PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 16, 2022

NEW ISSUE **TAX ANTICIPATION NOTES**

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. (See "Tax Matters" herein).

The District will NOT designate the Notes as "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code.

HAUPPAUGE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

$29,000,000* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES
(the "Notes")

Date of Issue: September 13, 2022 **Maturity Date: June 28, 2023**

The Notes are general obligations of the Hauppauge Union Free School District, in Suffolk County, New York (the "District"), and will contain a pledge of the faith and credit of the District for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the District, subject to certain statutory limitations. (See "*Tax Levy Limit Law*" herein).

The Notes will not be subject to redemption prior to maturity.

The Notes will be issued in registered form and, at the option of the purchaser(s), the Notes will be (i) registered in the name of the successful bidder(s) or (ii) registered to Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

If the Notes are registered in the name of the successful bidder(s), a single note certificate will be issued for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on such Notes will be payable in Federal Funds by the District, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

If the Notes are issued in book-entry form, such notes will be delivered to DTC, which will act as securities depository for the Notes. Beneficial owners will not receive certificates representing their interest in the Notes. Individual purchases may be made in denominations of $5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the District to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. Transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The District will not be responsible or liable for payments by DTC to its participants or by DTC participants to beneficial owners or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants. (See *"Book-Entry-Only System"* herein).

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on August 24, 2022 at the offices of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. Munistat Services, Inc. has served as Municipal Advisor to the District in connection with the issuance of the Notes. It is expected that delivery of the Notes will be made in New York, New York or as otherwise agreed on or about September 13, 2022.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE DISTRICT FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE DISTRICT'S AGREEMENT TO PROVIDE CONTINING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

August , 2022

*Preliminary, subject to change.

HAUPPAUGE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

495 Hoffman Lane
Hauppauge, New York 11788
Telephone: (631) 265-3630

BOARD OF EDUCATION

David M. Barshay, Esq., President
Rob Scarito, Vice President

Michael Buscarino
Colleen Capece, Esq.
Dr. Lawrence Crafa
James Kiley
Gemma Salvia

Superintendent of Schools
Donald B. Murphy, Ed.D.

Assistant Superintendent for Business and Operations
Brigid Siena

District Clerk
Lori DeGeorge

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

Munistat
Municipal Financial Advisory Service
Since 1977

12 Roosevelt Avenue
Port Jefferson Station, N.Y. 11776
(631) 331-8888

E-mail: info@munistat.com
Website: http://www.munistat.com

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor there any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the District from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

TABLE OF CONTENTS

Page

TABLE OF CONTENTS - CONTINUED

OFFICIAL STATEMENT

HAUPPAUGE UNION FREE SCHOOL DISTRICT
SUFFOLK COUNTY, NEW YORK

Relating To

$29,000,000* TAX ANTICIPATION NOTES FOR 2022-2023 TAXES
(the "Notes")

This Official Statement, including the cover page and appendix hereto, presents certain information relating to the Hauppauge Union Free School District in the County of Suffolk, State of New York (the "District," "County" and "State," respectively) in connection with the sale of $29,000,000* Tax Anticipation Notes for 2022-2023 Taxes (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented world-wide event, the effects of which are extremely difficult to predict and quantify. See "*RISK FACTORS*" herein.

THE NOTES

Description

The Notes will be dated and will mature, without option of prior redemption, as reflected on the cover page hereof.

The District will act as Paying Agent for any Notes issued in book-entry form and the purchaser(s) will serve as paying agent for the Notes registered in the name of the purchaser(s). Paying agent fees, if any, will be paid by the purchaser(s). The District's contact information is as follows: Brigid Siena, Assistant Superintendent for Business and Operations, Hauppauge Union Free School District, 495 Hoffman Lane, Hauppauge, New York 11788, Phone (631) 265-3630 and email: sienab@hauppauge.k12.ny.us.

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Book-entry-only System

In the event that the Notes are issued in book-entry form, DTC will act as securities depository for the Notes and the Notes will be issued as fully-registered notes registered in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

____

*Preliminary, subject to change

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

Authorization for and Purpose of Notes

The Notes are issued pursuant to the Constitution and laws of the State, including Sections 24.00 and 39.00 of the Local Finance Law, constituting Chapter 33-a of the Consolidated Laws of New York, and a tax anticipation note resolution adopted by the Board of Education of the District to finance cash flow requirements in anticipation of the collection of 2022-2023 real property taxes levied for school purposes on all taxable real property in the District. The proceeds of the Notes may be used only for the purposes for which such taxes have been or are to be levied, as specified in the 2022-2023 annual budget of the District, unless all of said purposes have been paid and satisfied, in which case the proceeds of the notes may be used for any lawful school purpose. The proceeds of the Notes will not be used for the redemption or renewal of any outstanding tax anticipation or revenue anticipation notes.

Pursuant to Section 24.00(e) of the Local Finance Law, generally, whenever the amount of the Notes and any additional tax anticipation notes issued by the District in anticipation of the receipt of 2022-2023 real property taxes equals the amount of such taxes remaining uncollected, the District is required to set aside in a special bank account all of such uncollected taxes as thereafter collected, and to use the amounts so set aside only for the purpose of paying such Notes. Interest on the Notes will be provided from budget appropriations.

Security and Source of Payment

Each Note when duly issued and paid for will constitute a contract between the District and the holder thereof.

The Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the District has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the District, subject to certain statutory limitations imposed by the Chapter 97 of the New York Laws of 2011, as amended. See "*Tax Levy Limit Law*" herein.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law, (herein referred to as the "Tax Levy Limit Law" or "Law"), imposes a limitation on the power of local governments and school districts, including the District, to increase their annual tax levy, with the amount of such year to year increase limited by the formulas set forth in the Tax Levy Limit Law. The Tax Levy Limit Law also provides the procedural method to overcome that limitation. In addition, the Tax Levy Limit Law expressly provides an exclusion from the annual tax levy limitation for any taxes levied to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures, or the refinancing or refunding of such bonds or notes. The exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes, and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments. (See "*The Tax Levy Limit Law,*" herein.)

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the District default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. The Notes are general obligation contracts between the District and the owners for which the faith and credit of the District are pledged and while remedies for enforcement of payment are not expressly included in the District's contract with such owners, any permanent repeal by statute or constitutional amendment of a bondholder's and/or noteholder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the District. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such bonds or notes from funds lawfully available therefor or, in the absence thereof, to order the District to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the District and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on the Notes, the owner of such Notes could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the District to assess, levy and collect an ad valorem tax, upon all taxable property of the District subject to taxation by the District sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of Noteholders, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank* v. *Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the District.

Pursuant to Article VIII, Section 2 of the State Constitution, the District is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk* v. *Municipal Assistance Corp*., 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of bondholders and/or noteholders, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

SECTION 99-B OF THE STATE FINANCE LAW APPLICABLE TO SCHOOL DISTRICTS

Section 99-b of the State Finance Law (the "SFL") provides for a covenant between the State and the purchasers and the holders and owners from time to time of the bonds and notes issued by school districts in the State for school purposes that it will not repeal, revoke or rescind the provisions of Section 99-b of the SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Said section provides that in the event a holder or owner of any bond or note issued by a school district for school purposes shall file with the State Comptroller, a verified statement describing such bond or note and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond or note. Such investigation by the State Comptroller shall set forth a description of all such bonds and notes of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State Teachers' Retirement System, and (b) the principal of and interest on such bonds and notes of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on the bonds and notes shall be forwarded promptly to the paying agent or agents for the bonds and notes in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds or notes. If any such successive allotments, apportionments or payment of such State aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds and notes in default with respect to which the same was so deducted or withheld, then the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds and notes in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds and notes of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds or notes pursuant to said section of the SFL.

NO PAST DUE DEBT

No principal or interest payment on District indebtedness is past due. The District has never defaulted in the payment of the principal of and/or interest on any indebtedness.

BANKRUPTCY

The Federal Bankruptcy Code (Chapter IX) allows public bodies, such as municipalities, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Title 6-A of the Local Finance Law specifically authorizes any municipality in the State or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not become applicable in the future. As such, the undertakings of the District should be considered with reference, specifically, to Chapter IX, and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Bankruptcy proceedings by the District if authorized by the State in the future could have adverse effects on bondholders and/or noteholders including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the District after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes.

The above references to said Chapter IX are not to be construed as an indication that the State will consent in the future to the right of the District to file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness or that the District is currently considering or expects to resort to the provisions of Chapter IX if authorized to do so in the future.

THE DISTRICT

Description

The District is located in western Suffolk County. The District has a land area of approximately 12.7 square miles and a population of approximately 23,551. The Village of Islandia is partially located within the boundaries of the District.

The District is composed of residential, commercial and industrial properties. The Suffolk County Office building and several County Courts, as well as, a New York State Office Building are located within the District. Blydenburgh Park, a County Park, is also located within the District.

The Hauppauge area has experienced rapid high-technology industrial expansion, particularly along Motor Parkway, Veterans Highway and the Long Island Expressway. In addition to large office building complexes, extensive industrial parks, including Vanderbilt Industrial Park, Marcus Industrial Park and Cardinal Industrial Park are situated within the District.

The District contains a major highway hub of central Long Island. Veterans Memorial Highway (New York State Route 454) and the Nesconset-Port Jefferson Highway (New York State Route 347) converge within the District and each of these highways intersects New York State Route 111, a north-south highway, within the District. Veterans Memorial Highway and the Nesconset-Port Jefferson Highway cut the District diagonally, the latter running from approximately center island at Hauppauge to the north shore at Port Jefferson. As noted above, the Long Island Expressway also passes through the District. The highways facilitate commercial and industrial activity. Northern State Parkway, limited to non-commercial traffic, has been extended so that it terminates at Veterans Memorial Highway in the heart of the District.

Two stations of the Long Island Rail Road - Smithtown and Central Islip - are located close to the District and are used for commuter traveling.

District Organization

Subject to the provisions of the State Constitution, the District operates pursuant to the Education Law, the Local Finance Law, other laws generally applicable to the District, and any special laws applicable to the District. Under such laws, there is no authority for the District to have a charter or adopt local laws.

The legislative power of the District is vested in the Board of Education. Under current law, an election is held within the District boundaries each year to elect members of the Board of Education. They are generally elected for staggered terms of three years.

Each year, the Board of Education meets for the purpose of reorganization. At that time, the Board elects a President and Vice President, and appoints a District Clerk and District Treasurer

Financial Organization

Pursuant to the Local Finance Law, the President of the Board of Education is the chief fiscal officer of the District. However, certain of the financial functions of the District are the responsibility of the Superintendent of Schools and the Assistant Superintendent for Business and Operations.

Enrollment History

The following table presents the past school enrollment for the District.

School Year	School Enrollment
2017-18	3,470
2018-19	3,389
2019-20	3,273
2020-21	3,235
2021-22	3,137

Source: District Officials.

