



FREEPORT UNION FREE SCHOOL DISTRICT

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2021

FREEPORT UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Freeport Union Free School District
Freeport, New York

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 Freeport Union Free School District (District), as of and for the 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 District'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 District'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 unmodified and qualified audit opinions.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
General Fund	Unmodified
Special Aid Fund	Unmodified
School Food Service Fund	Unmodified
Debt Service Fund	Unmodified
Capital Projects Fund	Unmodified
Extraclassroom Activities Fund	Qualified
Scholarships Fund	Unmodified
Fiduciary Fund	Unmodified

Basis for Qualified Opinion on the Extraclassroom Activities Fund

The cash receipts records of the extraclassroom activities fund of the Freeport Union Free School District were not sufficient to permit the application of adequate auditing procedures to indicate whether all receipts were recorded.

Qualified Opinion

In our opinion, except for the effect of any adjustments that might have been necessary had we been able to perform adequate auditing procedures in regard to the receipts referred to in the “Basis for Qualified Opinion on the Extraclassroom Activities Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the extraclassroom activities fund of the Freeport Union Free School District, as of June 30, 2021, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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, other than the extraclassroom activities fund, and the fiduciary fund of the Freeport Union Free School District, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As described in Note 2 to the financial statements, “Changes in Accounting Principles,” the District has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as of 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 management’s discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District’s proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District’s total OPEB liability and related ratios on pages 4 through 18 and 56 through 60, 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 Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Freeport Union Free School District's basic financial statements. The other supplementary information on pages 61 through 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2021 on our consideration of the Freeport Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Freeport Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Freeport Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 4, 2021

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Freeport Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2021 in comparison with the year ended June 30, 2020, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2021 are as follows:

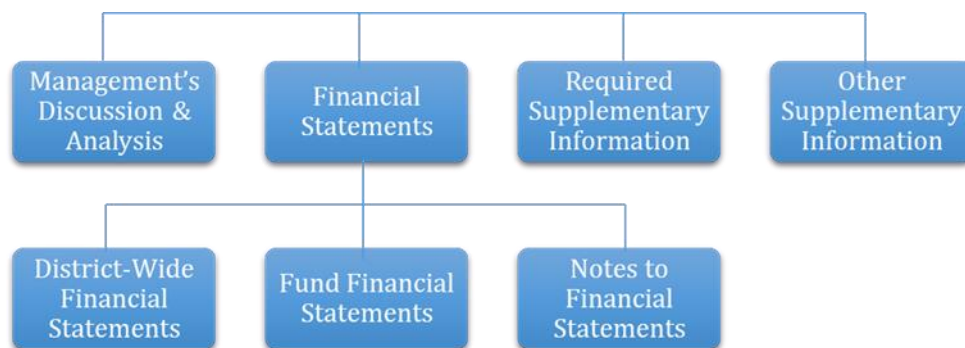
- Based on a consistently strong and stable profile, low direct debt, and highly rated fiscal management, the District continues to enjoy a bond rating of AA. This puts the District among the top few districts rated by Standard & Poor's.
- The District received the highest fiscal stress monitoring rating of "No Designation" with a fiscal score of 0.0 (best rating) on the last available report from the New York State Comptroller's Office.
- The District's per-pupil spending is one of the lowest in Nassau County when compared to other K-12 school districts; the District's per-pupil tax levy is the third lowest among all Nassau County school districts.
- The community demonstrated its continuing support by approving the 2021-2022 school budget. The 2021-2022 property tax levy is a 0.12% decrease from the prior fiscal year; the District has had no tax levy increase for the last six out of seven fiscal years.
- The District's total net position was a deficit of \$65,143,344 in the district-wide financial statements at June 30, 2021, compared to a deficit of \$58,770,472 at June 30, 2020. The deficit increased by \$6,372,872 over the prior year due to an excess of expenses over revenues using the economic resources measurement focus and the accrual basis of accounting.
- The District's total net position at June 30, 2020 was restated and increased by \$380,020, which is due to the required implementation of GASB Statement No. 84, *Fiduciary Activities*, during the 2021 fiscal year.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$192,508,906. Of this amount, \$15,112,599 was offset by program charges for services, operating grants and contributions, and capital grants. General revenues of \$171,023,435 amount to 91.9% of total revenues, and were not adequate to cover the balance of program expenses.
- The District received \$10,067,544 in operating grants and contributions to support instructional programs.
- The District's general fund fund balance, as reflected in the fund financial statements was \$70,739,011 at June 30, 2021. This balance represents a \$3,126,587 increase (4.62%) over the prior year due to an excess of revenues over expenditures and other financing uses, using the current financial resources measurement focus and the modified accrual basis of accounting, as follows:
 - Nonspendable fund balance decreased by \$68,609, which represents the change in prepaids.
 - Restricted fund balance increased by \$4,782,039 due to funding of reserves and interest allocated to the reserves, offset by the use of the capital reserve.
 - Assigned fund balance decreased by \$1,059,047, as the District decreased the fund balance appropriated to fund the 2022 budget, and encumbrances outstanding at year-end.
 - Unassigned fund balance decreased by \$527,796 to \$12,420,714.

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

- On May 18, 2021, the District's residents voted and authorized the District to expend \$2,500,000 from the capital reserve established on May 16, 2017 for the purpose of district-wide facilities improvements.
- The District was awarded funding under the Coronavirus Aid Relief and Economic Security (CARES) Act through the Elementary and Secondary School Emergency Relief (ESSER) and the Governor's Emergency Education Relief (GEER) Program in the amounts of \$1,449,486 and \$245,663, respectively. During the fiscal year ended June 30, 2021, the District expended \$1,444,581 in total for both ESSER and GEER and still has available funding of \$250,568 through September 2022.
- The District has applied for additional funding in the amount of \$6,558,769 allocated under the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act. These funds are to be utilized over the next few years and are available through September 2023.
- The District has submitted its application for funding under the American Rescue Plan (ARP) Act of 2021. Under this Plan, the District was allocated \$21,416,267 in funding, to be utilized as follows:
 - Summer Enrichment Grant \$1,428,600
 - After School Grant 1,428,600
 - Learning Loss 9,426,053
 - Other Allowable Cost 9,133,014
- The 2021-2022 budget carried a 0.12% decrease in the tax levy which, combined with an increase in state aid, allowed the District to not only maintain current programs and services but also enhance programs offered to the community.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (MD&A), the financial statements, required supplementary information, and other supplementary information. The financial statements consist of district-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



A. District-Wide Financial Statements

The district-wide financial statements present the governmental activities of the District and are organized to provide an understanding of the fiscal performance of the District as a whole in a manner similar to a private sector business. There are two district-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the District's finances.

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of the District's school buildings and other facilities.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, not the District as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the District are reported in the governmental funds and the fiduciary fund.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the District incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, the governmental fund financial statements focus on shorter-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the District's operations and the services it provides.

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better understand the long-term impact of the District's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

The District reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports real property taxes and payments in lieu of taxes collected on behalf of other governments and disbursed to those governments, and utilizes the economic resources measurement focus and the accrual basis of accounting. All of the District's fiduciary activities are reported in a separate statement. The fiduciary activities have been excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

Certain balances at June 30, 2020 were adjusted as a result of the implementation of GASB Statement No. 84, *Fiduciary Activities*, which required the District to record activities in the Governmental Funds that had previously been recorded in the Fiduciary Funds. Consequently, the District now includes certain agency fund activities in the general fund, and the extraclassroom activities and scholarships funds as separate governmental funds. The changes resulted in an increase to total net position. The following is a summary of these changes:

	<u>As Restated 2020</u>	<u>As Reported 2020</u>	<u>Increase (Decrease)</u>
Current and Other Assets	\$ 101,342,972	\$ 100,571,798	\$ 771,174
Current and Other Liabilities	20,273,695	19,882,541	391,154
Restricted Net Position	50,305,569	50,032,468	273,101
Unrestricted Net Position (Deficit)	(183,992,117)	(184,099,036)	106,919
Total Net Position (Deficit)	(58,770,472)	(59,150,492)	380,020

The District's total net position decreased by \$6,372,872 between fiscal year 2021 and 2020. The decrease is due to expenses in excess of revenues using the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
Asset				
Current and Other Assets	\$ 104,965,192	\$ 101,342,972	\$ 3,622,220	3.57 %
Capital Assets, Net	97,866,355	94,180,905	3,685,450	3.91 %
Net Pension Asset - Proportionate Share		10,978,171	(10,978,171)	(100.00)%
Total Assets	<u>202,831,547</u>	<u>206,502,048</u>	<u>(3,670,501)</u>	(1.78)%
Deferred Outflows of Resources	<u>80,157,290</u>	<u>80,912,532</u>	<u>(755,242)</u>	(0.93)%
Liabilities				
Current and Other Liabilities	22,449,958	20,273,695	2,176,263	10.73 %
Long-Term Liabilities	32,246,572	38,435,447	(6,188,875)	(16.10)%
Net Pension Liabilities - Proportionate Share	11,675,567	9,295,402	2,380,165	25.61 %
Total OPEB Liability	<u>207,416,113</u>	<u>237,012,863</u>	<u>(29,596,750)</u>	(12.49)%
Total Liabilities	<u>273,788,210</u>	<u>305,017,407</u>	<u>(31,229,197)</u>	(10.24)%
Deferred Inflows of Resources	<u>74,343,971</u>	<u>41,167,645</u>	<u>33,176,326</u>	80.59 %
Net Position (Deficit)				
Net investment in capital assets	79,984,418	74,916,076	5,068,342	6.77 %
Restricted	55,336,728	50,305,569	5,031,159	10.00 %
Unrestricted (Deficit)	<u>(200,464,490)</u>	<u>(183,992,117)</u>	<u>(16,472,373)</u>	(8.95)%
Total Net Position (Deficit)	<u>\$ (65,143,344)</u>	<u>\$ (58,770,472)</u>	<u>\$ (6,372,872)</u>	(10.84)%

The increase in current and other assets is primarily related to increases in the District's cash position and due from state and federal, offset by decreases in amounts from taxes receivable and due from other governments.

