unappropriated	369,815	475,000	(105,185)	(22.14%)
Total Fund Balance - Capital Projects Fund	<u>\$4,138,585</u>	<u>\$4,196,685</u>	<u>(\$58,100)</u>	(1.38%)
<b>Debt Service Fund</b>				
Restricted for debt service	\$103,673	\$129,108	(\$25,435)	(19.70%)
Total Fund Balance - Debt Service Fund	<u>\$103,673</u>	<u>\$129,108</u>	<u>(\$25,435)</u>	(19.70%)
Total Fund Balance - All Funds	<u>\$40,079,491</u>	<u>\$35,260,622</u>	<u>\$4,818,869</u>	13.67%

**A) General Fund**

Fund balance in the general fund increased by \$4,876,485 as a result of revenues exceeding expenditures and other financing uses. Revenues increased \$1,158,954 or 1.02% compared to the prior year, primarily due to increases in real property taxes and PILOT, partially offset by decreases in STAR, use of money and property, state sources, and interfund transfers.



**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Expenditures and other financing uses decreased by \$736,596 or 0.66% compared to the prior year, primarily due to decreases in employee benefits, interest on short-term debt, and interfund transfers to other funds, partially offset by increases in general support, instruction, and pupil transportation.

**B) School Lunch Fund**

Fund balance in the school lunch fund increased by \$118,156. This increase is due to the current year's operating profit in the food service program.

**C) Miscellaneous Special Revenue Fund**

Fund balance in the miscellaneous special revenue fund decreased by \$92,237. This decrease is due to the extracurricular activities in addition to scholarships awarded exceeding scholarships and donations received.

**D) Capital Projects Fund**

Fund balance in the capital projects fund decreased by \$58,100. This decrease is due to capital outlay exceeding state sources and an interfund transfer from the general fund.

**E) Debt Service Fund**

Fund balance in the debt service fund decreased by \$25,435. 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) 2020-2021 Budget:**

The District's general fund adopted budget for the year ended June 30, 2021 was \$115,735,467. This amount was increased by encumbrances carried forward from the prior year in the amount of \$864,030 and budget revisions in the amount of \$683,577, which resulted in a final budget of \$117,283,074. The majority of the funding was property taxes and STAR revenue of \$88,874,467.

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

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Opening, unassigned fund balance	\$4,629,419
Revenues over budget	4,657,561
Expenditures and encumbrances under budget	6,371,651
Funding to reserves	(7,129,154)
Unused appropriated reserves	(78,153)
Interest allocated to reserves	(12,775)
Assigned for June 30, 2022 budget	(3,640,000)
Closing, unassigned fund balance	<u>\$4,798,549</u>

The \$4,629,419 represents the portion of the District's June 30, 2020 fund balance that was retained as unassigned fund balance.

The revenues over budget of \$4,657,561 were across the budget but were primarily in PILOT – payment in lieu of taxes, charges for services, sale of property and compensation for loss, miscellaneous revenues, and state sources (see Supplemental Schedule #1 for further detail).

The expenditures and encumbrances under budget of \$6,371,651 represent savings across the budget but were primarily in central services, instruction, pupil transportation, and employee benefits (see Supplemental Schedule #1 for further detail).

The District funded the reserves in the amount of \$7,129,154 as follows: \$3,688,154 to the ERS retirement contribution reserve, \$941,000 to the TRS retirement contribution reserve, \$1,000,000 to the employee benefits accrued liability reserve, and \$1,500,000 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 \$821,847 was utilized. As such, this resulted in \$78,153 of unused appropriated reserves, which were returned to the respective reserves.

Interest of \$12,775 was allocated to reserves as follows: \$687 to the workers' compensation reserve, \$277 to the insurance reserve, \$260 to the repair reserve, \$108 to the unemployment insurance reserve, \$2,906 to the ERS retirement contribution reserve, \$248 to the TRS retirement contribution reserve, \$4,351 to the employee benefit accrued liability reserve, and \$3,938 to the capital reserves.

The assigned, appropriated fund balance of \$3,640,000 for the June 30, 2022 budget is the amount the District has chosen to use to partially fund its operating budget for the 2021-2022 fiscal year.

The closing, unassigned fund balance of \$4,798,549 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, 2021**

**6. CAPITAL ASSET AND DEBT ADMINISTRATION**

**A) Capital Assets:**

The District paid for equipment and various building additions and renovations during the fiscal year 2021. A summary of the District's capital assets, net of accumulated depreciation, is as follows:

Capital Assets (Net of Accumulated Depreciation)

Category	Fiscal Year 2021	Fiscal Year 2020	Net Increase (Decrease)	Percentage Change
Land	\$1,869,776	\$1,869,776	\$ -	0.00%
Construction in progress	773,409	40,309	733,100	1818.70%
Buildings and improvements	98,341,450	98,341,450	-	0.00%
Land improvements	1,790,401	1,769,401	21,000	1.19%
Furniture and equipment	5,412,352	4,578,435	833,917	18.21%
Vehicles	1,377,151	1,491,792	(114,641)	(7.68%)
Subtotal	<u>109,564,539</u>	<u>108,091,163</u>	<u>1,473,376</u>	<u>1.36%</u>
Less: Accumulated depreciation	<u>(47,222,171)</u>	<u>(45,395,755)</u>	<u>(1,826,416)</u>	<u>4.02%</u>
Total capital assets, net	<u>\$62,342,368</u>	<u>\$62,695,408</u>	<u>(\$353,040)</u>	<u>(0.56%)</u>

The District spent \$1,539,158 in the capital projects fund on construction in progress, and \$354,925 in the general fund on land improvements, furniture and equipment and vehicle purchases. The District recognized depreciation expense and loss on disposals of \$2,247,123 during the current year. See Note 10 "Capital Assets" for additional information.