Projected Future Enrollment

The following table presents the projected future school enrollment for the District.

School Year	School Enrollment
2022-23	3,065
2023-24	3,050
2024-25	3,045

Source: District Officials.

District Facilities

The District operates six schools and offices; statistics relating to each are shown below.

Name of School	Grades	Year(s) Built	Capacity
Forest Brook Elementary	K-5	1959, '03	780
Administration Building[a]	N/A	1963	N/A
Pines Elementary	K-5	1965, '03	891
Bretton Woods Elementary	K-5	1967, '03	972
Middle School	6-8	1950, '51, '56, '62, '76, '03, '10	1,300
High School	9-12	1968	3,100

a. This building is currently used for administration and community use.

Employees

The District provides services through approximately 655 employees who are represented by the following units of organized labor, plus non-union employees not represented.

Name of Union	Expiration Date of Contract [a]	Approx. No. of Members
Hauppauge Schools Office Staff Association	06/30/2022	50
Local 424, Division 100, AFL-CIO, UPSEU	06/30/2029	141
Hauppauge Teachers Association	06/30/2027	340
Hauppauge Association of Administrative Personnel	06/30/2024	19
Hauppauge Teaching Assistants Association	06/30/2023	91
Non-Union	-	14

a. All contracts expired as of June 30, 2022 are currently in negotiations.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

The following table sets forth population statistics for the Town of Islip, Town of Smithtown and the County of Suffolk.

Year	Town of Islip	Town of Smithtown	Suffolk County
2000	323,504	115,715	1,419,369
2010	345,627	117,801	1,493,350
2020	330,584	116,428	1,481,364

Source: U.S. Bureau of the Census.

Income Data

Income data is not available for the District as such. The information set forth below with respect to such Town of Islip, Town of Smithtown, County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the District is necessarily representative of the Towns, County or State or vice versa.

	Per Capita Money Income			
	1990	2000	2010	2020
Town of Islip	$16,778	$23,699	$30,388	$40,347
Town of Smithtown	21,465	31,401	43,022	56,846
County of Suffolk	18,481	26,577	35,411	46,466
State of New York	16,501	23,389	30,791	40,898

	Median Household Income			
	1990	2000	2010	2020
Town of Islip	$50,212	$65,359	$81,028	$103,629
Town of Smithtown	60,068	80,421	104,665	129,338
County of Suffolk	49,128	65,288	84,235	105,362
State of New York	32,965	43,393	55,217	71,117

Source: United States Bureau of the Census

Selected Listing of Larger Employers in the Town of Islip
(As of 2021)

Name	Type of Business	Estimated Number of Employees
Good Samaritan Hospital	Hospital	3,500
NBTY	Vitamins, Minerals & Nutrients	2,500
Southside Hospital	Hospital	2,500
Computer Associates International	Software	2,450
Broadridge Financial Services	Payroll/ Data Services	1,700
Positive Promotions	Manufacturer	600
Creative Bath	Manufacturer	550
Wenner Bread Products	Food Products	550
Dayton T. Brown, Inc.	Test Lab & Metal Products	500
Data Device	Electronic Components	500
Invagen Pharmaceuticals	Manufacturer	460
J. Kings Food Services	Food Products	350
Allstate	Insurance	360
David Peyser Sportswear	Manufacturer/ Distributor	350
Blackman Plumbing Supplies	Distributor	340

Source: Town Officials.

Selected Listing of Larger Employers in the Town of Smithtown
(As of 2021)

Name	Type of Business	Estimated Number of Employees
St. Catherine of Siena Hospital	Hospital	2,000
Developmental Disabilities Institute	Health Care Services	1,750
Smithtown Central School District	Public Schools	1,717
Town of Smithtown	Local Government	1,234
Scope Educational Services	Education	1,200
Sunrise Senior Living of Smithtown	Health Care Services	700
MITEQ, Inc.	Electronics	600
Kings Park School District	Public Schools	596
Hawkeye	Energy	585
ADP	Payroll	500

Source: Town Officials.

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The information set forth below with respect to such Towns, County and State is included for information purposes only. It should not be inferred from the inclusion of such data in this Official Statement that the District is necessarily representative of the Towns, County or State or vice versa.

Annual Averages:	Town of Smithtown (%)	Town of Islip (%)	Suffolk County (%)	New York State (%)
2017	3.8	4.5	4.5	4.7
2018	3.3	4.5	3.9	4.1
2019	3.1	3.7	3.7	4.0
2020	7.6	8.8	8.5	10.0
2021	4.2	5.0	4.9	7.2
2022 (5 Month Average)	2.6	3.4	3.3	4.6

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE DISTRICT

Constitutional and Statutory Requirements

The New York State Constitution and Local Finance Law limit the power of the District (and other municipalities and school districts of the State) to issue obligations and to contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the District and the Notes:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual, or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes (such as the Notes) or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the period of probable usefulness of the object or purpose determined by statute or, in the alternative, the weighted average period of probable usefulness of the several objects or purpose for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the District has authorized the issuance of indebtedness having substantially level or declining annual debt service. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness to prevent abuses in the exercise of such power; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. There is no constitutional limitation on the amount that may be raised by the District by tax on real estate in any fiscal year to pay principal of and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the District to increase its annual tax levy. (See *"The Tax Levy Limit Law"* herein).

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The Board of Education, as the finance board of the District, has the power to enact tax anticipation note resolutions. Such resolutions may authorize the issuance of tax anticipation notes in an aggregate principle amount necessary to fund anticipated cash flow deficits but in no event exceeding the amount of real property taxes levied or to be levied by the District, less any tax anticipation notes previously issued and less the amount of such taxes previously received by the District.

The Board of Education, as the finance board of the District, also has the power to authorize the sale and issuance of bonds and notes, including the Notes. However, such finance board may delegate the power to sell the Notes to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

Debt Limit. Pursuant to the Local Finance Law, the District has the power to contract indebtedness for any school district purpose authorized by the Legislature of the State of New York provided the aggregate principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions such as State aid for building purposes. The constitutional and statutory method for determining full valuation is by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio (equalization rate) which such assessed valuation bears to the full valuation; such ratio is determined by the State Board of Real Property Services. The Legislature also is required to prescribe the manner by which such ratio shall be determined by such authority.

The following table sets forth the computation of the debt limit of the District and its debt contracting margin:

Computation of Debt Limit and Debt Contracting Margin
(As of August 16, 2022)

In Town of:	Assessed Valuation	State Equalization Rate (%)	Full Valuation
Islip (2021-2022)[a]	$253,351,172	9.28	$2,730,077,284
Smithtown (2021-2022)[a]	37,463,184	1.12	3,344,927,143
Totals:	290,814,356		6,075,004,427
Debt Limit - 10% of Average Full Valuation			607,500,443
Inclusions:[b]			
Outstanding Bonds			5,420,000
Bond Anticipation Notes			8,500,000
Total Indebtedness			13,920,000
Exclusions (Estimated Building Aid)[c]			6,960,000
Total Net Indebtedness			6,960,000
Net Debt Contracting Margin			$600,540,443
Per Cent of Debt Contracting Margin Exhausted			1.15%

a. The latest completed assessment rolls for which a State Equalization Rate have been established.
b. Tax Anticipation Notes, Energy Performance Lease and Revenue Anticipation Notes are not included in computation of the debt contracting margin of the District.
c. Represents estimate of moneys receivable by the District from the State as an apportionment for debt service for school building purposes, based on the most recent information received by the District from the State Department of Education. The amount shown is not necessarily the amount the District will ultimately receive. The District has not applied for a building aid exclusion certificate from the Commissioner of Education and therefore may not exclude such amount from its total indebtedness on the Debt Statement form required to be filed with the Office of the State Comptroller when bonds are to be issued.

Details of Short-Term Indebtedness Outstanding

As of the date of the Official Statement, the District has bond anticipation notes outstanding in the amount of $8,500,000 that mature on June 15, 2023.

Trend of Outstanding Indebtedness
As at June 30:

		2018	2019	2020	2021	2022
Bonds	$	$20,535,000	$17,370,000	$14,060,000	$10,760,000	$7,575,000
BANs		0	0	0	0	8,500,000
Totals:	$	$20,535,000	$17,370,000	$14,060,000	$10,760,000	$16,075,000

Source: Audited Financial Statements of the District and District Officials.

Debt Service Requirements – Outstanding Bonds [a]

Fiscal Year Ending June 30:	Principal	Interest	Total
2023	$2,155,000	$324,875	$2,479,875
2024	2,255,000	214,625	2,469,625
2025	2,350,000	99,500	2,449,500
2026	815,000	20,375	835,375
Totals	$7,575,000	$659,375	$8,234,375

a. Does not include payments made to date.

Tax Anticipation Notes

The District has generally found it necessary to borrow from time to time in anticipation of taxes, which borrowing is necessitated by the schedule of real property tax payments. The following is a history of such tax anticipation note borrowings for the five most recent fiscal years:

Fiscal Year Ending June 30:	Amount	Type	Issue Date	Due Date
2017-18	$24,000,000	TAN	09/27/17	06/22/18
2018-19	24,500,000	TAN	09/14/18	06/21/19
2019-20	26,000,000	TAN	10/08/19	06/26/20
2020-21	32,000,000	TAN	10/30/20	06/25/21
2021-22	28,000,000	TAN	09/29/21	06/24/22

Source: Audited Financial Statements of the District.

Authorized and Unissued Debt

The District has authorized but unissued debt outstanding in the amount of $5,000,000 for District-Wide improvements.

Calculation of Estimated Overlapping and Underlying Indebtedness

Overlapping Units	Date of Report	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	06/30/2022	2.20	$30,051,101	$26,189,400
Town of Islip	04/14/2022	6.60	11,696,190	10,402,094
Town of Smithtown	02/28/2022	16.50	6,557,870	5,408,549
Hauppauge Fire District	12/31/2020	100.00	0	0
Village of Islandia	12/31/2021	50.00	0	0
Totals			$48,305,161	$42,000,043

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Official Statements.

Debt Ratios
(As of August 16, 2022)

	Amount	Per Capita [a]	Percentage of Full Value (%) [b]
Total Direct Debt	$13,920,000	$ 591	0.23
Net Direct Debt	6,960,000	296	0.11
Total Direct & Applicable Total Overlapping Debt	62,225,161	2,642	1.02
Net Direct & Applicable Net Overlapping Debt	48,960,043	2,079	0.81

a. The current population of the District is 23,551.
b. The full valuation of taxable property for 2021-2022 is $6,075,004,427.

FINANCES OF THE DISTRICT

Impact of COVID-19

The District has incurred certain expenses associated with the COVID-19 pandemic, including but not limited to, costs related to hiring additional personnel and for cleaning supplies and equipment, the aggregate cost of which total approximately $500,000. The District has paid such costs from budgetary appropriations. The District does not believe that the increased costs described above will have a material adverse impact on the finances of the District. (See also "*State Aid*" herein.)