The increase in capital assets, net is primarily due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 11 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. In the current year, the District's proportionate share shifted from an asset to a liability. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years, and the amount of deferred charges from the bond refunding that is being amortized over the remaining term of the bonds.

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The increase in current and other liabilities is primarily the result of increases in accrued liabilities and due to teachers' retirement system, offset by decreases in accounts payable and compensated absences payable.

The decrease in long-term liabilities is the result of decreases attributed to the repayment of the long-term maturity of the bond and energy performance contract debt, the compensated absences liability, and the workers' compensation liability. The accompanying Notes to Financial Statements, Note 13 "Long-Term Liabilities" provides additional information.

Net pension liabilities – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The District's share of the New York State Teachers' Retirement System's collective net pension liability is also included in the current year balance. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) liability decreased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits," provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt. The accompanying Other Supplementary Information, Schedule of Net Investment in Capital Assets provides additional information.

The restricted amount relates to the District's reserves. This number increased over the prior year principally due to the transfer into the reserves, and interest allocated to the reserves, offset by the spending of restricted funds for ongoing capital projects and scholarship awards.

The unrestricted deficit amount relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the District's unrestricted net position. One such unfunded liability is the total OPEB liability. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB liability.

B. Changes in Net Position

The June 30, 2020 revenues and expenses were increased, resulting from the implementation of GASB Statement No. 84, *Fiduciary Activities*, as follows:

	As Restated 2020	As Reported 2020	Increase (Decrease)
Charges for Services	\$ 905,943	\$ 742,381	\$ 163,562
Operating Grants & Contributions	10,551,164	10,189,191	361,973
Instruction Expenses	162,817,290	162,573,205	244,085

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2021 and 2020 is as follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 759,947	\$ 905,943	\$ (145,996)	(16.12)%
Operating Grants & Contributions	14,180,538	10,551,164	3,629,374	34.40 %
Capital Grants	172,114	909,915	(737,801)	(81.08)%
General Revenues				
Property Taxes & STAR	89,666,749	88,583,257	1,083,492	1.22 %
State Sources	79,291,124	82,766,132	(3,475,008)	(4.20)%
Other	2,065,562	2,579,094	(513,532)	(19.91)%
Total Revenues	<u>186,136,034</u>	<u>186,295,505</u>	<u>(159,471)</u>	(0.09)%
Expenses				
General Support	17,759,548	22,127,239	(4,367,691)	(19.74)%
Instruction	161,960,397	162,817,290	(856,893)	(0.53)%
Pupil Transportation	8,760,638	6,125,540	2,635,098	43.02 %
Debt Service - Interest	562,177	632,100	(69,923)	(11.06)%
Food Service Program	3,466,146	3,924,912	(458,766)	(11.69)%
Total Expenses	<u>192,508,906</u>	<u>195,627,081</u>	<u>(3,118,175)</u>	(1.59)%
Change in Net Position	<u>\$ (6,372,872)</u>	<u>\$ (9,331,576)</u>	<u>\$ 2,958,704</u>	31.71 %

The District's net position decreased by \$6,372,872 and \$9,331,576 for the years ended June 30, 2021 and 2020, respectively.

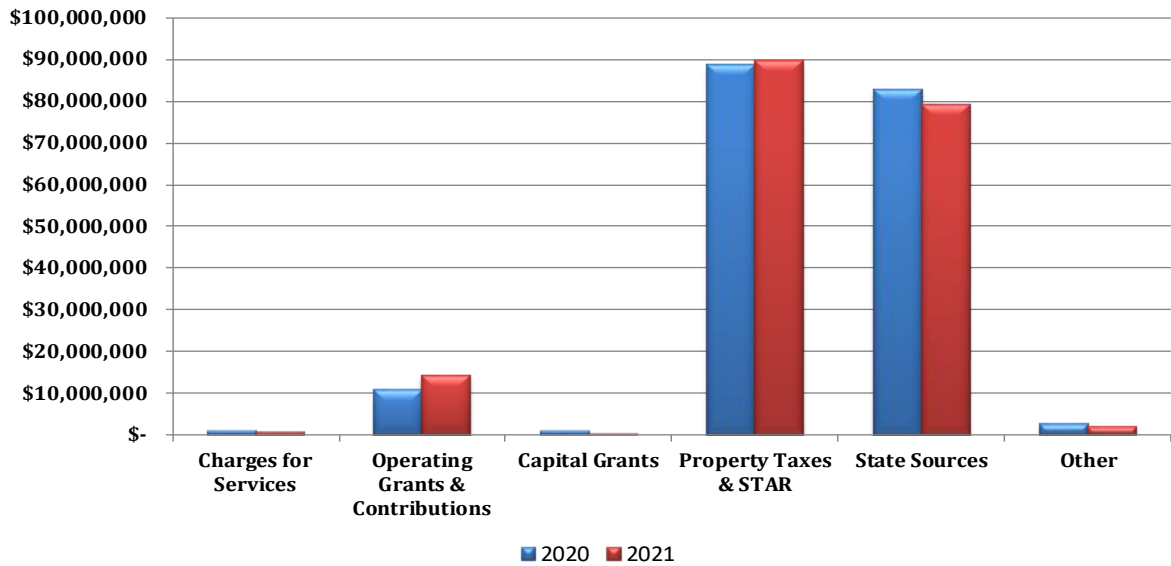
The District's revenues decreased by \$159,471 or 0.09%. The major factors that contributed to the decrease were decreases in state aid and capital grants. These decreases were offset by increases in operating grants and contributions and property taxes and STAR revenues.

The District's total expenses for the year decreased by \$3,118,175 or 1.59%. The decrease in expenses is primarily due to decreases in general support and instruction. The primary reason for the decrease in general support and instruction is due to the impact of the net change in the actuarially determined pension expenses for TRS and ERS, as well as the decrease in other postemployment benefits costs allocated. Pupil transportation expenses increased due to a full year of transportation expenses. In the prior year, the District was closed for almost three months due to the mandated closure of schools.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 48.2% and 47.5% of the total for the years 2021 and 2020, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 84.1% and 83.3% of the total for the years 2021 and 2020, respectively).

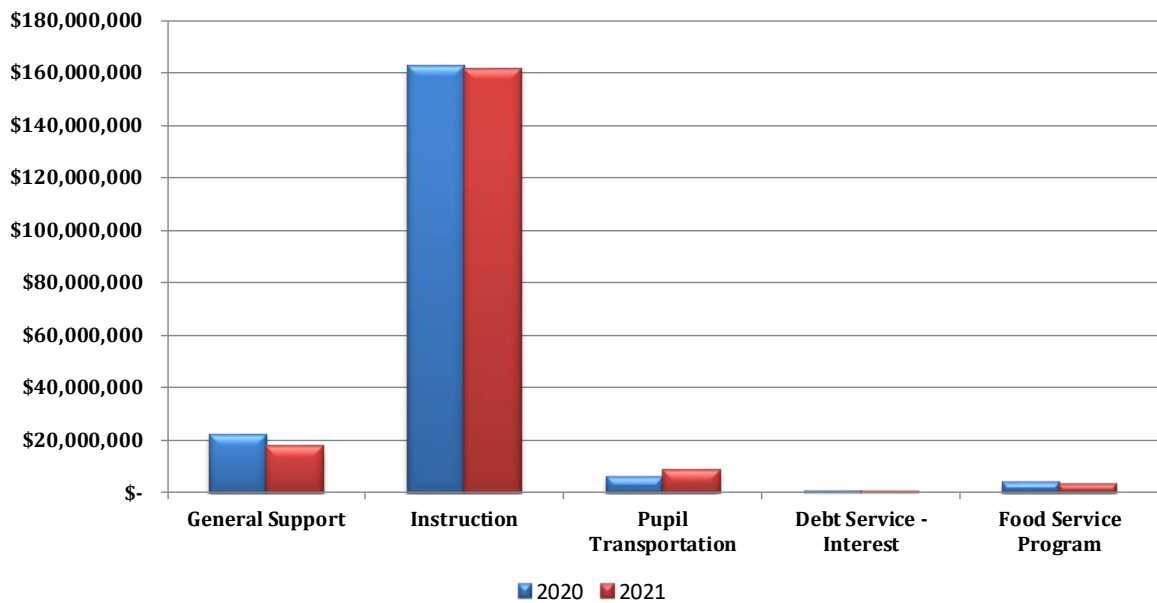
FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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



	Charges for Services	Operating Grants & Contributions	Capital Grants	Property Taxes & STAR	State Sources	Other
2020	0.5%	5.7%	0.5%	47.5%	44.4%	1.4%
2021	0.4%	7.6%	0.1%	48.2%	42.6%	1.1%

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



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2020	11.3%	83.3%	3.1%	0.3%	2.0%
2021	9.2%	84.1%	4.6%	0.3%	1.8%