**B) Long-Term Debt:**

At June 30, 2021, the District had total bonds payable of \$10,760,000 and installment purchase debt payable of \$90,829. The decrease in outstanding debt represents principal payments made of \$3,328,059. A summary of the outstanding debt at June 30, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Serial bonds	\$10,760,000	\$14,060,000	(\$3,300,000)
Installment purchase debt	90,829	118,888	(28,059)
Total	<u>\$10,850,829</u>	<u>\$14,178,888</u>	<u>(\$3,328,059)</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

- The general fund budget for the 2021-22 school year in the amount of \$119,963,719 was approved by voters. This is an increase of \$4,228,252 or 3.65% 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 \$28,000,000 in tax anticipation notes on September 29, 2021, maturing June 24, 2022 for the following:

<u>Amount</u>	<u>Rate</u>	<u>Premium</u>	<u>Interest Cost</u>
\$28,000,000	1.50%	\$279,020	0.14626%

**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 Villareale  
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, 2021**

**ASSETS**

## Current assets

Cash and cash equivalents	
Unrestricted	\$12,467,682
Restricted	29,623,663
Receivables	
State and federal aid	4,902,138
Due from other governments	3,046,263
Accounts receivable	10,177
Inventories	321

## Non-current assets

Capital assets	
Capital assets not being depreciated	2,643,185
Capital assets being depreciated, net of accumulated depreciation	59,699,183

**TOTAL ASSETS**112,392,612**DEFERRED OUTFLOWS OF RESOURCES**

Deferred charges on refundings	320,614
Pensions	32,400,748
Other post-employment benefits obligation	36,717,143

**TOTAL DEFERRED OUTFLOWS OF RESOURCES**69,438,505**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**181,831,117**LIABILITIES**

## Payables

Accounts payable	2,232,193
Accrued liabilities	605,107
Due to other governments	1,269,981
Due to fiduciary fund	3,300
Due to teachers' retirement system	4,621,466
Due to employees' retirement system	410,429
Compensated absences payable	535,070
Security deposits	66,631
Accrued interest payable	244,229

## Unearned credits

Collections in advance	76,006
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## Long-term liabilities

Due and payable within one year	
Bonds payable (inclusive of unamortized premiums)	3,506,876
Installment purchase debt payable	29,140
Compensated absences payable	700,119
Due and payable after one year	
Bonds payable (inclusive of unamortized premiums)	8,316,921
Installment purchase debt payable	61,689
Compensated absences payable	19,359,782
Claims payable	2,786,277
Total other post-employment benefits obligation	119,227,928
Net pension liability - proportionate share - teachers' retirement system	7,684,467
Net pension liability - proportionate share - employees' retirement system	26,340

**TOTAL LIABILITIES**171,763,951**DEFERRED INFLOWS OF RESOURCES**

Pensions	11,999,836
Other post-employment benefits obligation	9,773,476

**TOTAL DEFERRED INFLOWS OF RESOURCES**21,773,312**NET POSITION**

Net investment in capital assets	<u>50,748,356</u>
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## Restricted:

Workers' compensation	1,090,257
Insurance	437,598
Repair	412,386
Unemployment insurance	172,639
Retirement contribution - ERS	9,686,135
Retirement contribution - TRS	1,866,248
Employee benefit accrued liability	8,429,255
Capital projects	7,423,172
Debt service	103,673
Scholarships & donations	1,800
	<u>29,623,163</u>

## Unrestricted (deficit)

(92,077,665)**TOTAL NET POSITION**(\$11,706,146)

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

		<b>Program Revenues</b>			<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants</b>	<b>Revenue and Changes in Net Position</b>
<b>FUNCTIONS / PROGRAMS</b>					
General support	(\$20,496,667)				(\$20,496,667)
Instruction	(97,739,145)	\$640,142	\$1,688,967	\$847,740	(94,562,296)
Pupil transportation	(7,101,573)		164,934		(6,936,639)
Community services	(241)				(241)
Debt service - interest	(453,870)				(453,870)
Food service program	(862,432)	62,441	894,838		94,847
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b>(\$126,653,928)</b>	<b>\$702,583</b>	<b>\$2,748,739</b>	<b>\$847,740</b>	<b>(122,354,866)</b>
<b>GENERAL REVENUES</b>					
Real property taxes					85,182,505
STAR reimbursement					3,696,330
PILOT - payment in lieu of taxes					6,964,704
Use of money and property					746,413
Sale of property and compensation for loss					439,164
Miscellaneous					682,566
State sources					16,655,704
Medicaid reimbursement					39,666
<b>TOTAL GENERAL REVENUES</b>					<b>114,407,052</b>
<b>CHANGE IN NET POSITION</b>					<b>(7,947,814)</b>
<b>TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 21)</b>					<b>(3,758,332)</b>
<b>TOTAL NET POSITION - END OF YEAR</b>					<b>(\$11,706,146)</b>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2021**

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$10,939,190		\$707,651	\$167,755	\$653,086		\$12,467,682
Unrestricted	25,748,920			2,300	3,768,772	\$103,671	29,623,663
Restricted							
Receivables							
State and federal aid	2,974,403	\$752,743	327,252		847,740		4,902,138
Due from other governments	3,046,263						3,046,263
Due from other funds	1,475,729				442,303	\$2	1,918,034
Accounts receivable	9,965	212					10,177
Inventories			321				321
<b>TOTAL ASSETS</b>	<b>\$44,194,470</b>	<b>\$752,955</b>	<b>\$1,035,224</b>	<b>\$170,055</b>	<b>\$5,711,901</b>	<b>\$103,673</b>	<b>\$51,968,278</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Payables							
Accounts payable	\$1,370,595	\$108,864	\$70,781	\$500	\$681,453		\$2,232,193
Accrued liabilities	604,270	827	10				605,107
Due to other governments	1,209,051	60,901	29				1,269,981
Due to other funds	445,603	582,363	1,505		891,863		1,921,334
Due to teachers' retirement system	4,621,466						4,621,466
Due to employees' retirement system	410,429						410,429
Compensated absences	535,070						535,070
Security deposits	66,631						66,631
Unearned credits							
Collections in advance	22,013		53,993				76,006
<b>TOTAL LIABILITIES</b>	<b>9,285,128</b>	<b>752,955</b>	<b>126,318</b>	<b>500</b>	<b>1,573,316</b>	<b>-</b>	<b>11,738,217</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
State aid, Federal aid, and PILOT	150,570						150,570
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>150,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>150,570</b>
<b>FUND BALANCES</b>							
Non-spendable, inventory			321				321
Restricted:							
Workers' compensation	1,090,257						1,090,257
Insurance	437,598						437,598
Repair	412,386						412,386
Unemployment insurance	172,639						172,639
Retirement contribution - ERS	9,686,135						9,686,135
Retirement contribution - TRS	1,866,248						1,866,248
Employee benefit accrued liability	8,429,255						8,429,255
Capital projects	3,654,402				3,768,770		7,423,172
Debt service						\$103,673	103,673
Scholarships & donations				1,800			1,800
Assigned:							
Appropriated	3,640,000						3,640,000
Unappropriated	571,303		908,585	167,755	369,815		2,017,458
Unassigned	4,798,549						4,798,549
<b>TOTAL FUND BALANCES</b>	<b>34,758,772</b>	<b>-</b>	<b>908,906</b>	<b>169,555</b>	<b>4,138,585</b>	<b>103,673</b>	<b>40,079,491</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$44,194,470</b>	<b>\$752,955</b>	<b>\$1,035,224</b>	<b>\$170,055</b>	<b>\$5,711,901</b>	<b>\$103,673</b>	<b>\$51,968,278</b>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF GOVERNMENTAL FUNDS  
BALANCE SHEET TO STATEMENT OF NET POSITION  
JUNE 30, 2021**