In December of 2020, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act was enacted as the second act of federal relief in response to COVID-19. The CRRSA Act provides approximately $4.3 billion to support schools in the State, with the funds available to be spent through September 2023. This in addition to the $1.2 billion in Federal Coronavirus Aid, Relief and Economic Security (CARES) Act funding, which can be spent through September 2022. The CRRSA Act provides the State with $4.0 billion through the Elementary and Secondary School Emergency Relief (ESSER) Fund and $323 million through the Governor's Emergency Education Relief (GEER) Fund. Districts may generally use these funds for broad purposes, including general operating and pandemic-related costs such as purchasing personal protective equipment. Additionally, the State has been allocated approximately $9.0 billion under the American Rescue Plan (ARP) Act's Elementary and Secondary School Emergency Relief Fund (ESSER).

The District has received $36,847 in CARES Act funding and is expected to receive a total of $143,326. In addition, the District expects to receive $4,029,079 through CRRSA and ARP funding. See also "*State Aid*" herein.

Independent Audit

The financial affairs of the District are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the District has complied with the requirements of various state and federal statutes. The financial statements of the District are audited each year by an independent public accountant. The last such audit covers the fiscal year ended June 30, 2021. A copy of such report is included herein as Appendix C.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the GML, the District is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, in obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Education of the District has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

Fund Structure and Accounts

The General Fund is the general operating fund for the District and is used to account for substantially all revenues and expenditures of the District. The District also maintains a special aid fund and school lunch fund. In addition, a capital projects fund is used to record capital facility projects, while a custodial fund accounts for assets received by the District in a fiduciary capacity.

Basis of Accounting

The district-wide and fiduciary fund financial statements are reported on the accrual basis of accounting using the economic resources measurement focus. 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 transaction, 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 and the related expenditures are incurred.

The fund statements are reported on the modified accrual basis of accounting using the current financial resources measurement focus. Revenues are recognized when measurable and available. The District considers all revenue 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, and compensated absences, 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.

Source: Audited Financials of the District.

Budget Process

The District's fiscal year begins on July 1 and ends on June 30. Starting in the fall or winter of each year, the District's financial plan and enrollment projection are reviewed and updated and the first draft of the next year's proposed budget is developed by the central office staff. During the winter and early spring, the budget is developed and refined in conjunction with the school building principals and department supervisors. The District's budget is subject to the provisions of the Tax Levy Limit Law, which imposes a limitation on the amount of real property taxes that a school district may levy, and by law is submitted to voter referendum on the third Tuesday of May each year. (See *"The Levy Limit Law"* herein).

On May 17, 2022, a majority of the voters of the District approved the District's budget for the 2022-2023 fiscal year. Summaries of the District's Adopted Budgets for the fiscal years 2021-2022 and 2022-2023 may be found in Appendix A, herein.

Revenues

The District receives most of its revenue from a real property tax on all non-exempt real property situated within the District and State aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A.

Real Property Taxes

See *"Tax Information"* herein.

State Aid

The District receives appropriations from the State of State aid for operating, building and other purposes at various times throughout its fiscal year, pursuant to formulas and payment schedules set forth by statute. While the State has a constitutional duty to maintain and support a system of free common schools that provides a "sound basic education" to children of the State, there can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the school districts can be paid only if the State has such monies available for such payment.

The following table sets forth the percentage of the District's General Fund revenue comprised of State aid for each of the fiscal years 2017 through 2021, and the amounts budgeted for 2022 and 2023.

Fiscal Year Ending June 30:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2017	$105,985,332	$16,433,947	15.5
2018	106,971,142	16,668,093	15.6
2019	110,827,325	17,406,362	15.7
2020	113,362,245	17,159,069	15.1
2021	115,216,605	16,855,701	14.6
2022 (Adopted Budget) [a]	119,963,719	16,543,436	13.8
2023 (Adopted Budget) [a]	123,913,904	18,189,364	14.7

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted revenues include the application of reserves and fund balance.

In addition to the amount of State Aid budgeted annually by the District, the State makes payments of STAR aid representing tax savings provided by school districts to their taxpayers under the STAR Program (See "*STAR – School Tax Exemption*" herein).

The amount of State aid to school districts is dependent in part upon the financial condition of the State. Due to the outbreak of COVID-19 the State has declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for an extended period. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to continue to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. The use of federal stimulus funds has allowed the State to avoid gap closing measurements; however, the State may be required to implement gap closing measurements in the future. Such actions may include, but are not limited to: reductions in State agency operations and/or delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. If this were to occur, reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

The State's 2020-21 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State aid in the event that actual State revenues came in below 99% of estimates or if actual disbursements exceeded 101% of estimates. Pursuant to that provision, in October 2020, the State announced that, in the absence of Federal funding to offset such lost revenue, the State had begun to take steps to reduce spending, including but not limited to, temporarily holding back 20% of most aid payments to local governments and school districts. In December 2020, a second federal stimulus bill was enacted and provided additional funding for schools in the State. As of February 1, 2021, the State Education Department ("SED") advised school districts that the State Division of the Budget would, at some point, provide approval for SED to make the payments to school districts for State aid and other Pre-K-12 grant programs that had been subject to the above-referenced 20% withholding. Such approval was received and the State released all of the withheld funds on or about June 30, 2021.

The State's 2021-22 Enacted Budget provides $29.5 billion in State funding to school districts for the 2021-22 school year the highest level of State aid ever. This represents an increase of $3.0 billion or 11.3 percent compared to the 2020-21 school year, and includes a $1.4 billion or 7.6 percent Foundation Aid increase. Approximately 75 percent of this increase is targeted to high-need school districts. The State's 2021-22 Enacted Budget also programs $13 billion of federal Elementary and Secondary School Emergency Relief Fund and the Governor's Emergency Education Relief Fund to public schools. This funding available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2021-22 Enacted Budget allocated $629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the State's 2021-22 Enacted Budget uses $105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-22 school year.

The amount of State aid to school districts can vary from year to year and is dependent in part upon the financial condition of the State. During the 2011 to 2019 fiscal years of the State, State aid to school districts was paid in a timely manner; however, during the State's 2010 and 2020 fiscal years, State budgetary restrictions resulted in delayed payments of State aid to school districts in the State. In addition, the availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in adoption of the State budget, which is due at the start of the State's fiscal year of April 1. The State's budget has been adopted by April 1 or shortly thereafter for over ten (10) years. The State's 2021-22 Enacted Budget was adopted on April 7, 2021. No assurance can be given that the State will not experience delays in in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

As described above, the State's 2020-21 and the State's 2021-22 Enacted Budgets included significant amounts of federal funding. The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, the COVID-19 pandemic, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision. Reductions in federal funding levels could have a materially adverse impact on the State budget. (See also "*Impact of COVID-19*" herein.)

The State's 2022-23 Enacted Budget provides $31.3 billion in State funding to school districts for the 2022-23 school year the highest level of State aid ever. This represents a year-to-year funding increase of $2.1 billion or 7.07%. and includes $21.4 billion of Foundation Aid which increased 8.1% from 2021-22. The 2022-23 school year increase in Foundation Aid primarily reflects the second year of the three-year phase-in of full funding of the current Foundation Aid formula.

The State's 2022-23 Enacted Budget also increases the State's annual investment in prekindergarten to $1.1 billion, an increase of $125 million, or 13%. The Budget also includes a total of $100 million of matching funds over two years to be provided to school districts and BOCES with the highest needs to address student wellbeing and learning loss in response to the trauma brought about by the COVID-19 pandemic. This includes support for extended school day or school year programs, afterschool programs, mental health professionals and other locally determined initiatives.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include, but are not limited to: reductions in State agency operations; delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

State Aid Litigation

In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity v. New York mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that $1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The Campaign for Fiscal Equity decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive $5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a "gap elimination adjustment" as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date. See also "*School district fiscal year (2021-2022)*" herein.

A case related to the Campaign for Fiscal Equity, Inc. v. State of New York was heard on appeal on May 30, 2017 in New Yorkers for Students' Educational Rights v. State of New York ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent "gross education inadequacies", claims regarding State funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein. On October 14, 2021 Governor Kathy Hochul announced that New York State has reached an agreement to settle and discontinue the New Yorkers for Students' Educational Rights v. New York State case, following through on the State's commitment to fully fund the current Foundation Aid formula to New York's school districts over three years and ending the State's prior opposition to providing this much-needed funding to our students. The litigation, which has been ongoing since 2014, sought to require New York State to fully fund the Foundation Aid formula that was put into place following the historic Campaign for Fiscal Equity cases, and had been previously opposed by the State. Foundation Aid was created in 2007 and takes school district wealth and student need into account to create an equitable distribution of state funding to schools, however, New York State has never fully funded Foundation Aid. The new settlement requires New York State to phase-in full funding of Foundation Aid by the FY 2024 budget. In the FY 2022 Enacted State Budget approved in April, the Executive and Legislature agreed to fully fund Foundation Aid by the FY 2024 budget and enshrined this commitment into law. A breakdown of currently anticipated Foundation Aid funding is available below:

- FY 2022: $19.8 billion, covering 30% of the existing shortfall
- FY 2023: Approximately $21.3 billion, covering 50% of the anticipated shortfall
- FY 2024: Approximately $23.2 billion, eliminating the anticipated shortfall, and funding the full amount of Foundation Aid for all school districts

Events Affecting State Aid to New York School Districts

Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 pandemic has affected and is expected to continue to affect State aid to school district.

School district fiscal year (2014-2015): The State Legislature adopted the State budget on March 31, 2014. The State's 2014-2015 Budget included a $1.1 billion or 5.3% increase in State aid to school districts for the 2014-2015 school year. High-need school districts received 70% of the State aid increase. The State's 2014-2015 Budget restored $602 million of Gap Elimination Adjustment reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The State's 2014-2015 Budget invested $1.5 billion over five years to support the phase-in of a Statewide universal full-day pre-kindergarten program.

School district fiscal year (2015-2016): The State Legislature adopted the State budget on March 31, 2015. Said budget included an increase of $1.4 billion in State aid for school districts that was tied to changes in the teacher evaluation and tenure process.

School district fiscal year (2016-2017): The State's 2016-2017 Budget included a school aid increase of $991 million over 2015-2016, $863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the State's 2016-2017 Budget included a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment (the "GEA"). The majority of the remaining increase ($100 million) related to Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. Such funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

School district fiscal year (2017-2018): The State's 2017-2018 Budget provided for school aid of approximately $25.8 billion, an increase of $1.1 billion in school aid spending from the 2016-2017 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State's 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans.