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2021, the District's governmental funds reported a combined fund balance of \$82,413,995, which is an increase of \$2,068,594 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. The June 30, 2020 amounts were restated to include the extraclassroom activities and scholarships funds, as a result of the implementation of GASB Statement No. 84. A summary of the change in the components of fund balance by fund is as follows:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
General Fund				
Nonspendable: Prepaids	\$ 1,619,827	\$ 1,688,436	\$ (68,609)	(4.06)%
Restricted				
Workers' compensation	9,536,892	7,813,452	1,723,440	22.06 %
Unemployment insurance	1,602,475	1,099,177	503,298	45.79 %
Retirement contribution				
Teachers' retirement system	4,160,111	2,702,005	1,458,106	53.96 %
Employees' retirement system	13,423,464	12,386,305	1,037,159	8.37 %
Employee benefit accrued liability	14,414,263	14,371,149	43,114	0.30 %
Capital	4,729,124	4,712,202	16,922	0.36 %
Assigned:				
Appropriated fund balance	8,500,000	9,500,000	(1,000,000)	(10.53)%
Unappropriated fund balance	332,141	391,188	(59,047)	(15.09)%
Unassigned: Fund balance	12,420,714	12,948,510	(527,796)	(4.08)%
	<u>70,739,011</u>	<u>67,612,424</u>	<u>3,126,587</u>	<u>4.62 %</u>
School Food Service Fund				
Nonspendable: Inventory	95,745	73,489	22,256	30.28 %
Assigned: Unappropriated fund balance	1,310,242	640,379	669,863	104.60 %
	<u>1,405,987</u>	<u>713,868</u>	<u>692,119</u>	<u>96.95 %</u>
Debt Service Fund				
Restricted: Debt	395,163	394,860	303	0.08 %
Capital Projects Fund				
Restricted:				
Capital	6,779,379	6,553,318	226,061	3.45 %
Unspent bond proceeds	449,217	2,870,297	(2,421,080)	(84.35)%
Assigned: Unappropriated fund balance	2,254,415	1,820,614	433,801	23.83 %
	<u>9,483,011</u>	<u>11,244,229</u>	<u>(1,761,218)</u>	<u>(15.66)%</u>
Extraclassroom Activities Fund				
Assigned: Unappropriated fund balance	94,966	106,919	(11,953)	(11.18)%
Scholarships Fund				
Restricted: Scholarships	295,857	273,101	22,756	8.33 %
Total Fund Balance	<u>\$ 82,413,995</u>	<u>\$ 80,345,401</u>	<u>\$ 2,068,594</u>	<u>2.57 %</u>

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. General Fund

The net change in the general fund - fund balance is an increase of \$3,126,587, compared to an increase of \$6,657,548 in 2020. This resulted from revenues of \$174,236,359 exceeding expenditures and other financing uses of \$171,109,772 in 2021.

The District's revenues and other financing sources decreased by \$648,674 or 0.37%, as compared to the prior year. This decrease is primarily attributable to decreases in state aid, which is due to decreases in basic formula and lottery aid, and operating transfers in, which represents the return of unexpended amounts on capital projects originally funded by general fund appropriations, offset by increases in real property taxes, charges for services and federal sources from CARES Act funding.

Expenditures and other financing uses increased by \$2,882,287 or 1.71% over the prior year. This increase was primarily due to increases in instruction, and pupil transportation, offset by decreases in general support and employee benefits.

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

	Balance @ June 30, 2020	Use of Reserves	Interest	Funding	Balance @ June 30, 2021	Appropriated for June 30, 2022
Workers' compensation	\$ 7,813,452	\$	\$ 23,440	\$ 1,700,000	\$ 9,536,892	\$ 1,400,000
Unemployment insurance	1,099,177		3,298	500,000	1,602,475	100,000
Retirement contribution						
TRS	2,702,005		8,106	1,450,000	4,160,111	1,350,000
ERS	12,386,305		37,159	1,000,000	13,423,464	1,100,000
EBALR	14,371,149		43,114		14,414,263	
Capital	4,712,202	(2,500,000)	16,922	2,500,000	4,729,124	
	<u>\$ 43,084,290</u>	<u>\$ (2,500,000)</u>	<u>\$ 132,039</u>	<u>\$ 7,150,000</u>	<u>\$ 47,866,329</u>	<u>\$ 3,950,000</u>

Additional detail regarding capital reserves can be found in Note 21 "Restricted for Capital Reserve."

B. School Food Service Fund

The net change in the school food service fund - fund balance is an increase of \$692,119, which was the operating profit of the food service program. The District received a significant increase in federal reimbursements during the 2020-2021 school year.

C. Debt Service Fund

The net change in the debt service fund - fund balance is an increase of \$303 from interest earnings.

D. Capital Projects Fund

The net change in the capital projects fund - fund balance is a decrease of \$1,761,218, due to expenditures incurred during the year on capital projects exceeding the budgeted and voter-authorized transfers received from the general fund.

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

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

	Balance @ June 30, 2020	Use of Reserves	Funding	Balance @ June 30, 2021
May 2009	\$ 1,815,115	\$ (809,190)	\$	\$ 1,005,925
May 2017	4,738,203	(1,464,749)	2,500,000	5,773,454
	<u>\$ 6,553,318</u>	<u>\$ (2,273,939)</u>	<u>\$ 2,500,000</u>	<u>\$ 6,779,379</u>

E. Extraclassroom Activities Fund

The net change in the extraclassroom activities fund – fund balance is a decrease of \$11,953 as expenditures exceeded revenues.

F. Scholarships Fund

The net change in the scholarships fund – fund balance is an increase of \$22,756 as revenues exceeded expenditures.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2020-2021 Budget

The District's general fund adopted budget for the year ended June 30, 2021 was \$188,263,107. This amount was increased by encumbrances carried forward from the prior year in the amount of \$391,188 and a budget revision of \$2,500,000 for voter-authorized transfers from the capital reserve for a total final budget of \$191,154,295.

The final budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$89,373,917 in estimated property taxes and STAR.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of current and prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the subsequent year's budget, encumbrances, and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 12,948,510
Revenues Under Budget	(26,748)
Expenditures and Encumbrances Under Budget	19,712,382
Net Change in Nonspendable Fund Balance	68,609
Unused Appropriated Reserves	(4,500,000)
Allocation to Reserves	(7,282,039)
Appropriated to Fund the June 30, 2022 Budget	<u>(8,500,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 12,420,714</u>

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Opening, Unassigned Fund Balance

The \$12,948,510 shown in the table is the portion of the District's June 30, 2020 fund balance retained as unassigned.

Revenues Under Budget

The 2020-2021 final budget for revenues was \$174,263,107. Actual revenues recognized for the year were \$174,236,359. The difference of actual revenues under estimated or budgeted revenues was \$26,748, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2020-2021 final budget for expenditures was \$191,154,295. Actual expenditures as of June 30, 2021 were \$171,109,772 and outstanding encumbrances were \$332,141. Combined, the expenditures plus encumbrances for 2020-2021 were \$171,441,913. The final budget variance was \$19,712,382, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2020 to June 30, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Net Change in Nonspendable Fund Balance

The District prepaid health insurance premiums at June 30, 2021. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as nonspendable. The decrease of \$68,609 in nonspendable fund balance increases unassigned fund balance.

Unused Appropriated Reserves

In the 2020-2021 budget, \$4,500,000 of reserves was appropriated to reduce the tax levy. Due to lower than anticipated expenditures, this funding was not needed and remained in the reserves and is available for future use.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until, these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers. The table in §4.A. of this Management's Discussion and Analysis details the allocation of interest earnings and funding transfers to the reserves.

Appropriated Fund Balance

The District has chosen to use \$8,500,000 of the available June 30, 2021 unassigned fund balance to partially fund the 2021-2022 approved operating budget and help reduce the property tax levy. As such, the June 30, 2021 unassigned fund balance must be reduced by this amount.

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2021 was \$12,420,714. This amount equals 6.35% of the 2021-2022 budget.

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

A. Capital Assets

At June 30, 2021, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$6,423,514 in excess of depreciation expense of \$2,738,064 recorded for the year ended June 30, 2021. A summary of the District's capital assets, net of accumulated depreciation at June 30, 2021 and 2020 is as follows:

	2021	2020	Increase (Decrease)
Land	\$ 800,000	\$ 800,000	\$ -
Construction in progress	11,570,274	13,253,314	(1,683,040)
Buildings and improvements	77,963,880	73,354,168	4,609,712
Site improvements	4,101,537	3,801,658	299,879
Furniture and equipment	3,430,664	2,971,765	458,899
Capital assets, net	<u>\$ 97,866,355</u>	<u>\$ 94,180,905</u>	<u>\$ 3,685,450</u>

B. Debt Administration

At June 30, 2021, the District had total bonds payable of \$10,495,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The District also has two energy performance contracts payable, issued in 2012 and 2019, respectively, which have outstanding payables of \$7,836,154 at year-end. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2021. A summary of the outstanding bonds at June 30, 2021 and 2020 is as follows:

Issue Date	Interest Rate	2021	2020	Increase (Decrease)
Bonds Payable				
41171	0.8 - 4.0%	\$ 2,245,000	\$ 2,575,000	\$ (330,000)
42570	5.00%	1,705,000	2,220,000	(515,000)
42789	5.00%	6,545,000	8,500,000	(1,955,000)
		<u>\$ 10,495,000</u>	<u>\$ 13,295,000</u>	<u>\$ (2,800,000)</u>
Energy Performance Contract Payable				
41106	1.83%	\$ 1,842,394	\$ 2,556,213	\$ (713,819)
43712	2.52%	5,993,760	6,283,913	(290,153)
		<u>\$ 7,836,154</u>	<u>\$ 8,840,126</u>	<u>\$ (1,003,972)</u>

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The District's latest underlying, long-term credit rating from Standard & Poor's, Inc. is AA. The District's outstanding serial bonds at June 30, 2021 are approximately 6.0% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, which are based on employment contracts, and workers' compensation liabilities, net pension liabilities – proportionate share and total other postemployment benefits liability, which are based on actuarial valuations. A summary of the outstanding other long-term liabilities at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>
Compensated absences payable	\$ 10,399,696	\$ 11,809,229	\$ (1,409,533)
Workers' compensation liabilities	2,966,975	3,688,133	(721,158)
Net pension liabilities - proportionate share	11,675,567	9,295,402	2,380,165
Total OPEB liability	<u>207,416,113</u>	<u>237,012,863</u>	<u>(29,596,750)</u>
	<u>\$ 232,458,351</u>	<u>\$ 261,805,627</u>	<u>\$ (29,347,276)</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 18, 2021, for the year ending June 30, 2022, is \$195,649,933. This is an increase of \$7,386,826 or 3.92% over the previous year's budget. The increase is principally in the teaching – regular school, COVID-19 expenses and employee benefits areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$9,044,075 increase over the prior year's estimate, which is principally due to a significant, estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$8,500,000 is a decrease of \$1,000,000 from the previous year. Additionally, the District has elected to appropriate \$3,950,000 of reserves towards the next year's budget, a decrease of \$550,000. A property tax decrease of \$107,249 (0.12%), levy to levy, was elected, as no increase was needed to cover the increase in appropriations.

B. Future Budgets

The property tax cap, uncertainty in state aid and federal funding, as well as the continuing effect of the COVID-19 pandemic, will impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2021-2022 is 2.64%. The District's 2021-2022 property tax levy was a 0.12% decrease and did not require an override vote.

FREEPORT UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

8. CONTACTING THE DISTRICT

This financial report is designed to provide the reader with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Requests for additional information can be directed to:

Dr. Kishore Kuncham
Superintendent of Schools
Freeport Union Free School District
235 N. Ocean Avenue
Freeport, New York 11520

FREEPORT UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

ASSETS

Cash	
Unrestricted	\$ 28,974,565
Restricted	55,785,945
Receivables	
Accounts receivable	589,173
Taxes receivable	4,363,759
Due from state and federal	10,528,250
Due from other governments	3,007,928
Inventories	95,745
Prepays	1,619,827
Capital assets:	
Not being depreciated	12,370,274
Being depreciated, net of accumulated depreciation	<u>85,496,081</u>
Total Assets	<u>202,831,547</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges from advance refunding, net	117,593
Pensions	47,819,870
Other postemployment benefits	<u>32,219,827</u>
Total Deferred Outflows of Resources	<u>80,157,290</u>

LIABILITIES

Payables	
Accounts payable	9,432,374
Accrued liabilities	3,998,343
Due to other governments	213
Due to teachers' retirement system	7,386,958
Due to employees' retirement system	521,633
Compensated absences payable	504,461
Other liabilities	591,585
Unearned credits	
Collections in advance	14,391
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	3,119,722
Energy performance contract	1,104,710
Compensated absences payable	500,000
Due and payable after one year	
Bonds payable, net	7,924,025
Energy performance contract	6,731,444
Compensated absences payable	9,899,696
Workers' compensation liabilities	2,966,975
Net pension liabilities - proportionate share	11,675,567
Total other postemployment benefits liability	<u>207,416,113</u>
Total Liabilities	<u>273,788,210</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	15,702,482
Other postemployment benefits	<u>58,641,489</u>
Total Deferred Inflows of Resources	<u>74,343,971</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>79,984,418</u>
Restricted	
Workers' compensation	9,536,892
Unemployment insurance	1,602,475
Retirement contribution	
Teachers' retirement system	4,160,111
Employees' retirement system	13,423,464
Employee benefit accrued liability	14,414,263
Capital	11,508,503
Debt	395,163
Scholarships	295,857
	<u>55,336,728</u>
Unrestricted (deficit)	<u>(200,464,490)</u>
Total Net Position (Deficit)	<u>\$ (65,143,344)</u>

FREEPORT UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2021

		Program Revenues		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants
				Net (Expense) Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 17,759,548	\$	\$	\$ (17,759,548)
Instruction	161,960,397	696,959	10,067,544	(151,023,780)
Pupil transportation	8,760,638			(8,760,638)
Debt service - interest	562,177			(562,177)
Food service program	3,466,146	62,988	4,112,994	709,836
Total Functions and Programs	<u>\$ 192,508,906</u>	<u>\$ 759,947</u>	<u>\$ 14,180,538</u>	<u>\$ (177,396,307)</u>
GENERAL REVENUES				
Real property taxes				81,846,568
Other tax items				8,646,035
Use of money and property				109,780
Sale of property and compensation for loss				225,503
Miscellaneous				750,578
State sources				79,291,124
Medicaid reimbursement				153,847
Total General Revenues				<u>171,023,435</u>
Change in Net Position				(6,372,872)
Total Net Position (Deficit) - Beginning of Year, as Restated				<u>(58,770,472)</u>
Total Net Position (Deficit) - End of Year				<u>\$ (65,143,344)</u>

FREEPORT UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2021

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extracurricular Activities	Scholarships	Total Governmental Funds
ASSETS								
Cash								
Unrestricted	\$ 27,635,451	\$ 662,649	\$ 581,499	\$	\$	\$ 94,966	\$	\$ 28,974,565
Restricted	48,131,025			394,979	6,964,084		295,857	55,785,945
Receivables								
Accounts receivable	582,978		6,195					589,173
Taxes receivable	4,363,759							4,363,759
Due from other funds	5,940,664	516,522		184	2,500,000			8,957,370
Due from state and federal	3,507,397	5,868,671	849,126		303,056			10,528,250
Due from other governments	3,007,928							3,007,928
Inventories			95,745					95,745
Prepays	1,619,827							1,619,827
Total Assets	<u>\$ 94,789,029</u>	<u>\$ 7,047,842</u>	<u>\$ 1,532,565</u>	<u>\$ 395,163</u>	<u>\$ 9,767,140</u>	<u>\$ 94,966</u>	<u>\$ 295,857</u>	<u>\$ 113,922,562</u>
LIABILITIES								
Payables								
Accounts payable	\$ 8,257,381	\$ 1,026,470	\$ 71,344	\$	\$ 77,179			\$ 9,432,374
Accrued liabilities	3,839,776	16,120	40,630					3,896,526
Due to other funds	2,948,224	6,005,252			3,894			8,957,370
Due to other governments			213					213
Due to teachers' retirement system	7,386,958							7,386,958
Due to employees' retirement system	521,633							521,633
Compensated absences payable	504,461							504,461
Other liabilities	591,585							591,585
Unearned credits								
Collections in advance			14,391					14,391
Total Liabilities	<u>24,050,018</u>	<u>7,047,842</u>	<u>126,578</u>	<u>-</u>	<u>81,073</u>	<u>-</u>	<u>-</u>	<u>31,305,511</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue					203,056			203,056
FUND BALANCES								
Nonspendable:								
Inventories			95,745					95,745
Prepays	1,619,827							1,619,827
Restricted:								
Workers' compensation	9,536,892							9,536,892
Unemployment insurance	1,602,475							1,602,475
Retirement contribution								
Teachers' retirement system	4,160,111							4,160,111
Employees' retirement system	13,423,464							13,423,464
Employee benefit accrued liability	14,414,263							14,414,263
Capital	4,729,124				6,779,379			11,508,503
Unspent bond proceeds					449,217			449,217
Debt				395,163				395,163
Scholarships							295,857	295,857
Assigned:								
Appropriated fund balance	8,500,000							8,500,000
Unappropriated fund balance	332,141		1,310,242		2,254,415	94,966		3,991,764
Unassigned: Fund balance	<u>12,420,714</u>							<u>12,420,714</u>
Total Fund Balances	<u>70,739,011</u>	<u>-</u>	<u>1,405,987</u>	<u>395,163</u>	<u>9,483,011</u>	<u>94,966</u>	<u>295,857</u>	<u>82,413,995</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 94,789,029</u>	<u>\$ 7,047,842</u>	<u>\$ 1,532,565</u>	<u>\$ 395,163</u>	<u>\$ 9,767,140</u>	<u>\$ 94,966</u>	<u>\$ 295,857</u>	<u>\$ 113,922,562</u>

FREEPORT UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2021

Total Governmental Fund Balances \$ 82,413,995

Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Original cost of capital assets	\$ 155,397,069	
Less: Accumulated depreciation	(57,530,714)	
		97,866,355

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.

117,593

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

Deferred outflows of resources	47,819,870	
Net pension liability - teachers' retirement system	(11,643,187)	
Net pension liability - employees' retirement system	(32,380)	
Deferred inflows of resources	(15,702,482)	
		20,441,821

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

Deferred outflows of resources	32,219,827	
Total other postemployment benefits liability	(207,416,113)	
Deferred inflows of resources	(58,641,489)	
		(233,837,775)

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position.