Total Governmental Fund Balances	\$40,079,491
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Original cost of capital assets	\$109,564,539	
Accumulated depreciation	<u>(47,222,171)</u>	62,342,368

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.	150,570
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Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. Deferred inflows related to pensions and other post-employment benefits obligation that will be recognized as a reduction in expense in future periods amounted to:

Employees' retirement system	(\$7,888,168)	
Teachers' retirement system	(4,111,668)	
Other post-employment benefits obligation	<u>(9,773,476)</u>	(21,773,312)

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:

Employees' retirement system	\$6,423,956	
Teachers' retirement system	25,976,792	
Other post-employment benefits obligation	<u>36,717,143</u>	69,117,891

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

Accrued interest payable	(244,229)
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Governmental funds may report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	320,614
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable (inclusive of unamortized premiums)	(\$11,823,797)	
Installment purchase debt payable	(90,829)	
Compensated absences payable	(20,059,901)	
Claims payable	(2,786,277)	
Total other post-employment benefits obligation	(119,227,928)	
Net pension liability - proportionate share (ERS)	(26,340)	
Net pension liability - proportionate share (TRS)	<u>(7,684,467)</u>	(161,699,539)

Total Net Position	<u><u>(\$11,706,146)</u></u>
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**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	General	Special Aid	School Lunch	Miscellaneous Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>							
Real property taxes	\$85,182,505						\$85,182,505
STAR reimbursement	3,696,330						3,696,330
PILOT - Payment in Lieu of Taxes	6,964,704						6,964,704
Charges for services	468,823			\$171,319			640,142
Use of money and property	746,269		\$79			\$65	746,413
Sale of property and compensation for loss	439,164						439,164
Miscellaneous	680,162	\$1,945	459	9,800			692,366
State sources	16,855,701	704,120	30,855		\$847,740		18,438,416
Federal sources	182,947	996,700	797,971				1,977,618
Surplus food			66,012				66,012
Sales			62,441				62,441
<b>TOTAL REVENUES</b>	<u>115,216,605</u>	<u>1,702,765</u>	<u>957,817</u>	<u>181,119</u>	<u>847,740</u>	<u>65</u>	<u>118,906,111</u>
<b>EXPENDITURES</b>							
General support	14,254,931						14,254,931
Instruction	59,759,899	1,816,662		273,356			61,849,917
Pupil transportation	6,630,317	164,934					6,795,251
Community service	145						145
Employee benefits	24,552,250						24,552,250
Debt service- principal						3,328,059	3,328,059
Debt service - interest						625,077	886,188
Cost of sales	261,111		839,661		\$1,580,840		839,661
Capital outlay							1,580,840
<b>TOTAL EXPENDITURES</b>	<u>105,458,653</u>	<u>1,981,596</u>	<u>839,661</u>	<u>273,356</u>	<u>1,580,840</u>	<u>3,953,136</u>	<u>114,087,242</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>9,757,952</u>	<u>(278,831)</u>	<u>118,156</u>	<u>(92,237)</u>	<u>(733,100)</u>	<u>(3,953,071)</u>	<u>4,818,869</u>
<b>OTHER FINANCING SOURCES AND (USES)</b>							
Operating transfers in	(4,881,467)	278,831			675,000	3,927,636	4,881,467
Operating transfers (out)							(4,881,467)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<u>(4,881,467)</u>	<u>278,831</u>	<u>-</u>	<u>-</u>	<u>675,000</u>	<u>3,927,636</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>4,876,485</u>	<u>-</u>	<u>118,156</u>	<u>(92,237)</u>	<u>(58,100)</u>	<u>(25,435)</u>	<u>4,818,869</u>
<b>FUND BALANCES - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 21)</b>	<u>29,882,287</u>	<u>-</u>	<u>790,750</u>	<u>261,792</u>	<u>4,196,685</u>	<u>129,108</u>	<u>35,260,622</u>
<b>FUND BALANCES - END 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>

**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, 2021**

Net Change in Fund Balances			\$4,818,869
Amounts reported for governmental activities in the Statement of Activities are different because:			
<b>Long-Term Revenue and Expense Differences</b>			
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.			(199,997)
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, 2020 to June 30, 2021 changed by:			(1,474,224)
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, 2020 to June 30, 2021 changed by:			204,183
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.			(9,441,162)
<b>Long-Term Debt Differences</b>			
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.			3,300,000
Repayment of installment purchase debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			28,059
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, 2020 to June 30, 2021 changed by:			95,763
Governmental funds may report the premiums, discounts, and similar items on refunded bonds as revenues or expenditures in the year of issue. These amounts are deferred and amortized in the Statement of Activities.			336,555
<b>Capital Related Differences</b>			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.			
	Capital outlays	\$1,894,083	
	Depreciation expense and loss on disposals	<u>(2,247,123)</u>	(353,040)
<b>Pension Differences</b>			
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	(\$5,868,342)	
	Employees' retirement system	<u>605,522</u>	<u>(5,262,820)</u>
Change in Net Position			<u><u>(\$7,947,814)</u></u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
JUNE 30, 2021**