School district fiscal year (2018-2019): The State's 2018-2019 Budget provided for school aid of approximately $26.7 billion, an increase of approximately $1.0 billion in school aid spending from the 2017-2018 school year. The majority of the increases were targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.2% and building aid increased by 4.7%. The State 2018¬2019 Budget continued to link school aid increases for 2018-2019 and 2019-2020 to teacher and principal evaluation plans.

School district fiscal year (2019-2020): The State's 2019-2020 school year, the State's Enacted Budget include a total of $27.9 billion for School Aid, a year-to-year funding increase of approximately $1.2 billion. The majority of the increases have been targeted to high need school districts. Expense-based aids to support school construction, pupil transportation, BOCES and special education will continue in full, as is the State's usual practice. Transportation aid will increase by approximately 4.5% and building aid will increase by approximately 3.7%. The State 2019¬2020 Enacted Budget continues to link school aid increases for 2019-2020 and 2020-2021 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

School district fiscal year (2020-2021): Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased Federal support. This reduction in State Operating Funds support was offset by approximately $1.1 billion in funding provided to the State through the Federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these Federal funds, State aid in the school district fiscal year 2020-2021 was expected to total $27.9 billion, an annual increase of approximately $100 million or 0.4 percent. The State's 2020-2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over $200 million in support for competitive grant programs, including $1 million for development of a new Civics Education curriculum and $10 million for a Student Mental Health program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid was continued under existing aid formulas. Out-year growth in School Aid reflect current projections of the ten-year average growth in State personal income. The State's 2020-2021 Enacted Budget authorized the State's Budget Director to make periodic adjustments to State Aid, in the event that actual State revenues came in below 99% percent of estimates or if actual disbursements exceed 101% of estimates. See "*State Aid*" herein for a discussion of this provision set forth in the State's 2020-2021 Enacted Budget and recent releases by the State regarding the projected revenue shortfalls in such budget.

School district fiscal year (2021-2022): For the 2021-2022 school year, the State's Enacted budget provided $29.5 billion in State funding to school districts for the 2021-2022 school year through School Aid, the highest level of State aid ever, supporting the operational costs of school districts that educate 2.5 million students statewide. This investment represents an increase of 11.3% ($3.0 billion) compared to the 2020-2021 school year, including a $1.4 billion (7.6%) Foundation Aid increase. The Enacted budget allocated $13 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, will help schools safely reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The Budget allocated $629 million of these funds to school districts as targeted grants to support efforts to address learning loss through activities such as summer enrichment and comprehensive after-school programs. In addition, the Budget used $105 million of federal funds to expand access to full-day prekindergarten programs for four-year-old children in school districts statewide in the 2021-2022 school year.

School district fiscal year (2022-2023): For the 2022-2023 Enacted Budget provides $31.5 billion in State funding to school districts for the 2022-23 school year, the highest level of State aid ever. This represents an increase of $2.1 billion or 7.2% compared to the 2021-2022 school year and includes a $1.5 billion or 7.7 percent Foundation Aid increase. The State's 2022-2023 Enacted Budget also programs $14 billion of federal Elementary and Secondary School Emergency Relief and Governor's Emergency Education Relief funds to public schools. This funding, available for use over multiple years, is designed to assist schools to reopen for in-person instruction, address learning loss, and respond to students' academic, social, and emotional needs due to the disruptions of the COVID-19 pandemic. The State's 2022-23 Enacted Budget allocates $100 million over two years for a new State matching fund for school districts with the highest needs to support efforts to address student well-being and learning loss. In addition, the State's 2022-23 Enacted Budget increases federal funds buy $125 million to expand access to full-day prekindergarten programs for four-year old children in school districts statewide in the 2022-23 school year.

The Smart Schools Bond Act was passed as part of the Enacted 2014-2015 State Budget. The Smart Schools Bond Act authorizes the issuance of $2 billion of general obligation bonds by the State to finance improved educational technology and infrastructure to enhance learning and opportunity for students throughout the State.

The District cannot predict at this time whether there will be any reductions in and/or delays in the receipt of State aid during the remainder of the current fiscal year. The District believes that it would mitigate the impact of any delays or the reduction in State aid by reducing expenditures, increasing revenues, appropriating other available funds on hand, and/or by any combination of the foregoing. (See also "*Risk Factors*").

Expenditures

The major categories of expenditure for the District are General Support, Instruction, Employee Benefits, Pupil Transportation and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

The State Comptroller's Fiscal Stress Monitoring System and OSC Compliance Reviews

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school districts and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the Office of the State Comptroller (OSC). Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 10.0%; Environmental Score: 5.0%). More information on the FSMS may be obtained from the Office of the State Comptroller.

In addition, OSC helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit was released on June 17, 2016. The purpose of our audit was to examine the District's use of overtime for the period July 1, 2014 through August 31, 2015.

References to websites and/or website addresses presented herein are for informational purposes only. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Employee Pension System

New York State Certified employees (teachers and administrators) are members of the New York State Teachers Retirement System ("TRS"). Employer pension payments to the TRS are generally deducted from State aid payments. All non-NYS certified/civil service employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York State and Local Employee's Retirement System ("ERS"). Both the TRS and ERS are non-contributory with respect to members hired prior to July 1, 1976. Other than as discussed below, all members of the respective systems hired on or after July 1, 1976 with less than 10 year's full-time service contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, the Governor signed in to law a new Tier 5. The law is effective for new ERS and TRS employees hired after January 1, 2010 and before March 31, 2012. ERS employees contribute 3% of their salaries and TRS employees contribute 3.5% of their salaries. There is no provision for these employee contributions to cease after a certain period of service.

On March 16, 2012, Governor Cuomo signed into law Chapter 18 of the Laws of 2012, which legislation provides for a new Tier 6 for employees hired after April 1, 2012. This new pension tier has progressive employee contribution rates between 3% and 6% and such employee contributions continue so long as the employee continues to accumulate pension credits; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early retirement with penalties. Under Tier 6, the pension multiplier is 1.75% for the first 20 years of service and 2% thereafter; vesting will occur after 10 years; the time period for calculation of final average salary is increased from three years to five years; and the amount of overtime to be used to determine an employee's pension is capped at $15,000, indexed for inflation, for civilian and non-uniform employees and at 15% of base pay for uniformed employees outside of New York City. It also includes a voluntary, portable, defined contribution plan option for new non-union employees with salaries of $75,000 or more.

Under current law, the employer pension payments for a given fiscal year are based on the value of the pension fund on the prior April 1 thus enabling the District to more accurately include the cost of the employer pension payment in its budget for the ensuing year. In addition, the District is required to make a minimum contribution of 4.5% of payroll every year, including years in which the investment performance of the fund would make a lower payment possible. The annual employer pension payment is due on February 1 of each year.

Due to poor performance of the investment portfolio of TRS and ERS during the recent financial crisis, the employer contribution rates for required pension payments to the TRS and ERS increased substantially. To help mitigate the impact of such increases, various forms of legislation have been enacted that permitted school districts to amortize a portion of its annual employer pension payments. The District has not amortized any of its employer pension payments pursuant to such legislation and expects to continue to pay all payments in full when due.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. The District established a TRS reserve fund in the 2018-2019 fiscal year.

The following chart represents the ERS and TRS required contributions for each of the completed fiscal years below:

Fiscal Year Ending June 30:	TRS	ERS
2017	$5,111,339	$1,389,760
2018	4,382,325	1,586,356
2019	4,932,232	1,493,393
2020	4,182,029	1,503,963
2021	4,454,485	1,529,273

Source: Audited Financial Statements.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Education Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees. This protection from unilateral reduction of benefits had been extended annually by the New York State Legislature until recently when legislation was enacted to make permanent these health insurance benefit protections for retirees. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of the date hereof. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended June 30, 2018, the District adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost. Those that have more than 200 participants are required to have a full actuarial valuation annually. Plans with fewer than 200 participants are required to have a full valuation every two years.

The District's total OPEB liability at June 30, 2021 is as follows:

Changes in the Total OPEB Liability	Fiscal Year Ending June 30, 2021:
Total OPEB Liability at June 30, 2020	$108,878,744
Charges for the Year:	
Service Cost	5,208,503
Interest	2,496,346
Changes of Benefit Terms	0
Differences Between Expected and Actual Experience	1,920,945
Changes in Assumptions or Other Inputs	2,996,684
Benefit Payments	(2,273,294)
Net Changes	10,349,184
Total OPEB Liability at June 30, 2021	$119,227,928

The OSC has recently proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The District cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the District has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the District be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the District's finances and could force the District to reduce services, raise taxes or both.

TAX INFORMATION

Real Property Taxes

The District derives its power to levy an ad valorem real property tax from the State Constitution; methods and procedures to levy, collect and enforce this tax are governed by the Real Property Tax Law. Real property assessment rolls used by the District are prepared by the Towns of Islip and Smithtown. Assessment valuations are determined by the Town assessors and the State Board of Real Property Services which is responsible for certain utility and railroad property. In addition, the State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation or debt contracting and real property taxing limitations. The District is not subject to constitutional real property taxing limitations; however, see "*The Tax Levy Limit Law*" herein for a discussion of certain statutory limitation that have been imposed

The following table sets forth the percentage of the District's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2017 through 2021, and the amounts budgeted for 2022 and 2023.

Fiscal Year Ending June 30:	Total Revenue	Real Property Taxes	Real Property Taxes to Revenues (%)
2017	$105,985,332	$76,599,931	72.27
2018	106,971,142	77,518,034	72.47
2019	110,827,325	80,153,168	72.32
2020	113,362,245	82,855,414	73.09
2021	115,216,605	85,182,505	73.93
2022 (Budgeted) [a]	119,963,719	90,057,187	75.07
2023 (Budgeted) [a]	123,913,904	91,180,127	73.58

Source: Audited Financial Statements of the District and Adopted Budgets of the District.

a. Budgeted estimates for real property taxes include STAR. Budgeted estimates for total revenues include appropriations of fund balance.

Tax Collection Procedure

Property taxes for the District, together with County, Town and Fire District taxes, are collected by the Town Tax Receivers. Such taxes are due and payable in equal installments on December 1 and May 10, but may be paid without penalty by January 10 and May 31, respectively. Penalties on unpaid taxes are 1% per month from the date such taxes are due and 10% after May 31.

The Town Tax Receivers distribute the collected tax money to the Town, fire and school districts prior to distributing the balance collected to the County. Uncollected amounts are not segregated by the Receivers and any deficiency in tax collection is the County's liability. The District thereby is assured of full tax collection.

The Tax Levy Limit Law

Chapter 97 of the New York Laws of 2011, as amended, (herein referred to as the "Tax Levy Limit Law" or "Law") modified previous law by imposing a limit on the amount of real property taxes that a school district may levy.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

Under the Tax Levy Limit Law, there is now a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the consumer price index, subject to certain exclusions as mentioned below and as described in the Law. A budget with a tax levy that does not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a budget with a tax levy in excess of the limit. In the event the voters reject the budget, the tax levy for the school district's budget for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year. School districts will be permitted to carry forward a certain portion of their unused tax levy limitation from a prior year.