203,056

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(101,817)	
Bonds payable	(11,043,747)	
Energy performance contract	(7,836,154)	
Compensated absences payable	(10,399,696)	
Workers' compensation liabilities	(2,966,975)	
		(32,348,389)

Total Net Position (Deficit)	\$ (65,143,344)	
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FREEPORT UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2021

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Extracurricular Activities	Scholarships	Total Governmental Funds
REVENUES								
Real property taxes	\$ 81,846,568	\$	\$	\$	\$	\$	\$	\$ 81,846,568
Other tax items	8,646,035							8,646,035
Charges for services	643,888							643,888
Use of money and property	109,478			302		33	77	109,890
Sale of property and compensation for loss	225,503							225,503
Miscellaneous	750,578	65,978	1,370			53,038	73,904	944,868
Interfund revenue	110,393							110,393
State sources	80,200,749	3,655,910	130,048					83,986,707
Medicaid reimbursement	153,847							153,847
Federal sources	1,549,320	4,722,355	3,982,946					10,254,621
Sales			61,618					61,618
Total Revenues	174,236,359	8,444,243	4,175,982	302	-	53,071	73,981	186,983,938
EXPENDITURES								
General support	13,995,888	295,507						14,291,395
Instruction	106,059,205	7,382,290				65,024	51,225	113,557,744
Pupil transportation	8,706,685							8,706,685
Employee benefits	33,459,787	1,238,291	640,150					35,338,228
Debt service								
Principal				3,803,972				3,803,972
Interest				862,389				862,389
Food service program			2,843,713					2,843,713
Capital outlay					5,511,218			5,511,218
Total Expenditures	162,221,565	8,916,088	3,483,863	4,666,361	5,511,218	65,024	51,225	184,915,344
Excess (Deficiency) of Revenues Over Expenditures	12,014,794	(471,845)	692,119	(4,666,059)	(5,511,218)	(11,953)	22,756	2,068,594
OTHER FINANCING SOURCES AND (USES)								
Operating transfers in		471,845		4,666,362	3,750,000			8,888,207
Operating transfers (out)	(8,888,207)							(8,888,207)
Total Other Financing Sources and (Uses)	(8,888,207)	471,845	-	4,666,362	3,750,000	-	-	-
Net Change in Fund Balances	3,126,587	-	692,119	303	(1,761,218)	(11,953)	22,756	2,068,594
Fund Balances - Beginning of Year, as Restated	67,612,424		713,868	394,860	11,244,229	106,919	273,101	80,345,401
End of Year	\$ 70,739,011	\$ -	\$ 1,405,987	\$ 395,163	\$ 9,483,011	\$ 94,966	\$ 295,857	\$ 82,413,995

FREEPORT UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2021

Net Change in Fund Balances \$ 2,068,594

Amounts reported for governmental activities in the Statement of Activities are different because:

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recongnized in the Statement of Activities in prior years when they were earned.

\$ (737,511)

Certain expenditures in the governmental funds requiring the use of current financial resources (amounts paid) may exceed the amounts incurred during the year, resulting in a reduction of the long-term liability and an increase in the net position.

Decrease in compensated absences
Decrease in workers' compensation claims liability

1,409,533
721,158

1,393,180

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. This is the amount by which capital outlays and other additions exceeded depreciation in the period.

Capital outlays and other additions
Depreciation expense

6,423,514
(2,738,064)

3,685,450

Long-Term Debt Transactions Differences

The amortization of the deferred premium, net of the amortization of the deferred charges on the advance refunding of bonds, decreases interest expense in the Statement of Activities.

185,338

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal
Repayment of energy performance contracts

2,800,000
1,003,972

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2020 to June 30, 2021.

114,874

4,104,184

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system
Employees' retirement system
Other postemployment benefits

(9,042,894)
682,909
(9,264,295)

(17,624,280)

Change in Net Position of Governmental Activities

\$ (6,372,872)

FREEPORT UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2021

	<u>Custodial</u>
ASSETS	
Due from other governments	\$
LIABILITIES	
Due to other governments	<u>-</u>
NET POSITION	
Restricted for individuals, organizations, and other governments	<u><u>\$ -</u></u>

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
For the Year Ended June 30, 2021

	<u>Custodial</u>
ADDITIONS	
Real property taxes and PILOT collections for the Library	\$ 6,403,724
DEDUCTIONS	
Distributions of real property taxes and PILOT to the Library	<u>6,403,724</u>
Change in Net Position	-
Net Position - Beginning of Year	<u>-</u>
Net Position - End of Year	<u><u>\$ -</u></u>

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Freeport Union Free School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Significant accounting principles and policies used by the District are as follows:

A. Reporting Entity

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

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, 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 Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the District at fiscal year-end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The District's financial statements present the following fund types:

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources, and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the District's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

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

School Food Service Fund - is used to account for the activities of the food service program.

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

Capital Projects Fund - is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets.

Extraclassroom Activities Fund - is used to account for the funds operated by and for the students of the District.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Scholarships Fund – is used to account for funds collected that benefit annual third-party awards and scholarships for students.

Fiduciary Funds – are used to account for activities 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 to finance District operations. The following is the District's fiduciary fund:

Custodial Fund – is used to account for real property taxes collected on behalf of other governments and disbursed to those governments.

D. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the District would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

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

The governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than August and become a lien on October 1st and April 1st. Taxes are collected by the Town of Hempstead and remitted to the District from November to June.

Enforcement

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

F. Payments in Lieu of Taxes (PILOT)

The District reports PILOT revenues in the general fund as part of other tax items revenues. These PILOT revenues are often the result of tax abatements granted by industrial development agencies of the Town and/or the County to help promote local economic development. Property owners make PILOT payments to the government agencies, which in turn remit the collected payments to the District.

The District's PILOT revenues also include payments from the Long Island Power Authority (LIPA) remitted by Nassau County. Beginning in the 2015-16 fiscal year, the Nassau County Legislature removed properties owned by LIPA from the assessment and tax rolls and, instead, allowed LIPA to make payments in lieu of taxes with annual increases of no more than 2% in response to the New York State Public Authorities Law §1020-q (the "LIPA Reform Act") enacted by the state in 2013. These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to economic development or otherwise benefits the governments or residents of the governments. The District received \$528,444 in LIPA PILOT revenue during the 2020-2021 fiscal year.

G. Restricted Resources

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

H. Interfund Transactions

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, eliminations have been made for all interfund receivables and payables between the funds.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are 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.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

I. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including revenue availability, compensated absences, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities, and useful lives of capital assets.

J. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

K. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

L. Inventory and Prepaid Items

Inventory of food in the school food service fund is 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. Inventory is accounted for on the consumption method.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method. Prepaids in the financial statements are for prepayment of the District's July 2020 insurance premiums.

Under the consumption method, a current asset for the inventory and prepaid items is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Capital Assets

Capital assets are reflected in the district-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight-line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 1,000	50 years
Site improvements	1,000	20-50 years
Furniture and equipment	500	5-10 years

N. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on weighted average basis over the remaining life of the new debt. The second item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense and the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB and represents the change in the total other postemployment benefits liability not included in OPEB expense.

O. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

P. 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 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 date, seven years if originally issued during calendar year 2015 through, and including, 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve-month period thereafter.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

No short-term debt was issued during the year ended June 30, 2021.

Q. Employee Benefits – Compensated Absences

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

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

Certain collectively bargained agreements require these termination payments to be paid in the form of non-elective contributions into the employee's 403(b) plan.

The liability for compensated absences has been calculated using the termination 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, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30th.

R. Other Benefits

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

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

The District provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

In addition to providing these benefits, the District provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Healthcare benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

S. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes amounts due from New York State for Smart Schools Bond Act expenditures incurred. In subsequent periods, when the availability criterion is met, unavailable revenue will be reclassified as revenue. In the District-wide financial statements, unavailable revenues are reclassified as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position and represents the change in total other postemployment benefits liability not included in OPEB expense.

T. Equity Classifications

District-Wide Statements

In the district-wide statements there are three classes of net position:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets (net of unspent debt proceeds).

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

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the school food service fund, and prepaids, which is recorded in the general fund.

Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The District has established the following restricted fund balances:

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The Board may also adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Reserve

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. These reserves are accounted for in the general fund and capital projects fund.

Restricted – Unspent Debt Proceeds

Unspent long-term bond and energy performance debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreements. These restricted funds are accounted for in the capital projects fund.

Restricted for Debt

Unexpended balances of proceeds of borrowings for capital projects, interest, and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted for Scholarships

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

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Board of Education shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

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

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance for identifying fiduciary activities, primarily based on whether the assets associated with the activities are controlled by the government and the government does not have administrative involvement with the assets. As a result, agency and private purpose trust activities previously reported within the fiduciary funds are now reported within the governmental funds.

3. FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but the statement that the District feels may have a future impact on these financial statements. The District will evaluate the impact of this pronouncement and implement it, as applicable, if material.

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

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

4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE DISTRICT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the district-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

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

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the District’s proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for health insurance premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The District administration prepares a proposed budget for approval by the Board of Education for the general fund, the only fund with a legally adopted budget.

The voters of the District approved the proposed appropriation budget for the general fund.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. The following supplemental appropriation occurred during the year:

Capital reserves appropriated for transfer to the Capital Projects Fund, as approved by the voters	<u>\$ 2,500,000</u>
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Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

C. Unassigned Fund Balance

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit. This plan will address funding its reserves to a fiscally prudent level and the capital needs of the District.