	<u><b>Custodial</b></u>
<b>ASSETS</b>	
Cash and cash equivalents - restricted	
Due from governmental funds	<u>\$3,300</u>
<b>TOTAL ASSETS</b>	<u><u>\$3,300</u></u>
<b>LIABILITIES</b>	
Due to other governments - Public Library	<u>\$3,300</u>
<b>TOTAL LIABILITIES</b>	<u><u>3,300</u></u>
<b>NET POSITION</b>	
Restricted	<u>-</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$3,300</u></u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Custodial</u>
<b>ADDITIONS</b>	
Real property taxes collected for other governments - Public Library	\$ 2,690,355
PILOT collected for other governments - Public Library	118,882
<b>TOTAL ADDITIONS</b>	<u>2,809,237</u>
<b>DEDUCTIONS</b>	
Real property taxes disbursed to other governments - Public Library	\$ 2,690,355
PILOT disbursed to other governments - Public Library	118,882
<b>TOTAL DEDUCTIONS</b>	<u>2,809,237</u>
<b>CHANGE IN NET POSITION</b>	-
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>-</u>
<b>NET POSITION - ENDING OF YEAR</b>	<u><u>\$ -</u></u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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 principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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, 2021**

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, 2021**

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, 2021**

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, 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, 2021**

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, deferred outflows of resources, liabilities, deferred inflows of resources, and disclosure of contingent items at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of compensated absences, net pension liabilities, other post-employment benefits, workers' compensation claims, potential contingent liabilities, and useful lives of capital assets.

**I) Cash and cash equivalents:**

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

**J) Receivables:**

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

**K) Prepaid items and 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, 2021**

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.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2021.

**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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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) 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 and retirees prepaid health insurance premiums in the general fund, and meals that have not yet been purchased in the school lunch fund. See Note 8 for further detail.

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021, 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 13, 15 and 17, respectively.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District has two items that qualify for reporting in this category at June 30, 2021, which are related to pensions and other post-employment benefits obligation, which are reported in the Statement of Net Position, and are detailed further in Notes 15 and 17, respectively.

A deferred inflow of resources in the Fund Financial Statements results when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded. In the general fund, \$150,570 for federal aid, state aid, 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.

**O) Vested employee benefits:**

**Compensated absences:**

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

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

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

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**P) Other benefits:**

District employees participate in the New York State Employees' Retirement System (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*.

**Q) Short-term debt:**

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

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

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The District issued and retired a \$32,000,000 TAN in the fiscal year ended June 30, 2021 (See Note 12 for further detail).

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

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

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

**S) Equity classifications:**

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 (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions, or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, 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.

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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$321.

**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 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.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**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 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 fund.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

**Debt Service**

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

**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, 2021.

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



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**T) New accounting pronouncements:**

GASB has issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), effective for the fiscal year ended June 30, 2021. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported. The District has adopted and implemented GASB Statement No. 84, *Fiduciary Activities*, in 2021. See Note 21 for further consideration.

**U) Future 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 right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

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

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

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

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

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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 in the fund statements and depreciation 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, 2021 included \$29,623,663 within the governmental funds for general and capital reserves, scholarships and donations, and debt service purposes.

**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, 2021, the District was billed \$6,180,948 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,275,550. The District also entered into a lease agreement with Eastern Suffolk BOCES, see Note 20B for further information. Financial statements for the Eastern Suffolk BOCES are available from the Eastern Suffolk BOCES administrative office at 201 Sunrise Highway, Patchogue, NY 11772.

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

State and federal aid receivables at June 30, 2021 consisted of the following:

General Fund

CARES Act	\$106,434
FEMA	9,319
CRP tuition reimbursement	283,825
Excess cost aid	353,989
BOCES aid	1,275,550
Homeless aid	527,708
OMRDD tuition/transportation	317,965
Prior year excess cost aid	82,974
Prior year transportation aid	16,639
Total - General Fund	<u>2,974,403</u>

Special Aid Fund

Federal aid	373,663
State/local aid	379,080
Total - Special Aid Fund	<u>752,743</u>

School Lunch Fund

Federal lunch	319,841
State lunch	7,411
Total - School Lunch Fund	<u>327,252</u>

Capital fund

NYS Smart Schools Bond Act	<u>847,740</u>
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Total - All Funds	<u>\$4,902,138</u>
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The general fund state and federal aid receivable includes \$108,932 of unavailable revenues which is included in deferred inflows of resources on the balance sheet.

District management has deemed these receivables as fully collectible.

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
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**NOTE 7 – DUE FROM OTHER GOVERNMENTS:**

Due from other governments at June 30, 2021 consisted of the following:

General Fund	
Suffolk County IDA - PILOT	\$497,988
Town of Smithtown IDA - PILOT	2,177,823
Town of Islip IDA - PILOT	51,709
Tuition - other districts	303,773
Library Portion	3,300
Miscellaneous	11,670
Total - General Fund	<u>\$3,046,263</u>

The general fund due from other governments includes \$41,638 of unavailable revenues due from the Suffolk County IDA, which is included in deferred inflows of resources on the balance sheet.

District management has deemed these receivables as fully collectible.

**NOTE 8 – COLLECTIONS IN ADVANCE:**

Collections in advance at June 30, 2021 consisted of the following:

General Fund	
Rent collected in advanced	\$15,198
Retiree health insurance premiums	6,815
Total - General Fund	<u>22,013</u>
School Lunch Fund	
Student prepaid meals	<u>53,993</u>
Total - All funds	<u>\$76,006</u>

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

Deferred inflows of resources in the general fund at June 30, 2021 consisted of the following:

General Fund	
General state aid - prior years	\$16,639
Excess cost aid - prior years	82,974
Federal sources - FEMA	9,319
Suffolk County IDA - PILOT	41,638
Total - General Fund	<u>\$150,570</u>

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**NOTE 10 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2021 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	40,309	\$1,539,158	(\$806,058)	773,409
Total capital assets not being depreciated	<u>1,910,085</u>	<u>1,539,158</u>	<u>(806,058)</u>	<u>2,643,185</u>
Capital assets that are being depreciated:				
Building and building improvements	98,341,450			98,341,450
Land improvements	1,769,401	21,000		1,790,401
Furniture and equipment	4,578,435	308,931	524,986	5,412,352
Vehicles	1,491,792	24,994	(139,635)	1,377,151
Total capital assets being depreciated	<u>106,181,078</u>	<u>354,925</u>	<u>385,351</u>	<u>106,921,354</u>
Less accumulated depreciation:				
Building and building improvements	39,465,215	1,740,134		41,205,349
Land improvements	1,766,713	1,235		1,767,948
Furniture and equipment	3,032,558	408,780	(280,577)	3,160,761
Vehicles	1,131,269	96,428	(139,584)	1,088,113
Total accumulated depreciation	<u>45,395,755</u>	<u>2,246,577</u>	<u>(420,161)</u>	<u>47,222,171</u>
Total capital assets being depreciated, net	<u>60,785,323</u>	<u>(1,891,652)</u>	<u>805,512</u>	<u>59,699,183</u>
Capital assets, net	<u>\$62,695,408</u>	<u>(\$352,494)</u>	<u>(\$546)</u>	<u>\$62,342,368</u>