The Law permits certain significant exclusions to the tax levy limit for school districts. These include taxes to pay the local share of debt service on bonds or notes issued to finance voter approved capital expenditures and the refinancing or refunding of such bonds or notes, certain pension cost increases, and other items enumerated in the Law. However, such exclusion does NOT apply to taxes to pay debt service on tax anticipation notes (such as the Notes), revenue anticipation notes, budget notes and deficiency notes; and any obligations issued to finance deficits and certain judgments, including tax certiorari refund payments.

STAR - School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities ("STAR Adjusted Gross Income") of $86,000 or less, increased annually according to a cost of living adjustment, are eligible for a "full value" exemption of the first $66,800 for the 2018-19 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross income not in excess of $500,000 are eligible for a $30,000 "full value" exemption on their primary residence. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program by the first business day in January of each year.

Part A of Chapter 60 of the Laws of 2016 of the State of New York ("Chapter 60") gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-2016 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The State 2017-18 Enacted Budget included changes to Chapter 60. STAR checks are now expected to be mailed out prior to the date that school taxes are payable. The amount of the check will be based on the previous year's amount adjusted by the levy growth factor used for the property tax cap. Any changes that must be made based on the final STAR credit compared to the estimate used will be factored into the subsequent year's STAR credit check or taxpayers also may account for those changes in their State income taxes.

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to $250,000, compared with a $500,000 limit for the Credit. The amount of the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually. The State's 2020-21 Enacted Budget withholds STAR benefits to taxpayers who are delinquent in the payment of their school taxes and maintains the income limit for the exemption to $250,000, compared with a $500,000 limit for the credit.

Approximately 4.5% of the District's 2021-2022 school tax levy was exempted by the STAR program and the District has received full reimbursement of such exempt taxes from the State. Approximately 4.5% of the District's 2022-2023 school tax levy is expected to be exempted by the STAR program and the District expects to receive full reimbursement of such exempt taxes from the State in January 2022. (See *"State Aid"* herein).

Valuations, Rates and Levies

The following table sets forth District's assessed and full valuations, tax rates and levies for each of the years 2018 through 2022.

Town:	Fiscal Year Ending June 30:	Assessed Valuation	State Equal. Rate (%)	Full Valuation	Tax Rate Per $1,000 Assessed Valuation (Homestead)	Tax Rate Per $1,000 Assessed Valuation (Non-Homestead)	Tax Levy
Islip							
	2017-18	$253,229,424	12.12	$2,089,351,683	106.63	159.89	$35,274,929
	2018-19	253,280,265	11.35	2,231,544,185	116.25	176.36	36,177,175
	2019-20	253,995,207	10.77	2,358,358,468	119.26	180.82	32,207,263
	2020-21	253,433,024	9.70	2,612,711,588	129.55	194.14	32,207,263
	2021-22	253,351,172	9.28	2,730,077,284	132.30	199.43	41,021,195
Smithtown							
	2017-18	$37,184,830	1.31	$2,838,536,641	1,048.10	1,598.89	$47,116,411
	2018-19	37,506,006	1.23	3,049,268,780	1,090.75	1,634.55	48,587,211
	2019-20	37,321,624	1.16	3,217,381,379	1,125.42	1,678.91	49,662,906
	2020-21	37,457,848	1.15	3,257,204,174	1,103.56	1,638.55	48,699,559
	2021-22	37,463,184	1.12	3,344,927,143	1,106.05	1,656.40	48,959,412
Total							
	2017-18	$290,414,254		$4,927,888,324			$82,391,340
	2018-19	290,786,271		5,280,812,966			84,764,386
	2019-20	291,316,831		5,575,739,847			81,870,169
	2020-21	290,890,872		5,869,915,762			80,906,822
	2021-22	290,814,356		6,075,004,427			89,980,607

Source: Tax Rate worksheets of the Towns of Islip and Smithtown.

Selected Listing of Large Taxable Properties in the District
2021-2022 Assessment Roll

Name	Type	Assessed Valuation
CO-BB Devonshire	Commercial	$8,150,500
Marketspan	Utility	5,000,000
HH FP Portfolio	Commercial	4,546,700
Delaware North	Commercial	4,400,000
Long Island Lighting Co.	Commercial	3,564,850
Matrix Crossroad	Commercial	3,421,800
LIPA	Utility	3,379,903
Islandia Express	Commercial	2,498,300
Islandia NT-HCIL	Commercial	2,425,050
1377 Motor Parkway	Commercial	2,200,000
	Total:	$39,587,103[a]

Source: Town Assessment Roll.
a. Represents 1.45 % of the Assessed Valuation of the District for 2021-2022.

CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the District invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

LITIGATION

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. Except as otherwise set forth herein and apart from matters provided for by applicable insurance coverage, the attorneys for the District are unaware of any claims or actions pending which, if determined against the District, would have an adverse material effect on the financial condition of the District.

Child Victims Act Claims – Presently three lawsuits have been commenced against the District under the Child Victims Act. Jane Doe, a former student, filed a lawsuit pursuant to the Child Victims Act on October 21, 2019, alleging that her former teacher sexually abused her in the years 1977 and 1978. She alleges that the District was negligent in hiring, training and retaining this teacher. The teacher accused of misconduct is represented by separately retained counsel. The parties are presently engaged in discovery. At this stage of the litigation, it is impracticable to render an opinion about whether the likelihood of any unfavorable outcome in any lawsuit is either probable or remote. The District, however, believes that it has meritorious defenses against the allegations and will vigorously defend itself in this action. Should the plaintiff be successful in its action against the District, any liability in excess of any insurance coverage that may be available will be a District charge and would be funded either through budgetary appropriations or through the issuance of bonds.

Another former student of the District filed a lawsuit pursuant to the Child Victims Act on July 19, 2021, alleging that the District's former physician sexually abused him during the years 1975 through 1977. He alleges that the District was negligent in hiring, training and retention of this physician. The District's answer to the complaint is due on September 10, 2021. At this stage of litigation, it is impracticable to render an opinion about whether the likelihood of any unfavorable outcome in this lawsuit is either probable or remote. The District, however, believes that it has meritorious defenses against the allegations and will vigorously defend itself in this action. Should the plaintiff, however, be successful in this action, any liability in excess of any insurance coverage that may be available will be a District charge and would be funded either through budgetary appropriations or through the issuance of bonds.

On November 3, 2020, a former District student commenced a special proceeding seeking the court's permission to proceed with an action pursuant to the New York Child Victims Act. Upon information and belief, the former student alleges that that the student was sexually abused by the student's teacher. The New York Insurance Reciprocal, the District's insurer, assigned Mulholland Minion Davey McNiff & Beyrer to appear and answer on behalf of the District in accordance with the terms and provisions of the District's insurance policy. The Court granted plaintiff's application to proceed and the complaint was served on February 19, 2021.

RISK FACTORS

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

The District's credit rating could be affected by circumstances beyond the District's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of District property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the District's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell all or a part of the Notes prior to maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Notes are sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the District to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The District relies in part on State aid to fund its operations. There can be no assurance that the State appropriation for State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. The availability of such monies and the timeliness of such payment may also be affected by a delay in the adoption of the State budget, the impact to the State's economy and financial condition due to the COVID-19 pandemic and other circumstances, including State fiscal stress. In any event, State aid appropriated and apportioned to the District can be paid only if the State has such monies available therefore. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein). Should the District fail to receive State aid expected from the State in the amounts or at the times expected, occasioned by a delay in the payment of such monies or by a reduction in State aid, the District is authorized by the Local Finance Law to provide operating funds by borrowing on account of the uncollected State aid.

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the District's financial condition and operating results by potentially delaying the receipt of real property taxes or resulting in a delay or reduction by the State in the payment of State aid. Currently, the COVID-19 outbreak has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to continue to affect economic growth worldwide. The outbreak caused the Federal government to declare a national state of emergency, which was followed by the enactment of a variety of stimulus measures designed to address financial stability and liquidity issues caused by the outbreak. The State also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses for extended periods. Efforts to contain the spread of COVID-19 has reduced the spread of the virus in some areas and there have been recent efforts to relax some of the restrictions put in place following the initial outbreak. Nevertheless, the outbreak of COVID-19 and the dramatic steps taken by the Federal government and State to address it are expected to negatively impact federal and local economies, including the economy of the State. The full impact of COVID-19 on the State's operations and financial condition is not expected to be known for some time. Similarly, the degree of the impact to the District's operations and finances as a result of COVID-19 is extremely difficult to predict due to the uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions have been or may continue to be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The spread of the outbreak or resurgence could have a material adverse effect on the State and municipalities and school districts located in the State, including the District. The District is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations. (See "*State Aid*" and "*Events Affecting New York School Districts*" herein).

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*TAX MATTERS*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District, without providing exclusion for debt service on obligations issued by municipalities and fire districts, may affect the market price and/or marketability for the Notes. (See "*The Tax Levy Limit Law*" under "TAX INFORMATION" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the District could impair the financial condition of such entities, including the District and the ability of such entities, including the District to pay debt service on the Notes.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the District, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code. The Tax Certificate of the District (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes, will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the District in connection with the Notes, and Bond Counsel has assumed compliance by the District with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the District, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement this opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The District, in executing the Tax Certificate, will certify to the effect that the District will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

"Original issue discount" ("OID") is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the "issue price" of a maturity (a note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Notes. In general, the issue price for each maturity of the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a "Discount Note"), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Notes.

In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner's adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain "qualified stated interest" that is unconditionally payable at least annually at prescribed rates), that premium constitutes "note premium" on that Note (a "Premium Note"). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner's yield over the remaining term of the Premium Note determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner's regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner's original acquisition cost. Owners of any Premium Notes should consult their own tax advisors regarding the treatment of note premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest paid on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, could adversely affect the tax-exempt status of interest on the Notes under federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) or such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix D hereto.

DISCLOSURE UNDERTAKING

In order to assist the purchasers of the Notes in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the District will execute an "Undertaking to Provide Notices of Events", substantially in the form of which is attached hereto as Appendix E.

RATING

The Notes are not rated. Moody's Investors Service ("Moody's") has assigned a rating of "Aa2" to the Outstanding Bonds of the District. This rating will reflect only the view of such rating agency and an explanation of the significance of such rating should be obtained from Moody's, 7 WTC at Greenwich Street, New York, NY, Phone: (212) 553-4055 and Fax: (212) 298-6761. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the Bonds or the availability of a secondary market for such Bonds.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the District on matters relating to debt management. The Municipal Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the business office of the District: Brigid Siena, Assistant Superintendent for Business and Operations, Hauppauge Union Free School District, 495 Hoffman Lane, Hauppauge, New York 11788, Phone (631) 265-3630 and email: sienab@hauppauge.k12.ny.us or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are "forward-looking statements", within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the District's management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District's documents or oral presentation, the words "anticipate", "believe", "intend", "plan", "foresee", "likely", "estimate", "expect", "objective", "projection", "forecast", "goal", "will", or "should", or similar words or phrases are intended to identify forward-looking statements.