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

The District's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the District's behalf at year-end.

The District did not have any investments at year-end or during the year. Consequently, the District was not exposed to any material interest rate risk or foreign currency risk.

7. PARTICIPATION IN BOCES

During the year ended June 30, 2021, the District was billed \$20,183,382 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$5,671,897. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York, 11530-9195.

8. TAXES RECEIVABLE

The District has outstanding taxes receivable from the Town of Hempstead in the amount of \$4,363,759 at June 30, 2021.

9. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2021 consisted of:

General Fund	
Federal - GEER aid	\$ 188,294
Federal - ESSER aid	917,258
Federal - QSCB interest subsidy	44,798
New York State - excess cost aid	37,820
New York State - general aid	<u>2,319,227</u>
	3,507,397
Special Aid Fund	
Federal and state grants	5,868,671
School Food Service	
Federal and state food service program reimbursement	849,126
Capital Projects Fund	
New York State - Smart Schools Bond Act	<u>303,056</u>
	<u>\$ 10,528,250</u>

District management expects these amounts to be fully collectible.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. DUE FROM OTHER GOVERNMENTS

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

General Fund	
BOCES aid	\$ 2,996,971
E-rate	<u>10,957</u>
	<u>\$ 3,007,928</u>

District management expects these amounts to be fully collectible.

11. CAPITAL ASSETS

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

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 800,000	\$	\$	\$ 800,000
Construction in progress	<u>13,253,314</u>	<u>5,511,219</u>	<u>(7,194,259)</u>	<u>11,570,274</u>
Total capital assets not being depreciated	<u>14,053,314</u>	<u>5,511,219</u>	<u>(7,194,259)</u>	<u>12,370,274</u>
Capital assets being depreciated				
Buildings and improvements	115,424,715	6,599,919		122,024,634
Site improvements	7,729,072	594,340		8,323,412
Furniture and equipment	<u>11,775,766</u>	<u>912,295</u>	<u>(9,312)</u>	<u>12,678,749</u>
Total capital assets being depreciated	<u>134,929,553</u>	<u>8,106,554</u>	<u>(9,312)</u>	<u>143,026,795</u>
Less accumulated depreciation for:				
Buildings and improvements	42,070,547	1,990,207		44,060,754
Site improvements	3,927,414	294,461		4,221,875
Furniture and equipment	<u>8,804,001</u>	<u>453,396</u>	<u>(9,312)</u>	<u>9,248,085</u>
Total accumulated depreciation	<u>54,801,962</u>	<u>2,738,064</u>	<u>(9,312)</u>	<u>57,530,714</u>
Total capital assets, being depreciated, net	<u>80,127,591</u>	<u>5,368,490</u>	<u>-</u>	<u>85,496,081</u>
Capital assets, net	<u>\$ 94,180,905</u>	<u>\$ 10,879,709</u>	<u>\$ (7,194,259)</u>	<u>\$ 97,866,355</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 1,259,509
Instruction	<u>1,478,555</u>
Total depreciation expense	<u>\$ 2,738,064</u>

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2021 are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 5,940,664	\$ 2,948,224	\$	\$ 8,888,207
Special Aid Fund	516,522	6,005,252	471,845	
Debt Service Fund	184		4,666,362	
Capital Projects Fund	2,500,000	3,894	3,750,000	
	<u>\$ 8,957,370</u>	<u>\$ 8,957,370</u>	<u>\$ 8,888,207</u>	<u>\$ 8,888,207</u>

The District typically transfers from the general fund to the special aid fund, debt service fund, and capital projects fund. The transfer to the special aid fund was for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools. The transfer to the debt service fund was for the payment of principal and interest on outstanding long-term indebtedness. The transfers to the capital projects fund included voter-authorized transfers of the capital reserves totaling \$2,500,000, as well as a budgeted transfer of \$1,250,000 for various school improvements. Interfund balances are expected to be repaid within one year.

13. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits liabilities, for the year are summarized below:

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Amounts Due Within One Year
<u>Long-term debt:</u>					
Bonds payable	\$ 10,720,000	\$	\$ (2,470,000)	\$ 8,250,000	\$ 2,600,000
Add: Premium on refunding	802,959		(254,212)	548,747	179,722
Qualified school construction bond payable	2,575,000		(330,000)	2,245,000	340,000
	14,097,959	-	(3,054,212)	11,043,747	3,119,722
Energy performance contract	8,840,126		(1,003,972)	7,836,154	1,104,710
	22,938,085	-	(4,058,184)	18,879,901	4,224,432
<u>Other long-term liabilities:</u>					
Compensated absences	11,809,229		(1,409,533)	10,399,696	500,000
Workers' compensation	3,688,133	840,428	(1,561,586)	2,966,975	-
	15,497,362	840,428	(2,971,119)	13,366,671	500,000
	<u>\$ 38,435,447</u>	<u>\$ 840,428</u>	<u>\$ (7,029,303)</u>	<u>\$ 32,246,572</u>	<u>\$ 4,724,432</u>

The general fund has typically been used to liquidate other long-term liabilities.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Qualified school construction bond	9/19/2012	6/15/2027	0.8 - 4.0%	\$ 2,245,000
Refunding bond	7/19/2016	4/1/2024	5.00%	1,705,000
Refunding bond	2/23/2017	12/1/2028	5.00%	6,545,000
				<u>\$ 10,495,000</u>

In September 2012, the District issued \$5,000,000 of Qualified School Construction Bonds (QSCB) at interest rates between 0.8% to 4.0%. The QSCB program was approved by the Federal government as part of the American Recovery and Reinvestment Act of 2009 (ARRA). The District elected to receive periodic direct interest subsidy payments from the United States Treasury in amounts equal to the lesser of: (i) 100% of the interest on the QSCB at the Qualified Tax Credit Bonds Rate; or (ii) 100% of the amount of interest payable on the QSCB. The District is obligated to make all payments of principal and interest on the bonds whether or not the direct subsidy payments are received. For the year ended June 30, 2021, the District received \$89,739 of interest subsidy from the United States Treasury.

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

Year Ending June 30,	Principal	Interest	Total
2022	\$ 2,940,000	\$ 445,510	\$ 3,385,510
2023	2,215,000	322,780	2,537,780
2024	1,420,000	237,700	1,657,700
2025	870,000	170,745	1,040,745
2026	910,000	131,180	1,041,180
2027-2029	2,140,000	148,650	2,288,650
Total	<u>\$ 10,495,000</u>	<u>\$ 1,456,565</u>	<u>\$ 11,951,565</u>

C. Advance Refunding

In the district-wide statements, the District is amortizing deferred charges and bond premiums on prior year advance refunding as a component of interest expense on a weighted average basis as follows:

Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Interest Expense Increase / (Decrease)
2022	\$ 49,497	\$ (179,722)	\$ (130,225)
2023	32,625	(129,437)	(96,812)
2024	16,935	(91,270)	(74,335)
2025	7,953	(63,633)	(55,680)
2026	5,822	(46,584)	(40,762)
2027-2028	4,761	(38,101)	(33,340)
Total	<u>\$ 117,593</u>	<u>\$ (548,747)</u>	<u>\$ (431,154)</u>

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Energy Performance Contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2021
Energy performance contract	7/16/2012	7/15/2023	1.827%	\$ 1,842,394
Energy performance contract	9/4/2019	9/4/2034	2.523%	<u>5,993,760</u>
				<u>\$ 7,836,154</u>

The following is a summary of debt service requirements for energy performance contracts payable:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,104,710	\$ 179,210	\$ 1,283,920
2023	1,127,645	156,277	1,283,922
2024	772,428	132,855	905,283
2025	407,303	119,342	526,645
2026	417,644	109,001	526,645
2027-2031	2,252,763	380,465	2,633,228
2032-2035	<u>1,753,661</u>	<u>89,599</u>	<u>1,843,260</u>
Total	<u>\$ 7,836,154</u>	<u>\$ 1,166,749</u>	<u>\$ 9,002,903</u>

E. Interest Expense

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

Interest paid	\$ 862,389
Less interest accrued in the prior year	(216,691)
Plus interest accrued in the current year	101,817
Less net amortization of premium and deferred charge on refunding bonds	<u>(185,338)</u>
Total interest expense on long-term debt	<u>\$ 562,177</u>

14. PENSION PLANS – NEW YORK STATE

A. General Information

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal, and death benefits to plan members and beneficiaries related to years of service and final average salary.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Provisions and Administration

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY, 12211-2395.

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October, and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 8.86% of covered payroll for the TRS' fiscal year ended June 30, 2020. The District's average contribution rate was 14.41% of covered payroll for the ERS' fiscal year ended March 31, 2021.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2021, was \$6,826,729 for TRS at the contribution rate of 9.53% and \$1,676,258 for ERS at an average contribution rate of 14.24%.