Depreciation expense and loss on disposals were charged to governmental functions as follows:

General support	\$1,150,720
Instruction	998,174
Transportation	75,458
Food service program	22,771
	<u>\$2,247,123</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
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**NOTE 11 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:**

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General Fund	\$1,475,729	\$445,603		\$4,881,467
Special Aid Fund		582,363	\$278,831	
School Lunch		1,505		
Capital Projects Fund	442,303	891,863	675,000	
Debt Service Fund	2		3,927,636	
Total governmental activities	1,918,034	1,921,334	4,881,467	4,881,467
Fiduciary - Custodial Fund	3,300			
Totals	<u>\$1,921,334</u>	<u>\$1,921,334</u>	<u>\$4,881,467</u>	<u>\$4,881,467</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 \$675,000 from the general fund to the capital projects fund to fund projects. The District also transferred \$3,927,636 to the debt service fund in accordance with the general fund budget.

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

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

**NOTE 12 - SHORT-TERM DEBT:**

On October 30, 2020, the District issued tax anticipation notes in the amount of \$32,000,000. This debt was issued for interim financing of general fund operations. Transactions in short-term debt for the year are summarized below:

Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance at June 20, 2021
6/25/21	1.25%	\$ -	\$32,000,000	\$32,000,000	\$ -

Interest on short-term debt for the year was \$261,111.



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**NOTE 13 – LONG-TERM LIABILITIES:**

Long-term liability balances and activity for the year ended June 30, 2021 are summarized below:

	Beginning Balance*	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:					
Bonds payable	\$14,060,000		(\$3,300,000)	\$10,760,000	\$3,185,000
Add: Premiums on obligations	1,511,215		(447,418)	1,063,797	321,876
Total Bonds payable	15,571,215	-	(3,747,418)	11,823,797	3,506,876
Other long-term liabilities:					
Installment purchase debt payable	118,888		(28,059)	90,829	29,140
Compensated absences payable	18,585,677	2,111,072	(636,848)	20,059,901	700,119
Claims payable	2,990,460	664,304	(868,487)	2,786,277	
Total other post-employment benefits obligation	108,878,744	12,622,478	(2,273,294)	119,227,928	
Net pension liability-proportionate share:					
Teachers' retirement system		18,009,699	(10,325,232)	7,684,467	
Employees' retirement system	7,403,131		(7,376,791)	26,340	
Total long-term liabilities	\$153,548,115	33,407,553	(\$25,256,129)	\$161,699,539	\$4,236,135

\*Deferred premiums on refunding, net of accumulated amortization, have been reclassified to meet reporting requirements for bond refundings.

The general fund has typically been used to liquidate long-term liabilities such as bonds payable, installment purchase debt payable, claims payable, compensated absences 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, 2021
Refunding bond - 2011	9/8/2011	8/1/2021	3.00-5.00%	\$1,130,000
Refunding bond - 2017	12/29/2017	7/15/2025	5.00%	9,630,000
				<u>\$10,760,000</u>

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	3,185,000	458,375	3,643,375
2023	2,155,000	324,875	2,479,875
2024	2,255,000	214,625	2,469,625
2025	2,350,000	99,500	2,449,500
2026	815,000	20,375	835,375
	\$10,760,000	\$1,117,750	\$11,877,750

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

**B) Installment Purchase Debt Payable**

Installment purchase debt payable is composed of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Wheel Loader	11/19/2019	11/30/2024	3.85%	\$90,829

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2022	\$29,140	\$3,497	\$32,637
2023	30,261	2,375	32,636
2024	31,428	1,210	32,638
	\$90,829	\$7,082	\$97,911

Principal and interest expense for installment purchase debt for the fiscal year ended June 30, 2021 was \$28,059 and \$4,577, respectively.

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**C) Long-Term Interest**

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

	<u>Total</u>
Interest paid	\$625,077
Less interest accrued in the prior year	(339,992)
Plus interest accrued in the current year	244,229
Less amortization of deferred premiums	(447,418)
Plus amortization on deferred charges on refundings	110,863
Total expense	<u>\$192,759</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, 2021 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	(198,852)	(317,243)	(516,095)
Balance of deferred charges on refundings	<u>\$3,370</u>	<u>\$317,244</u>	<u>\$320,614</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)

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

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Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the 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
    - 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:

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- 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, 2021 for covered payroll was 19.6% for Tier 2, 16.1% for Tiers 3 & 4, 13.4% for Tier 5, and 9.6% 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, 2021 was 9.53% 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
2021	\$ 1,529,273	\$ 4,454,485
2020	\$ 1,503,963	\$ 4,182,029
2019	\$ 1,493,393	\$ 4,932,232

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

At June 30, 2021, the District reported the following liability for its proportionate share of the net pension liability for each of the Systems. The net pension liability was measured as of March 31, 2021 for ERS and June 30, 2020 for TRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and TRS Systems in reports provided to the District.