To the extent any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holder of the Notes.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the District nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the District also assume no liability or responsibility for any errors or omissions or unauthorized editing or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the District and the original purchasers or owners of any of the Notes.

By: s/s DAVID M. BARSHAY, ESQ.
President of the Board of Education
Hauppauge Union Free School District
Hauppauge, New York

August , 2022

APPENDIX A

FINANCIAL INFORMATION

Balance Sheet
General Fund

	Fiscal Year Ending June 30: 2019	2020	2021
Assets:			
Cash - Unrestricted	$ 13,065,692	$ 13,251,607	$ 10,939,190
Cash - Restricted	21,320,162	23,825,523	25,748,920
State and Federal Aid	1,945,194	1,886,575	2,974,403
Due from Other Governments	2,722,496	2,856,831	3,046,263
Due from Other Funds	547,110	828,767	1,475,729
Accounts Receivable	38,125	356,281	9,965
Total Assets	$ 39,638,779	$ 43,005,584	$ 44,194,470
Liabilities:			
Accounts Payable	$ 863,326	$ 798,280	$ 1,370,595
Accrued Liabilities	609,666	402,326	604,270
Due to Other Governments	749,444	1,377,416	1,209,051
Due to Other Funds	4,471,144	4,281,892	445,603
Due to Teachers' Retirement System	5,105,093	4,344,852	4,621,466
Due to Employees' Retirement System	421,961	407,743	410,429
Compensated Absences	336,296	1,160,503	535,070
Security Deposits			66,631
Collections in Advance	17,964		22,013
Total Liabilities	12,574,894	12,773,012	9,285,128
Deferred Inflows of Resources:			
State Aid	162,533	350,285	150,570
Total Deferred Inflows of Resources	162,533	350,285	150,570
Fund Balances:			
Restricted			
Workers' Compensation	1,082,507	1,089,570	1,090,257
Insurance	434,474	437,321	437,598
Repair	409,455	412,126	412,386
Unemployment Insurance	171,424	172,531	172,639
Retirement Contribution	3,671,120	7,170,075	11,552,383
Employee Benefit Accrued Liability	6,759,514	7,996,751	8,429,255
Capital Projects	5,377,850	2,825,464	3,654,402
Assigned			
Appropriated	4,285,000	4,285,000	3,640,000
Unappropriated	67,821	864,030	571,303
Unassigned	4,642,187	4,629,419	4,798,519
Total Fund Equity	26,901,352	29,882,287	34,758,742
Total Liabilities Deferred Inflows of Resources & Fund Balances	$ 39,638,779	$ 43,005,584	$ 44,194,440

NOTE: This schedule NOT audited
Source: Audited Annual Financial Reports of the District (2019-2021)

Statement of Revenues, Expenditures and Fund Balance
General Fund

	Fiscal Year Ending June 30: 2017	2018	2019	2020	2021
Revenues:					
Real Property Taxes	$ 76,599,931	$ 77,518,034	$ 80,153,168	$ 82,855,414	$ 85,182,505
STAR Reimbursement	4,880,716	4,878,752	4,619,119	4,031,116	3,696,330
PILOT-Payment in Lieu of Taxes	5,507,934	5,968,028	6,042,615	6,737,628	6,964,704
Charges for Services	497,949	492,734	382,835	417,992	468,823
Use of Money and Property	495,103	824,758	1,177,985	1,032,020	746,269
Sale of Property & Compensation for Loss	190,794	117,404	497,223	469,051	439,164
Miscellaneous	1,327,425	408,837	444,151	549,846	680,162
State Sources	16,433,947	16,668,093	17,406,362	17,159,069	16,855,701
Federal Sources	51,533	94,502	103,867	110,109	182,947
Total Revenues	105,985,332	106,971,142	110,827,325	113,362,245	115,216,605
Expenditures:					
General Support	13,007,771	13,842,804	14,089,527	13,414,574	14,254,931
Instruction	54,982,597	56,346,009	59,055,425	59,543,373	59,759,899
Pupil Transportation	6,230,107	6,889,232	6,706,599	4,655,021	6,630,317
Community Service	81,755	89,134	75,096	66,238	145
Employee Benefits	23,364,381	23,960,602	24,936,902	25,172,065	24,552,250
Debt Service	270,521	353,333	565,542	326,083	261,111
Total Expenditures	97,937,132	101,481,114	105,429,091	103,177,354	105,458,653
Excess (Deficiency) of Revenues Over Expenditures	8,048,200	5,490,028	5,398,234	10,184,891	9,757,952
Other Financing Sources and Uses:					
Operating Transfers In	227,730	1,970	1,079,986	695,406	
Operating Transfers (Out)	(4,635,647)	(8,558,231)	(8,605,439)	(7,899,362)	(4,881,467)
Total Other Sources (Uses)	(4,407,917)	(8,556,261)	(7,525,453)	(7,203,956)	(4,881,467)
Excess (Deficiency) of Revenues and Other Sources Over Over Expenditures and Other (Uses)	3,640,283	(3,066,233)	(2,127,219)	2,980,935	4,876,485
Fund Balances - Beginning of Year	28,454,521	32,094,804	29,028,571	26,901,352	29,882,287
Prior Period Adjustment	0	0	0	0	0
Fund Equity - End of Year	$ 32,094,804	$ 29,028,571	$ 26,901,352	$ 29,882,287	$ 34,758,772

NOTE: This schedule NOT audited

Budget Summaries

	Fiscal Year Ending June 30: 2021-2022	2022-2023
Revenues:		
Real Property Taxes	$ 90,057,187	$ 91,180,127
Payments in Lieu of Taxes (PILOT)	7,545,096	8,000,000
Other Revenue	1,278,000	2,004,413
Sate Aid	16,543,436	18,189,364
Appropiated Reserves	900,000	900,000
Appropriated Fund Balances	3,640,000	3,640,000
Total Revenues	$ 119,963,719	$ 123,913,904
Expenditures:		
General Support	$ 21,488,581	$ 18,141,956
Instruction	58,319,909	64,586,570
Pupil Transportation	7,453,515	7,556,774
Community Services	90,000	90,000
Employee Benefits	27,814,215	29,892,468
Debt Service	4,326,012	3,165,762
Interfund Transfers	471,487	480,374
Total Expenditures	$ 119,963,719	$ 123,913,904

Source: Adopted School Budgets

APPENDIX B

CASH FLOWS

HAUPPAUGE UNION FREE SCHOOL DISTRICT

CASH FLOW ACTUAL 2021-2022 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
Balance[a]	17,287	13,492	10,567	34,987	25,850	18,916	9,938	44,408	39,671	42,171	31,709	31,416	17,287
Receipts													
Property Taxes						1,074	47,305	3,242	3,391	1,671	11,676	24,244	92,603
PILOT	2,233		23		498			861			134	961	4,710
STAR Payment							3,419		34				3,453
State Aid	690	354	2,230	2,191	2,470	966	65	65	6,184			1,031	16,246
Transfer from Other Funds	2		821								1	2	826
Other Receipts	1,530	320	1,085	361	745	410	740	339	1,752	316	1,162	9,265	18,025
TAN Proceeds			28,279										28,279
Total Receipts	4,455	674	32,438	2,552	3,713	2,450	51,529	4,507	11,361	1,987	12,973	35,503	164,142
Disbursements													
Salary and Benefits	1,657	1,063	3,787	7,426	4,880	5,546	4,891	4,851	4,797	7,545	5,035	12,037	63,515
Services and Support	3,130	2,527	4,112	3,908	5,481	5,029	3,302	3,650	3,539	4,666	3,294	2,868	45,506
Equipment			117	10	3	20	1	30		13	75		269
Trasfers to Library	3					65	1,443	81	18	45	502	673	2,830
Trasfers to Capital	1	1		126	1	137	12	14	59	1		8,694	9,046
Transfers to Other Funds	5	8	2	186	282	631	7,221	618	448	179	604	345	10,529
Debt Service	3,454			33			189						3,676
TAN Principal Repayment											3,756	24,244	28,000
TAN Interest Repayment												309	309
Total Disbursements	8,250	3,599	8,018	11,689	10,647	11,428	17,059	9,244	8,861	12,449	13,266	49,170	163,680
Balance	13,492	10,567	34,987	25,850	18,916	9,938	44,408	39,671	42,171	31,709	31,416	17,749	17,749
Note Repayment Account													
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	3,756	0
Receipts	0	0	0	0	0	0	0	0	0	0	3,756	24,244	28,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	28,000	28,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	3,756	0	0

a. Opening balance includes approximately $6.3 million in restricted reserves.

HAUPPAUGE UNION FREE SCHOOL DISTRICT

CASH FLOW PROJECTIONS 2022-2023 (000's)

	Jul	Aug	Sep	Oct	Nov	Dec 1-23	Dec 24-31	Jan	Feb	Mar	Apr	May	Jun	Total
Balance[a]	17,749	13,301	9,870	29,426	21,872	13,510	1,796	4,065	43,356	39,640	38,363	29,294	25,379	17,749
Receipts														
Property Taxes							1,086	46,137	3,438	3,528	1,719	11,761	22,797	90,466
PILOT	2,300				500				1,950				3,250	8,000
STAR Payment								3,500						3,500
State Aid	745	454	2,146	2,164	2,455		1,018	92	74	6,676			2,365	18,189
Transfer from Other Funds														0
Other Receipts	165	165	165	165	165		165	165	165	165	165	165	189	2,004
TAN Proceeds			29,000											29,000
Total Receipts	3,210	619	31,311	2,329	3,120	0	2,269	49,894	5,627	10,369	1,884	11,926	28,601	151,159
Disbursements														
Salary and Benefits	1,749	1,122	6,496	5,335	5,149	5,851		5,160	5,117	7,561	5,459	5,311	12,699	67,009
Services and Support	3,590	2,898	4,717	4,483	6,287	5,770		3,787	4,186	4,058	5,351	3,779	3,296	52,202
Equipment		30	62	65	13	28		5	9	9	98	54	34	407
Trasfers to Library						65		1,515	31	18	45	494	618	2,786
Trasfers to Capital			155											155
Transfers to Other Funds			325											325
Debt Service	2,319				33			136					904	3,392
TAN Principal Repayment												6,203	22,797	29,000
TAN Interest Repayment													250	250
Total Disbursements	7,658	4,050	11,755	9,883	11,482	11,714	0	10,603	9,343	11,646	10,953	15,841	40,598	155,526
Balance	13,301	9,870	29,426	21,872	13,510	1,796	4,065	43,356	39,640	38,363	29,294	25,379	13,382	13,382
Note Repayment Account														
Opening Balance	0	0	0	0	0	0	0	0	0	0	0	0	6,203	0
Receipts	0	0	0	0	0	0	0	0	0	0	0	6,203	22,797	29,000
Disbursements	0	0	0	0	0	0	0	0	0	0	0	0	29,000	29,000
Closing Balance	0	0	0	0	0	0	0	0	0	0	0	6,203	0	0

a. Opening balance includes approximately $6.3 million in restricted reserves.