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	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Net pension liability	\$ 26,340	\$ 7,684,467
District's portion of the System's total net pension liability	0.0264530%	0.278093%
Change in proportion since the prior measurement date	-0.0015038%	0.000137%

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$923,755 for ERS and \$10,325,232 for TRS. At June 30, 2021, 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	\$321,686	\$6,733,131	\$ -	\$393,814
Changes of assumptions	4,843,132	9,719,063	91,343	3,464,339
Net difference between projected and actual earnings on pension plan investments	-	5,018,631	7,566,487	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	848,709	51,482	230,338	253,515
District's contributions subsequent to the measurement date	410,429	4,454,485	-	-
	<u>\$6,423,956</u>	<u>\$25,976,792</u>	<u>\$7,888,168</u>	<u>\$4,111,668</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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:		
2021		\$2,972,757
2022	(\$194,225)	6,022,144
2023	8,092	4,926,147
2024	(284,720)	3,038,151
2025	(1,403,788)	97,964
Thereafter	-	353,476
	<u>(\$1,874,641)</u>	<u>\$17,410,639</u>

**Actuarial Assumptions**

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

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2021	June 30, 2020
Actuarial valuation date	April 1, 2020	June 30, 2019
Interest rate	5.90%	7.10%
Salary scale	4.40%	4.72% - 1.90%
Cost of living adjustments	1.4% annually	1.3%, annually
Decrement tables	April 1, 2015 - March 31, 2020	July 1, 2009 - June 30, 2014
	System's Experience	System's Experience
Inflation rate	2.70%	2.20%

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-2019, 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, 2020 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, 2019 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

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future real rates of return (expected returns, net of investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the measurement date are summarized below:

<u>Measurement Date</u>	<u>ERS</u>		<u>TRS</u>	
	<u>March 31, 2021</u>		<u>June 30, 2020</u>	
<u>Asset type</u>	<u>Target</u>	<u>Long-term</u>	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>expected real</u>	<u>Allocation</u>	<u>rate of return</u>
		<u>rate of return</u>		<u>rate of return</u>
Domestic equity	32%	4.05%	33%	7.10%
International equity	15%	6.30%	16%	7.70%
Global equity			4%	7.40%
Private equity	10%	6.75%	8%	10.40%
Real estate	9%	4.95%	11%	6.80%
Opportunistic/Absolute return strategy	3%	4.50%		
Credit	4%	3.63%		
Real assets	3%	5.95%		
Fixed income	23%	0.00%		
Cash	1%	0.50%		
Domestic fixed income securities			16%	1.80%
Global bonds			2%	1.00%
High-yield bonds			1%	3.90%
Private debt			1%	5.20%
Real estate debt			7%	3.60%
Cash equivalents			1%	0.70%
	<u>100%</u>		<u>100%</u>	

The expected real rate of return is net of the long-term inflation assumptions of 2.00% for ERS, and 2.20% for TRS.

**Discount Rate**

The discount rate used to calculate the total pension liability was 5.9% for ERS and 7.10% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption**

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 5.9% for ERS and 7.1% for TRS, as well as what the District's proportionate share of the net pension asset/(liability) would



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be if it were calculated using a discount rate that is 1-percentage-point lower (4.9% for ERS and 6.1% for TRS) or 1-percentage-point higher (6.9% for ERS and 8.1% for TRS) than the current rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
<b>ERS</b>			
District's proportionate share of the net pension asset (liability)	(\$7,311,050)	(\$26,340)	\$6,691,867
	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
<b>TRS</b>			
District's proportionate share of the net pension asset (liability)	(\$48,540,132)	(\$7,684,467)	\$26,603,789

**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)	
	<b>ERS</b>	<b>TRS</b>
Measurement date	March 31, 2021	June 30, 2020
Employers' total pension liability	\$ (220,680,157)	\$ (123,242,776)
Plan Net Position	220,580,583	120,479,505
Employers' net pension liability	<u>\$ (99,574)</u>	<u>\$ (2,763,271)</u>

Ratio of plan net position to the		
Employers' total pension liability	99.95%	97.76%

**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, 2021 represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$410,429.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2021 are paid to the System in September, October and November 2021 through a state aid intercept, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2021 represent employee and employer contributions for the fiscal year ended June 30, 2021 based on paid TRS wages multiplied by the employer's

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contribution rate and employee contributions for the fiscal year as reported to TRS. Accrued retirement contributions as of June 30, 2021 amounted to \$4,621,466.

**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, 2021 totaled \$232,767 and \$3,401,408, 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 \$626,853.

**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.

**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 2021, the District

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contributed an estimated \$2,273,294 to the Plan, including \$2,273,294 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 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>844</u>

**B) Total OPEB Liability:**

The District’s total OPEB liability of \$119,227,928 was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases, including wage inflation	Varied by years of service and retirement system
Discount rate	2.16%
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	5.40% for 2021 decreasing to an ultimate rate of 4.04% by 2075
Part B Reimbursements	2.7% for 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.

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

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

Balance at June 30, 2020	<u>\$108,878,744</u>
Changes for the fiscal year:	
Service cost	5,208,503
Interest	2,496,346
Changes of benefit terms	
Differences between expected and actual experience	1,920,945
Changes in assumptions or other inputs	2,996,684
Benefit payments	<u>(2,273,294)</u>
Net changes	<u>10,349,184</u>
Balance at June 30, 2021	<u><u>\$ 119,227,928</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 5.40% 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.

The discount rate was changed from 2.21% at June 30, 2020 to 2.16% at June 30, 2021.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16%) or 1-percentage-point higher (3.16%) than the current discount rate:

	1% Decrease (1.16%)	Discount Rate (2.16%)	1% Increase (3.16%)
Total OPEB liability	<u>\$144,655,140</u>	<u>\$119,227,928</u>	<u>\$99,449,841</u>

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**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 (4.40%) or 1-percentage-point higher (6.40%) than the current healthcare cost trend rates:

	1% Decrease (4.40% decreasing to 3.04%)	Healthcare Cost Trend Rates (5.40% decreasing to 4.04%)	1% Increase (6.40% decreasing to 5.04%)
Total OPEB liability	<u>\$95,877,200</u>	<u>\$119,227,928</u>	<u>\$150,564,486</u>

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

For the fiscal year ended June 30, 2021, the District recognized OPEB expense of \$11,714,456. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,003,192	\$ 7,798,246
Changes of assumptions or other inputs	32,713,951	1,975,230
	<u>\$ 36,717,143</u>	<u>\$ 9,773,476</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:	
2022	\$4,009,607
2023	4,009,607
2024	4,009,607
2025	4,009,607
2026	4,009,607
Thereafter	6,895,632
	<u>\$ 26,943,667</u>

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
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**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, 2021, the District has recorded potential workers' compensation claims of \$2,786,277 and has a workers' compensation reserve balance of \$1,090,257 in the general fund.

The claims activity is follows:

	2021	2020
Unpaid claims at beginning of year	\$2,990,460	\$3,073,025
Incurred claims	664,304	728,323
Claims payments and adjustments	<u>(868,487)</u>	<u>(810,888)</u>
Claims payable	<u>\$2,786,277</u>	<u>\$2,990,460</u>

**NOTE 19 - TAX ABATEMENTS:**

Suffolk County Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 911-A, and the Town of Islip Industrial Development Agency (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 \$1,862,774 for these programs during the fiscal year.

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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 \$456,350 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 \$4,623,480 for these programs during the fiscal year.

**NOTE 20 – COMMITMENTS AND CONTINGENCIES:**

**A) Grants:**

The District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's administration believes disallowances, if any, will be immaterial.

**B) Operating Leases:**

The District leases various copiers under non-cancelable operating leases. Lease expenditures were \$300,357 for the fiscal year ended June 30, 2021. The minimum remaining lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2022	\$300,357
2023	292,439
2024	150,554
Total Lease Payments	<u>\$743,350</u>

**C) Litigation:**

As of June 30, 2021 the District is unaware of any pending or threatened litigation or unasserted claims or assessment against the District which require disclosure.

**D) Encumbrances:**

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2021, the District had encumbered the following amounts:

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General fund for:	
General support	\$188,753
Instruction	382,550
Total General fund	<u>\$571,303</u>
Capital projects fund for:	
Capital projects	<u>\$1,811,076</u>

**NOTE 21 – RESTATEMENT OF FUND BALANCES / NET POSITION**

During the year ended June 30, 2021, the District implemented GASB Statement No. 84. The adoption and implementation of this Statement resulted in reporting changes in current assets and other assets and other liabilities. The District's net fund balance and net position have been restated as follows:

	General Fund	Miscellaneous Special Revenue Fund	Statement of Net Position
Fund Balance/Net Position (Deficit)			
Beginning of Year, as Reported	\$ 29,882,287	\$ -	\$ (4,020,124)
Assets			
Cash	362,899	261,792	624,691
Accounts receivable	4,194		4,194
Due from fiduciary fund	(223,806)		(223,806)
Total Assets	<u>143,287</u>	<u>261,792</u>	<u>405,079</u>
Liabilities			
Other liabilities	<u>143,287</u>		<u>143,287</u>
Total Liabilities	<u>143,287</u>	<u>-</u>	<u>143,287</u>
Fund Balance/Net Position (Deficit)			
Restricted - fiduciary funds			
Restricted for scholarships and donations		4,000	4,000
Assigned unappropriated fund balance		257,792	257,792
Total Fund Balance	<u>-</u>	<u>261,792</u>	<u>261,792</u>
Net increase (decrease) in			
Fund Balance/Net Position	<u>-</u>	<u>261,792</u>	<u>261,792</u>
Fund Balance/Net Position (Deficit)			
Beginning of Year, as Restated	<u>\$ 29,882,287</u>	<u>\$ 261,792</u>	<u>\$ (3,758,332)</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



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NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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)** The District applied for additional funding under the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) in the amount of \$2,653,553 for the Elementary and Secondary School Emergency Relief Program (ESSER) and \$409,571 for the Governor's Emergency Education Relief Program (GEER), which were approved in August of 2021.
- B)** On September 29, 2021, the District issued a tax anticipation note in the amount of \$28,000,000, which is due June 24, 2022, and bears an interest rate of 1.50%, and a premium of \$279,020.

## **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, 2021**

	<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	\$88,874,467	\$85,178,137	\$85,182,505	\$4,368
STAR reimbursement		3,696,330	3,696,330	-
PILOT - payment in lieu of taxes	6,648,244	6,648,244	6,964,704	316,460
Charges for services	170,000	170,000	468,823	298,823
Use of money and property	706,700	706,700	746,269	39,569
Sale of property and compensation for loss			439,164	439,164
Miscellaneous	55,000	63,577	680,162	616,585
State sources				
Basic formula	14,046,056	14,046,056	10,327,194	(3,718,862)
Excess cost aid			2,131,797	2,131,797
Lottery aid			1,432,265	1,432,265
BOCES aid			1,275,550	1,275,550
Tuition aid			714,424	714,424
Textbook aid			203,468	203,468
Computer software aid			67,051	67,051
Library aid			21,431	21,431
Other state aid			682,521	682,521
Federal sources	50,000	50,000	182,947	132,947
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>110,550,467</u>	<u>110,559,044</u>	<u>115,216,605</u>	<u>\$4,657,561</u>
Appropriated fund balance	4,285,000	4,285,000		
Appropriated reserves	1,764,030	2,439,030		
<b>TOTAL REVENUES, OTHER FINANCING SOURCES &amp; APPROPRIATED FUND BALANCE &amp; RESERVES</b>	<u>\$116,599,497</u>	<u>\$117,283,074</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, 2021

	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
<b>EXPENDITURES</b>					
General support					
Board of education	\$87,226	\$100,869	\$87,686		\$13,183
Central administration	348,901	348,901	336,079		12,822
Finance	1,378,710	1,378,710	1,205,148	\$20,300	153,262
Staff	920,256	951,466	899,104		52,362
Central services	11,517,647	11,693,077	10,597,167	168,453	927,457
Special items	1,377,245	1,378,145	1,129,747		248,398
Total general support	15,629,985	15,851,168	14,254,931	188,753	1,407,484
Instructional					
Instruction, adm. & imp.	5,971,050	5,860,815	5,346,077	60,217	454,521
Teaching - regular school	31,693,755	31,927,207	30,885,902	145,950	895,355
Programs for children with handicapping conditions	15,517,062	15,611,819	15,447,411	8,600	155,808
Occupational education	505,800	511,530	511,530		-
Special schools	70,500	84,913	84,913		-
Instructional media	3,123,856	3,122,585	2,885,533	164,960	72,092
Pupil services	5,164,663	5,076,927	4,598,533	2,823	475,571
Total instructional	62,046,686	62,195,796	59,759,899	382,550	2,053,347
Pupil transportation	7,354,845	7,268,695	6,630,317	-	638,378
Community services	93,000	93,000	145	-	92,855
Employee benefits	26,557,403	26,534,391	24,552,250	-	1,982,141
Debt service					
Debt service interest	724,940	458,555	261,111	-	197,444
<b>TOTAL EXPENDITURES</b>	112,406,859	112,401,605	105,458,653	571,303	6,371,649
Other financing uses					
Transfers to other funds	4,192,638	4,881,469	4,881,467	-	2
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	\$116,599,497	\$117,283,074	110,340,120	\$571,303	\$6,371,651
Net change in fund balances			4,876,485		
Fund balances - beginning of year			29,882,287		
Fund balances - end of year			\$34,758,772		