HAUPPAUGE UNION FREE SCHOOL DISTRICT

APPENDIX C

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND /OR UPDATED BY THE DISTRICT'S AUDITORS IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT. CONSENT OF THE AUDITORS FOR INCLUSION OF THE AUDITED FINANCIAL REPORT IN THIS OFFICIAL STATEMENT HAS NOT BEEN REQUESTED NOR OBTAINED.

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

TABLE OF CONTENTS

Robert S. Abrams
(1926–2014)

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

Marianne E. Van Duyne, CPA
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.

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

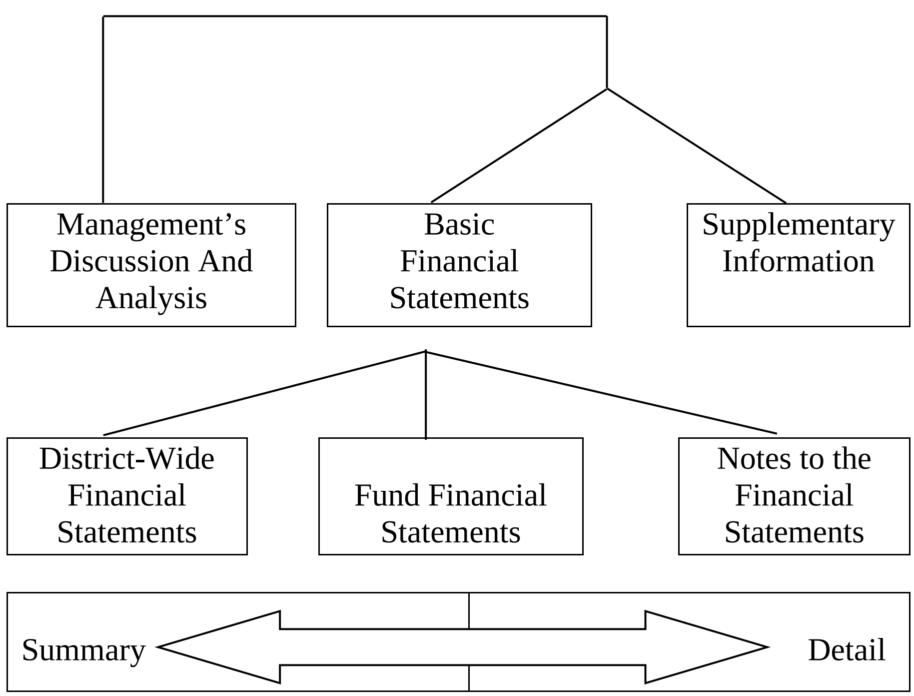
- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations 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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows or resources, liability/deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All 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 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) <u>Changes in Net Position</u>:

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
Revenues			
Charges for services	$ 1,375,733	$ 911,969	$ 463,764
Operating grants and contributions	2,133,967	2,129,967	4,000
Expenses			
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

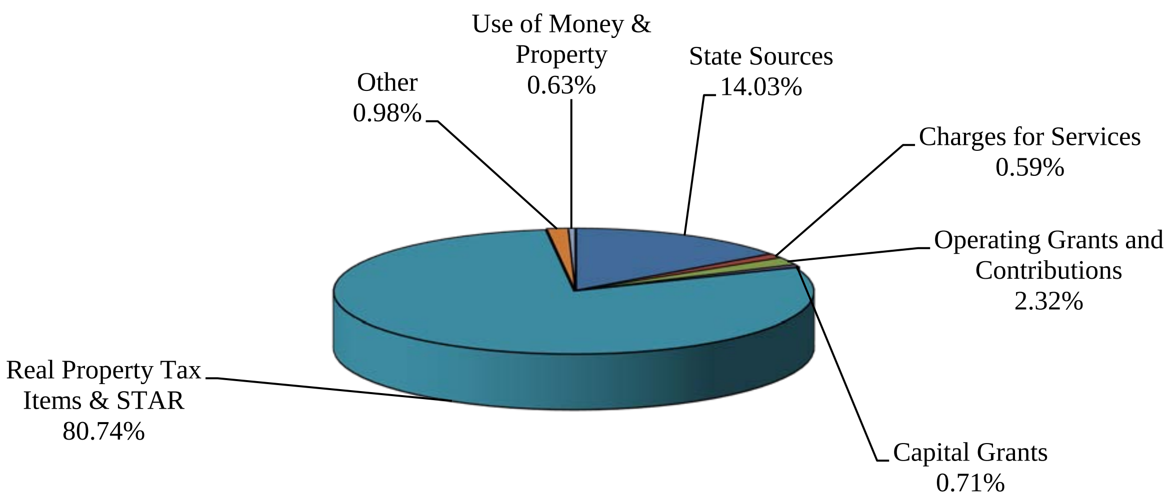
	Fiscal Year 2021	As Restated Fiscal Year 2020	Increase/ (Decrease)	Total Percentage Change
Revenues				
Program Revenues				
Charges for services	$702,583	$1,375,733	($673,150)	(48.93%)
Operating grants and contributions	2,748,739	2,133,967	614,772	28.81%
Capital grants	847,740	-	847,740	N/A
General Revenues				
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%
Total Revenues	118,706,114	116,646,187	2,059,927	1.77%
Expenses				
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%)
Total Expenses	126,653,928	123,912,411	2,741,517	2.21%
Changes in Net Position	($7,947,814)	($7,266,224)	($681,590)	(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.

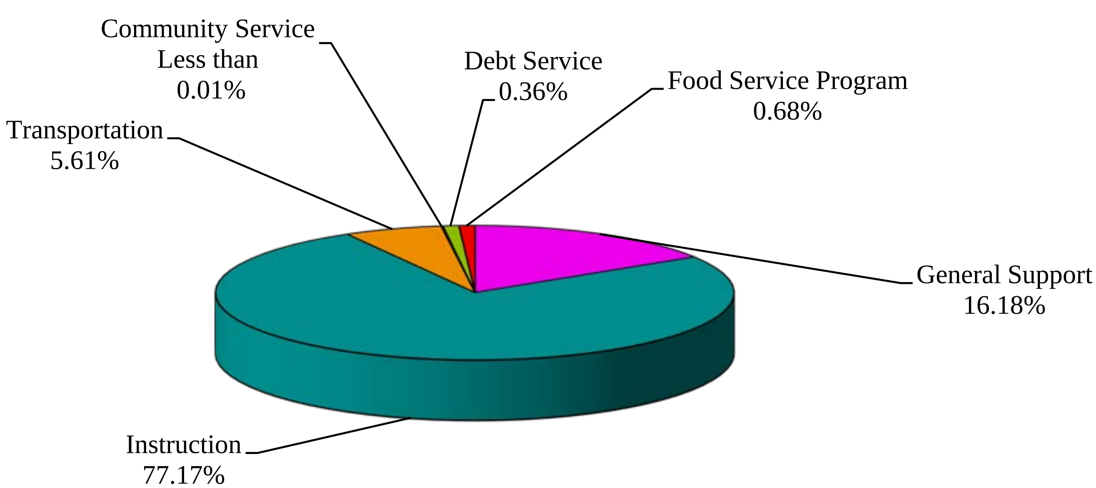
HAUPPAUGE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

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
General Fund				
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	$34,758,772	$29,882,287	$4,876,485	16.32%
School Lunch Fund				
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	$908,906	$790,750	$118,156	14.94%
Miscellaneous Special Revenue Fund				
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	$169,555	$261,792	($92,237)	(35.23%)
Capital Projects Fund				
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	$4,138,585	$4,196,685	($58,100)	(1.38%)
Debt Service Fund				
Restricted for debt service	$103,673	$129,108	($25,435)	(19.70%)
Total Fund Balance - Debt Service Fund	$103,673	$129,108	($25,435)	(19.70%)
Total Fund Balance - All Funds	$40,079,491	$35,260,622	$4,818,869	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.

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 extraclassroom activities in addition to scholarships awarded exceeding scholarships and donations received.

D) Capital Projects Fund

Fund balance in the capital projects fund decreased by $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	$4,798,549

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	109,564,539	108,091,163	1,473,376	1.36%
Less: Accumulated depreciation	(47,222,171)	(45,395,755)	(1,826,416)	4.02%
Total capital assets, net	$62,342,368	$62,695,408	($353,040)	(0.56%)

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	$10,850,829	$14,178,888	($3,328,059)

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:

Amount	Rate	Premium	Interest Cost
$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
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	50,748,356
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
	29,623,163
Unrestricted (deficit)	(92,077,665)
TOTAL NET POSITION	($11,706,146)

See Accompanying Notes to Financial Statements

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

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTIONS / PROGRAMS					
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
TOTAL FUNCTIONS AND PROGRAMS	($126,653,928)	$702,583	$2,748,739	$847,740	(122,354,866)
GENERAL REVENUES					
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
TOTAL GENERAL REVENUES					114,407,052
CHANGE IN NET POSITION					(7,947,814)
TOTAL NET POSITION - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 21)					(3,758,332)
TOTAL NET POSITION - END OF YEAR					($11,706,146)

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
ASSETS							
Cash and cash equivalents							
Unrestricted	$10,939,190		$707,651	$167,755	$653,086		$12,467,682
Restricted	25,748,920			2,300	3,768,772	$103,671	29,623,663
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
TOTAL ASSETS	$44,194,470	$752,955	$1,035,224	$170,055	$5,711,901	$103,673	$51,968,278
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES							
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
TOTAL LIABILITIES	9,285,128	752,955	126,318	500	1,573,316	-	11,738,217
DEFERRED INFLOWS OF RESOURCES							
State aid, Federal aid, and PILOT	150,570						150,570
TOTAL DEFERRED INFLOWS OF RESOURCES	150,570	-	-	-	-	-	150,570
FUND BALANCES							
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
TOTAL FUND BALANCES	34,758,772	-	908,906	169,555	4,138,585	103,673	40,079,491
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$44,194,470	$752,955	$1,035,224	$170,055	$5,711,901	$103,673	$51,968,278

See Accompanying Notes to Financial Statements

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
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	(47,222,171)	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
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	(9,773,476)	(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	36,717,143	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)
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
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)	(7,684,467)	(161,699,539)
Total Net Position		($11,706,146)

See Accompanying Notes to Financial Statements

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
REVENUES							
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
TOTAL REVENUES	115,216,605	1,702,765	957,817	181,119	847,740	65	118,906,111
EXPENDITURES							
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	261,111					625,077	886,188
Cost of sales			839,661				839,661
Capital outlay					$1,580,840		1,580,840
TOTAL EXPENDITURES	105,458,653	1,981,596	839,661	273,356	1,580,840	3,953,136	114,087,242
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,757,952	(278,831)	118,156	(92,237)	(733,100)	(3,953,071)	4,818,869
OTHER FINANCING SOURCES AND (USES)							
Operating transfers in		278,831			675,000	3,927,636	4,881,467
Operating transfers (out)	(4,881,467)						(4,881,467)
TOTAL OTHER FINANCING SOURCES AND (USES)	(4,881,467)	278,831	-	-	675,000	3,927,636	-
NET CHANGE IN FUND BALANCES	4,876,485	-	118,156	(92,237)	(58,100)	(25,435)	4,818,869
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED (SEE NOTE 21)	29,882,287	-	790,750	261,792	4,196,685	129,108	35,260,622
FUND BALANCES - END OF YEAR	$34,758,772	$ -	$908,906	$169,555	$4,138,585	$103,673	$40,079,491

See Accompanying Notes to Financial Statements

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:			
Long-Term Revenue and Expense Differences			
Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under modified accrual method.			(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)
Long-Term Debt Differences			
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.			3,300,000
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
Capital Related Differences			
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities.			
	Capital outlays	$1,894,083	
	Depreciation expense and loss on disposals	(2,247,123)	(353,040)
Pension Differences			
Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.			
	Teachers' retirement system	($5,868,342)	
	Employees' retirement system	605,522	(5,262,820)
Change in Net Position			($7,947,814)

Exhibit 8

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

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

See Accompanying Notes to Financial Statements

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

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

See Accompanying Notes to Financial Statements

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

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

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

A) Reporting entity:

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

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

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

B) Joint venture:

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk, (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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.

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.

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 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.

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 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) **<u>Vested employee benefits:</u>**

<u>Compensated absences:</u>

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

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

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

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

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

P) Other benefits:

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

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.

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.

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.

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.

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.

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.

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 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 Yok 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.

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	2,974,403
Special Aid Fund	
Federal aid	373,663
State/local aid	379,080
Total - Special Aid Fund	752,743
School Lunch Fund	
Federal lunch	319,841
State lunch	7,411
Total - School Lunch Fund	327,252
Capital fund	
NYS Smart Schools Bond Act	847,740
Total - All Funds	$4,902,138

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.

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	$3,046,263

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	22,013
School Lunch Fund	
Student prepaid meals	53,993
Total - All funds	$76,006

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	$150,570

NOTE 10 - CAPITAL ASSETS:

Capital asset balances and activity for the year ended June 30, 2021 were as follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	$1,869,776			$1,869,776
Construction in progress	40,309	$1,539,158	($806,058)	773,409
Total capital assets not being depreciated	1,910,085	1,539,158	(806,058)	2,643,185
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	106,181,078	354,925	385,351	106,921,354
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	45,395,755	2,246,577	(420,161)	47,222,171
Total capital assets being depreciated, net	60,785,323	(1,891,652)	805,512	59,699,183
Capital assets, net	$62,695,408	($352,494)	($546)	$62,342,368

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
	$2,247,123

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	$1,921,334	$1,921,334	$4,881,467	$4,881,467

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.

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
				$10,760,000

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.

C) Long-Term Interest

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

	Total
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	$192,759

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:

	2011	**2017**	**Total**
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	$3,370	$317,244	$320,614

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

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.

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 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:

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 31st. 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) <u>Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions:</u>

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.

	ERS	TRS
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:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
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	-	-
	$6,423,956	$25,976,792	$7,888,168	$4,111,668

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:

	ERS	TRS
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
	($1,874,641)	$17,410,639

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:

	ERS	TRS
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 System's Experience	July 1, 2009 - June 30, 2014 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 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:

	ERS		TRS	
Measurement Date	March 31, 2021		June 30, 2020	
Asset type	Target Allocation	Long-term expected real rate of return	Target Allocation	Long-term expected real rate of return
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%
	100%		100%	

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 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:

ERS	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
District's proportionate share of the net pension asset (liability)	($7,311,050)	($26,340)	$6,691,867

TRS	1% Decrease (6.1%)	Current Assumption (7.1%)	1% Increase (8.1%)
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)	
	ERS	TRS
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	$ (99,574)	$ (2,763,271)
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 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 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	605
Total	844

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.

C) Changes in the Total OPEB Liability:

Balance at June 30, 2020	$108,878,744
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	(2,273,294)
Net changes	10,349,184
Balance at June 30, 2021	$ 119,227,928

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	$144,655,140	$119,227,928	$99,449,841

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	$95,877,200	$119,227,928	$150,564,486

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,003,192	$ 7,798,246
Changes of assumptions or other inputs	32,713,951	1,975,230
	$ 36,717,143	$ 9,773,476

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
	$ 26,943,667

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	(868,487)	(810,888)
Claims payable	$2,786,277	$2,990,460

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.

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:

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

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:

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

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	143,287	261,792	405,079
Liabilities			
Other liabiltiies	143,287		143,287
Total Liabilities	143,287	-	143,287
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	-	261,792	261,792
Net increase (decrease) in			
Fund Balance/Net Position	-	261,792	261,792
Fund Balance/Net Position (Deficit)			
Beginning of Year, as Restated	$ 29,882,287	$ 261,792	$ (3,758,332)

NOTE 22 – SUBSEQUENT EVENTS:

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

A) 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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget Variance with Budgetary Actual
REVENUES				
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
TOTAL REVENUES AND OTHER FINANCING SOURCES	110,550,467	110,559,044	115,216,605	$4,657,561
Appropriated fund balance	4,285,000	4,285,000		
Appropriated reserves	1,764,030	2,439,030		
TOTAL REVENUES, OTHER FINANCING SOURCES & APPROPRIATED FUND BALANCE & RESERVES	$116,599,497	$117,283,074		

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
EXPENDITURES					
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
TOTAL EXPENDITURES	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
TOTAL EXPENDITURES AND OTHER FINANCING USES	$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,

Total OPEB Liability	**2021**	**2020**	**2019**	**2018**
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)
Net change in total OPEB liability	10,349,184	17,831,455	24,359,873	(888,394)
Total OPEB liability - beginning	108,878,744	91,047,289	66,687,416	67,575,810
Total OPEB liability - ending	$119,227,928	$108,878,744	$91,047,289	$66,687,416
Covered-employee payroll	$52,545,552	$52,271,158	$51,122,323	$50,382,583
Total OPEB liability as a percentage of covered-employee payroll	226.90%	208.30%	178.10%	132.36%

Notes to Schedule:

Trust Assets

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

Changes of Assumptions

For 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.

Supplemental Schedule #4

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

NYSERS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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%

NYSTRS Pension Plan

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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%

See Paragraph on Required Supplementary Information Included in Auditor's Report

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		864,030
Original Budget		116,599,497
Budget Revisions:		
Gifts and donations	$8,577	
Use of capital reserves	675,000	
Total budget revisions		683,577
Final Budget		$117,283,074

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 voter approved expenditure budget		$119,963,719
Maximum fund balance allowed (4% of 2021-2022 budget)		$4,798,549
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	4,798,549	
Total unrestricted fund balance		$9,009,852
Less:		
Appropriated fund balance	3,640,000	
Encumbrances	571,303	
Total adjustments		$4,211,303
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		$4,798,549
Actual percentage of 2021-2022 budget		4.00%

See Paragraph on Other Supplementary Information Included in Auditor's Report

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	Balance June 30, 2021
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	$4,138,585

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

See Paragraph on Other Supplementary Information Included in Auditors' Report

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

Capital assets, net		$62,342,368
Add:		
Deferred charges on refunding		320,614
Deduct:		
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	61,689	11,914,626
Net investment in capital assets		$50,748,356

Robert S. Abrams
(1926–2014)

R.S. ABRAMS & CO., LLP
Accountants & Consultants for Over 75 years

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

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

To the Board of Education
Hauppauge Union Free School District

We have audited, in accordance with 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.

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606
PHONE: (631) 234-4444 • FAX: (631) 234-4234
www.rsabrams.com

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

APPENDIX D

FORM OF APPROVING LEGAL OPINION OF BOND COUNSEL

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

September , 2022

The Board of Education of
Hauppauge Union Free School District,
in the County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to Hauppauge Union Free School District (the "School District"), in the County of Suffolk, a school district of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the $29,000,000 Tax Anticipation Notes for 2022-2023 Taxes (the "Note"), dated and delivered the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Note is a valid and legally binding general obligation of the School District for which the School District has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the School District is subject to the levy of ad valorem real estate taxes to pay the Note and interest thereon subject to certain statutory limitations. The enforceability of rights or remedies with respect to such Note may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Note is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Note is not treated as a preference item in calculating the alternative minimum tax under the Code, however for tax years beginning after December 31, 2022, interest on the Notes is included in the "adjusted financial statement income" of certain corporations that are subject to the alternative minimum tax under Section 55 of the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Note, restrictions on the investment of proceeds of the Note prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Note, the School District will execute a Tax Certificate relating to the Note containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the School District represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Note will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the School District's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Note, and (ii) compliance by the School District with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Note is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Note, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Note.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Note or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the School District, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Note.

Very truly yours,

APPENDIX E

FORM OF EVENTS NOTICE UNDERTAKING

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

"EMMA" shall mean Electronic Municipal Market Access System implemented by the MSRB.

"Financial Obligation" shall mean "financial obligation" as such term is defined in the Rule.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States.

"Holder" shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

"Issuer" shall mean the Hauppauge Union Free School District, in the County of Suffolk, a school district of the State of New York.

"MSRB" shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Purchaser" shall mean the financial institution referred to in the Certificate of Determination, executed by the President of the Board of Education as of September 13, 2022.

"Rule 15c2-12" shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

"Securities" shall mean the Issuer's $29,000,000 Tax Anticipation Notes for 2022-2023 Taxes, dated September 13, 2022, maturing on June 28, 2023, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through to the Electronic Municipal Market Access ("EMMA") System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults, if material;

(3) unscheduled draws on debt service reserves reflecting financial difficulties;

(4) unscheduled draws on credit enhancements reflecting financial difficulties;

(5) substitution of credit or liquidity providers, or their failure to perform;

(6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;

(7) modifications to rights of Securities holders, if material;

(8) Bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Securities, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

(13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material; and

(16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **September 13, 2022.**

HAUPPAUGE UNION FREE SCHOOL DISTRICT

By____
President of the Board of Education