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,**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	5,208,503	\$3,865,614	\$1,826,938	\$1,899,902
Interest	2,496,346	3,293,783	2,622,718	2,387,056
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	1,920,945	(10,397,662)	3,317,666	-
Changes of assumptions or other inputs	2,996,684	23,234,244	18,094,530	(3,378,790)
Benefit payments	(2,273,294)	(2,164,524)	(1,501,979)	(1,796,562)
<b>Net change in total OPEB liability</b>	<u>10,349,184</u>	<u>17,831,455</u>	<u>24,359,873</u>	<u>(888,394)</u>
<b>Total OPEB liability - beginning</b>	<u>108,878,744</u>	<u>91,047,289</u>	<u>66,687,416</u>	<u>67,575,810</u>
<b>Total OPEB liability - ending</b>	<u>\$119,227,928</u>	<u>\$108,878,744</u>	<u>\$91,047,289</u>	<u>\$66,687,416</u>
<b>Covered-employee payroll</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>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 2021:*

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 and to 2.16% at June 30, 2021.

*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 5.40% decreasing gradually to an ultimate rate of 4.04% by 2075. At June 30, 2020 medical trend rates were 5.30% for 2020 decreasing to an ultimate rate of 3.84% 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, \***

NYSERS Pension Plan		2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)		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)		(\$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		\$9,829,954	\$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		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)		99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
NYSTRS Pension Plan		2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension asset (liability)		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)		(\$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		\$47,950,703	\$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		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)		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>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>	<u>2012</u>
Contractually required contribution	\$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	\$1,428,316
Contributions in relation to the contractually required contribution	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	1,428,316
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$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	\$9,532,366
Contributions as a percentage of covered payroll	15.90%	14.53%	14.23%	15.35%	13.53%	15.97%	18.13%	18.92%	18.35%	14.98%

	<b>NYSTRS Pension Plan</b>									
	<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>	<u>2012</u>
Contractually required contribution	\$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	\$4,327,387
Contributions in relation to the contractually required contribution	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	4,327,387
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$40,886,780
Contributions as a percentage of covered payroll	9.40%	8.72%	10.38%	9.34%	11.55%	12.78%	16.96%	15.62%	11.37%	10.58%

**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, 2021**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget		\$115,735,467
Add: Prior year's encumbrances		<u>864,030</u>
Original Budget		116,599,497
Budget Revisions:		
Gifts and donations	\$8,577	
Use of capital reserves	<u>675,000</u>	
Total budget revisions		<u>683,577</u>
Final Budget		<u><u>\$117,283,074</u></u>

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

2021-2022 voter approved expenditure budget		<u>\$119,963,719</u>
Maximum fund balance allowed (4% of 2021-2022 budget)		<u><u>\$4,798,549</u></u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$4,211,303	
Unassigned fund balance	<u>4,798,549</u>	
Total unrestricted fund balance		\$9,009,852
Less:		
Appropriated fund balance	3,640,000	
Encumbrances	<u>571,303</u>	
Total adjustments		\$4,211,303
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		<u><u>\$4,798,549</u></u>
Actual percentage of 2021-2022 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, 2021

Expenditures to Date										Methods of Financing				Fund	
Project Title		Project #	Original Appropriation	Revised Appropriation	Prior Year's	Current Year	Total	Unexpended Balance	Proceeds of Obligations	Budgetary Appropriation	State Aid	Capital Reserve II	Total	June 30, 2021 Balance	
19/20	MS Curbing/Paving	002-031	\$286,221	\$341,020		\$60,366	\$60,366	\$ 280,654		341,020			\$341,020	\$ 280,654	
19/20	MS Bathrooms	002-031	225,000	620,894	1,920	58,343	60,263	560,631				620,894	620,894	560,631	
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	1,880	79,715	81,595	534,504				616,099	616,099	534,504	
19/20	Pines Roof	006-024	2,525,000	2,525,000	36,508	489,857	526,365	1,998,635				2,525,000	2,525,000	1,998,635	
2019 Bond	HS STEM Lab	008-050	1,475,000	1,475,000		739	739	1,474,261					-	(739)	
2019 Bond	FB Playground/Doors	010-020	193,520	193,520		13,660	13,660	179,860					-	(13,660)	
2019 Bond	BW Playground/Doors	007-024	193,520	193,520		14,960	14,960	178,560					-	(14,960)	
2019 Bond	PI Playground/Doors	006-025	311,520	311,520		15,460	15,460	296,060					-	(15,460)	
2019 Bond	Future Bond Projects	N/A	11,326,440	11,326,440			-	11,326,440					-	-	
20/21	FB Roof	010-021	675,000	675,000			-	675,000				675,000	675,000	675,000	
20/21	SSBA PH 1	N/A	848,033	847,740		847,740	847,740	-			847,740		847,740	-	
TOTAL			\$18,473,033	\$19,259,733	\$40,308	\$1,580,840	\$1,621,148	\$17,638,585	\$ -	\$475,000	\$847,740	\$4,436,993	\$5,759,733	\$4,138,985	

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

**HAUPPAUGE UNION FREE SCHOOL DISTRICT  
SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

<b>Capital assets, net</b>			<b>\$62,342,368</b>
<b>Add:</b>			
Deferred charges on refunding			320,614
<b>Deduct:</b>			
Short-term portion of bonds payable (inclusive of unamortized premiums)	3,506,876		
Long-term portion of bonds payable (inclusive of unamortized premiums)	8,316,921		
Short-term portion of installment purchase debt payable	29,140		
Long-term portion of installment purchase debt payable	<u>61,689</u>	<u>11,914,626</u>	
<b>Net investment in capital assets</b>			<u><u>\$50,748,356</u></u>



**R.S. ABRAMS & CO., LLP**

*Accountants & Consultants for Over 75 years*

Robert S. Abrams  
(1926-2014)

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

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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 Hauppauge Union Free School District (the "District"), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 20, 2021.

**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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

R.S. Abrams & Co., LLP  
Islandia, NY  
October 20, 2021