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

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

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
District's proportionate share of the net pension asset/(liability)	\$ (11,643,187)	\$ (32,380)
District's portion of the Plan's total net pension asset/(liability)	0.421355%	0.0325184%
Change in proportion since the prior measurement date	(0.001206)	(0.0025843)

For the year ended June 30, 2021, the District recognized pension expense of \$15,873,267 for TRS and \$1,060,213 for ERS. At June 30, 2021, the District reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$ 10,201,762	\$ 395,446	\$ 596,691	\$
Changes of assumptions	14,725,922	5,953,613	5,249,022	112,287
Net difference between projected and actual earnings on pension plan investments	7,604,022			9,301,404
Changes in proportion and differences between the District's contributions and proportionate share of contributions	772,422	818,321	121,781	321,297
District contributions subsequent to the measurement date	6,826,729	521,633		
Total	<u>\$ 40,130,857</u>	<u>\$ 7,689,013</u>	<u>\$ 5,967,494</u>	<u>\$ 9,734,988</u>

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

District contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	TRS	ERS
2022	\$ 4,733,101	\$ (306,387)
2023	9,353,406	(64,802)
2024	7,637,180	(414,102)
2025	4,768,750	(1,782,317)
2026	286,946	
Thereafter	557,251	
	<u>\$ 27,336,634</u>	<u>\$ (2,567,608)</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2020	March 31, 2021
Actuarial valuation date	June 30, 2019	April 1, 2020
Inflation	2.20%	2.70%
Salary increases	1.90-4.72%	4.40%
Investment rate of return (net of investment expense, including inflation)	7.10%	5.90%
Cost of living adjustments	1.30%	1.40%

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, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020.

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of the arithmetic real rates of return for each major asset class are summarized below:

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2020		March 31, 2021
Asset type				
Domestic equity	33.0%	7.10%	32.0%	4.05%
International equity	16.0%	7.70%	15.0%	6.30%
Global equity	4.0%	7.40%		
Real estate	11.0%	6.80%	9.0%	4.95%
Private equities	8.0%	10.40%	10.0%	6.75%
Alternatives investments			10.0%	3.63-5.95%
Domestic fixed income securities	16.0%	1.80%		
Global fixed income securities	2.0%	1.00%		
High-yield fixed income securities	1.0%	3.90%		
Bonds and mortgages			23.0%	0.00%
Private debt	1.0%	5.20%		
Real estate debt	7.0%	3.60%		
Cash and equivalents	1.0%	0.70%		
Cash			1.0%	0.50%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.2 % for TRS and 2.0% for ERS.

Discount Rate

The discount rate used to measure the total pension liability was 7.10% for TRS and 5.90% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2020 was 6.80%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.10% for TRS and 5.90% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

percentage point lower (6.10% for TRS and 4.90% for ERS) or 1 percentage point higher (8.10% for TRS and 6.90% for ERS) than the current rate:

	1% Decrease 6.10 %	Current Assumption 7.10 %	1% Increase 8.10 %
TRS			
District's proportionate share of the net pension asset (liability)	\$ (73,546,003)	\$ (11,643,187)	\$ 40,308,962
	1% Decrease 4.90 %	Current Assumption 5.90 %	1% Increase 6.90 %
ERS			
District's proportionate share of the net pension asset (liability)	\$ (8,987,398)	\$ (32,380)	\$ 8,226,243

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2020	March 31, 2021
Employers' total pension liability	\$ (123,242,776)	\$ (220,680,157)
Plan fiduciary net position	120,479,505	220,580,583
Employers' net pension asset/(liability)	\$ (2,763,271)	\$ (99,574)
Ratio of plan fiduciary net position to the employers' total pension liability	97.76%	99.95%

Payables to the Pension Plan

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. Accrued retirement contributions as of June 30, 2021, represent employer and employee contributions for the fiscal year ended June 30, 2021, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2021 amounted to \$6,826,729 of employer contributions and \$560,229 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2021, represent the projected employer contribution for the period of April 1, 2021 through June 30, 2021 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2021 amounted to \$521,633 of employer contributions. Employee contributions are remitted monthly.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

15. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2021, totaled \$544,566 and \$4,144,309 respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. Contributions made by the District and eligible employees for the year ended June 30, 2021 totaled \$371,278.

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District provides OPEB for eligible retired employees of the District. The benefits provided to employees upon retirement are based on provisions in the various contracts that the District has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The District provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	686
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>1,049</u>
	<u><u>1,735</u></u>

B. Total OPEB Liability

The District's total OPEB liability of \$207,416,113 was measured as of June 30, 2021, and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Inflation	2.20%	
Salary increases	2.60%	average, including inflation
Discount rate	2.16%	
Healthcare cost trend rates	5.30%	decreasing to an ultimate rate of 4.1% over 55 years
Retirees' share of benefit-related costs	50-100%	of projected health insurance premiums for retirees

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

Mortality rates were based on the Pub-2010 Mortality Table with generational projection of future improvements per the MP-2019 Ultimate Scale.

The actuarial assumptions used in the July 1, 2020 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at June 30, 2020	<u>\$ 237,012,863</u>
Changes for the year	
Service cost	11,304,442
Interest	5,442,800
Changes of benefit terms	-
Differences between expected and actual experience	(40,759,062)
Changes in assumptions or other inputs	(1,489,052)
Benefit payments	<u>(4,095,878)</u>
	<u>(29,596,750)</u>
Balance at June 30, 2021	<u>\$ 207,416,113</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% in 2020 to 2.16% in 2021. In addition, a change in the mortality table as this year's valuation reflects the adoption of the Pub-2010 Mortality Table (from RP-2014 Adjusted to 2006 Total Dataset Mortality Table) with generational projection of future improvements per the MP-2019 Ultimate Scale (from Scale MP-2016). Also retirement and turnover rates were changed to reflect the assumptions used in the 2020 Annual Report to the Comptroller on Actuarial Assumptions for the New York State and Local Retirement System. In addition, the future implementation of the excise tax on medical benefits is no longer being taken into consideration as it has been officially repealed as of December 20, 2019. The final change of assumptions is the combination of the spousal election and married assumptions into one assumption. The impact of these assumption changes was an overall decrease in the accrued liability.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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:

OPEB	1% Decrease 1.16 %	Discount Rate 2.16 %	1% Increase 3.16 %
Total OPEB liability	\$ 247,321,859	\$ 207,416,113	\$ 175,882,813

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.30%) or 1 percentage point higher (6.30%) than the current healthcare cost trend rate:

OPEB	1% Decrease 4.30 % decreasing to 3.10 %	Healthcare Cost Trend Rates 5.30 % decreasing to 4.10 %	1% Increase 6.30 % decreasing to 5.10 %
Total OPEB liability	\$ 179,047,488	\$ 207,416,113	\$ 245,232,864

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$13,360,173. At June 30, 2021, the District reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,230,502	\$ 36,549,747
Changes of assumptions or other inputs	27,989,325	22,091,742
Total	\$ 32,219,827	\$ 58,641,489

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Year Ending June 30,	Amount
2022	\$ (3,387,069)
2023	(3,387,069)
2024	(3,387,069)
2025	(3,387,069)
2026	(2,996,684)
Thereafter	(9,876,702)
	<u>\$ (26,421,662)</u>

17. RISK MANAGEMENT

A. General Information

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by a combination of self-insurance reserves and commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled-claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year-end but not reported (IBNR). Claims activity is summarized below:

	<u>June 30, 2020</u>	<u>June 30, 2021</u>
Unpaid claims at beginning of year	\$ 3,465,000	\$ 3,688,133
Incurred claims and claim adjustment expenses	1,547,657	840,428
Claim payments	<u>(1,324,524)</u>	<u>(1,561,586)</u>
Unpaid claims at year end	<u>\$ 3,688,133</u>	<u>\$ 2,966,975</u>

At June 30, 2021, the District had \$9,536,892 of funds in the workers' compensation reserve.

C. Public Entity Risk Pool

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events in excess of certain defined limits, and the District has essentially transferred all related risk to the pool.

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

18. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate \$3,950,000 from reserves, which are reported in the June 30, 2021 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2022.

Workers' Compensation Reserve	\$ 1,400,000
Unemployment Insurance Reserve	100,000
Retirement Contributions:	
Teachers' Retirement System	1,350,000
Employees' Retirement System	<u>1,100,000</u>
	<u>\$ 3,950,000</u>

19. ASSIGNED – APPROPRIATED FUND BALANCE

The amount of \$8,500,000 has been appropriated to reduce taxes for the year ending June 30, 2022.

20. RESTRICTED FOR CAPITAL RESERVE

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

Date Created	May 2009	May 2017	
Number of Years to Fund	10	10	
Maximum Funding	<u>\$ 15,000,000</u>	<u>\$ 25,000,000</u>	<u>Total</u>
General Fund			
Funding Provided Since Inception	\$ 13,975,000	\$ 12,500,000	\$ 26,475,000
Interest Earnings Since Inception	90,258	63,866	154,124
Use of Reserve Since Inception	<u>(11,900,000)</u>	<u>(10,000,000)</u>	<u>(21,900,000)</u>
Total General Fund	<u>2,165,258</u>	<u>2,563,866</u>	<u>4,729,124</u>
Capital Projects Fund			
Funding Provided Since Inception	11,900,000	10,000,000	21,900,000
Use of Reserve Since Inception	<u>(10,894,075)</u>	<u>(4,226,546)</u>	<u>(15,120,621)</u>
Total Capital Projects Fund	<u>1,005,925</u>	<u>5,773,454</u>	<u>6,779,379</u>
Balance as of June 30, 2021	<u>\$ 3,171,183</u>	<u>\$ 8,337,320</u>	<u>\$ 11,508,503</u>

21. RESTATEMENT OF FUND BALANCE AND NET POSITION

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84, which resulted in an increase of \$380,020 in fund balance of the governmental funds, as well as the Statement of Net Position. The District's fund balance and total net position (deficit) have been restated as follows:

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	General Fund	Extraclassroom Activities Fund	Scholarships Fund	Statement of Net Position
Fund Balance/Net Position (Deficit)				
Beginning of Year, as Reported	\$ 67,612,424	\$	\$	\$ (59,150,492)
<i>Assets</i>				
Cash	3,099,801	106,919	273,101	3,479,821
Due from fiduciary fund	(2,708,647)			(2,708,647)
	391,154	106,919	273,101	771,174
<i>Liabilities</i>				
Other liabilities	391,154			391,154
<i>Fund Balance/Net Position</i>				
Restricted			273,101	273,101
Assigned, unappropriated		106,919		
Unrestricted				106,919
	-	106,919	273,101	380,020
Fund Balance/Net Position (Deficit)				
Beginning of Year, as Restated	\$ 67,612,424	\$ 106,919	\$ 273,101	\$ (58,770,472)

22. TAX ABATEMENTS

The Nassau County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. As a result of those programs, the District's 2020-2021 property taxes were abated by \$299,794; the District received payment in lieu of taxes (PILOT) payments totaling \$266,735.

23. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

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

Restricted:

Capital Projects Fund	
Capital projects	\$ 2,161,085

Assigned: Unappropriated Fund Balance

General Fund	
General Support	150,870
Instruction	181,271
	332,141

Capital Projects Fund	
Capital projects	143,482
	\$ 2,636,708

FREEPORT UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Grants

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

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. The District believes the outcome of any matters will not have a material effect on these financial statements.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$240,043. The minimum remaining operating lease payments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 201,593
2023	112,601
2024	18,637
2025	<u>2,762</u>
	<u>\$ 335,593</u>

23. SUBSEQUENT EVENTS

The District has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

A. Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act

In August 2021, the District was awarded additional funding in the amount of \$6,558,769 under the CRRSA Act. The funds are to be used for eligible expenditures, which support the District's ability to continue to provide educational services. The funds will be recognized in the special aid fund as expended.

B. American Rescue Plan (ARP) Act of 2021

The District has submitted its application for funding under the American Rescue Plan (ARP) Act of 2021. Under the Plan, the District was allocated \$21,416,267 in funding, to be utilized as follows:

- | | |
|---------------------------|-------------|
| • Summer Enrichment Grant | \$1,428,600 |
| • After School Grant | 1,428,600 |
| • Learning Loss | 9,426,053 |
| • Other Allowable Cost | 9,133,014 |

FREEPORT UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 81,047,388	\$ 81,553,736	\$ 81,846,568	\$ 292,832
Other tax items	9,138,855	8,632,507	8,646,035	13,528
Charges for services	381,500	381,500	643,888	262,388
Use of money and property	643,800	643,800	109,478	(534,322)
Sale of property and compensation for loss	141,000	141,000	225,503	84,503
Miscellaneous	620,000	620,000	750,578	130,578
Interfund revenues			110,393	110,393
Total Local Sources	91,972,543	91,972,543	92,332,443	359,900
State Sources	82,028,564	82,028,564	80,200,749	(1,827,815)
Medicaid Reimbursement	150,000	150,000	153,847	3,847
Federal Sources	112,000	112,000	1,549,320	1,437,320
Total Revenues	174,263,107	174,263,107	174,236,359	\$ (26,748)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	9,500,000	9,500,000		
Prior Year's Encumbrances	391,188	391,188		
Appropriated Reserves	4,500,000	7,000,000		
Total Appropriated Fund Balance	14,391,188	16,891,188		
Total Revenues and Appropriated Fund Balance	\$ 188,654,295	\$ 191,154,295		

Note to Required Supplementary Information

Budget Basis of Accounting

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

FREEPORT UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 75,361	\$ 79,887	\$ 44,883	\$ 191	\$ 34,813
Central administration	529,879	545,363	540,859		4,504
Finance	1,006,194	1,036,440	976,511	29,368	30,561
Staff	818,416	925,466	788,587	554	136,325
Central services	11,086,959	10,837,731	9,999,291	120,757	717,683
Special items	1,801,522	1,788,541	1,645,757		142,784
Total General Support	15,318,331	15,213,428	13,995,888	150,870	1,066,670
Instruction					
Administration & improvement	10,264,981	10,224,619	8,799,236	175	1,425,208
Teaching - regular school	63,019,593	63,136,659	59,357,788	105,828	3,673,043
Programs for students with disabilities	30,730,582	30,012,994	26,819,849	43,662	3,149,483
Teaching - special school	1,014,650	1,005,047	665,401		339,646
Instructional media	3,398,317	4,183,284	4,011,729	6,024	165,531
Pupil services	8,509,543	8,510,410	6,405,202	25,582	2,079,626
Total Instruction	116,937,666	117,073,013	106,059,205	181,271	10,832,537
Pupil Transportation	10,623,762	10,627,490	8,706,685		1,920,805
Employee Benefits	39,529,455	39,352,156	33,459,787		5,892,369
Total Expenditures	182,409,214	182,266,087	162,221,565	332,141	19,712,381
OTHER USES					
Operating Transfers Out	6,245,081	8,888,208	8,888,207		1
Total Expenditures and Other Uses	\$ 188,654,295	\$ 191,154,295	171,109,772	\$ 332,141	\$ 19,712,382
Net Change in Fund Balance			3,126,587		
Fund Balances - Beginning of Year			67,612,424		
Fund Balances - End of Year			\$ 70,739,011		

Note to Required Supplementary Information

Budget Basis of Accounting

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

FREEPORT UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)
Last Seven Fiscal Years

Teachers' Retirement System

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension asset (liability)	0.421355%	0.422561%	0.429438%	0.433753%	0.431283%	0.43993%	0.43682%
District's proportionate share of the net pension asset (liability)	\$ (11,643,187)	\$ 10,978,171	\$ 7,765,371	\$ 3,296,953	\$ (4,619,219)	\$ 45,694,752	\$ 48,658,441
District's covered payroll	\$ 73,128,663	\$ 72,344,665	\$ 69,926,598	\$ 68,735,179	\$ 66,551,271	\$ 66,083,521	\$ 64,524,342
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	15.92 %	15.17 %	11.11 %	4.80 %	6.94 %	69.15 %	75.41 %
Plan fiduciary net position as a percentage of the total pension liability	97.76%	102.17%	101.53%	100.66%	99.01%	110.46%	111.48%
Discount rate	7.10%	7.10%	7.25%	7.25%	7.50%	8.00%	8.00%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0325184%	0.0351027%	0.0343986%	0.0384430%	0.4000000%	0.0369805%	0.0360605%
District's proportionate share of the net pension liability	\$ (32,380)	\$ (9,295,402)	\$ (2,437,246)	\$ (1,240,727)	\$ (3,360,154)	\$ (5,935,480)	\$ (1,218,212)
District's covered payroll	\$ 11,934,424	\$ 11,853,628	\$ 12,356,166	\$ 12,177,644	\$ 12,977,410	\$ 11,521,488	\$ 11,479,147
District's proportionate share of the net pension liability as a percentage of its covered payroll	0.27 %	78.42 %	19.72 %	10.19 %	25.89 %	51.52 %	10.61 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%	98.24%	94.70%	90.68%	10.61%
Discount rate	5.90%	6.80%	7.00%	7.00%	7.00%	7.00%	7.50%

An additional year of historical information will be added each year, subsequent to the year of implementation, until 10 years of historical data is available.

FREEPORT UNION FREE SCHOOL DISTRICT
Schedule of District Pension Contributions
Last Ten Fiscal Years

Teachers' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 6,826,729	\$ 6,336,437	\$ 7,490,536	\$ 6,852,807	\$ 8,055,763	\$ 8,824,699	\$ 11,584,441	\$ 10,590,655	\$ 7,514,033	\$ 7,221,374
Contributions in relation to the contractually required contribution	<u>6,826,729</u>	<u>6,336,437</u>	<u>7,490,536</u>	<u>6,852,807</u>	<u>8,055,763</u>	<u>8,824,699</u>	<u>11,584,441</u>	<u>10,590,655</u>	<u>7,514,033</u>	<u>7,221,374</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 73,367,879	\$ 73,128,663	\$ 72,344,665	\$ 69,926,598	\$ 68,735,179	\$ 66,551,271	\$ 66,083,521	\$ 64,524,342	\$ 63,497,687	\$ 64,998,865
Contributions as a percentage of covered payroll	9%	9%	10%	10%	12%	13%	18%	16%	12%	11%

Employees' Retirement System

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 1,676,258	\$ 1,754,171	\$ 1,761,227	\$ 1,922,944	\$ 1,707,906	\$ 2,097,478	\$ 2,036,533	\$ 2,140,908	\$ 2,303,641	\$ 1,709,054
Contributions in relation to the contractually required contribution	<u>1,676,258</u>	<u>1,754,171</u>	<u>1,761,227</u>	<u>1,922,944</u>	<u>1,707,906</u>	<u>2,097,478</u>	<u>2,036,533</u>	<u>2,140,908</u>	<u>2,303,641</u>	<u>1,709,054</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 11,981,271	\$ 12,173,221	\$ 12,318,681	\$ 12,176,977	\$ 12,721,486	\$ 11,521,217	\$ 11,515,860	\$ 11,524,591	\$ 10,988,248	\$ 10,715,249
Contributions as a percentage of covered payroll	14%	14%	14%	16%	13%	18%	18%	19%	21%	16%

FREEPORT UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Four Fiscal Years

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 11,304,442	\$ 9,054,166	\$ 11,434,404	\$ 9,890,048
Interest	5,442,800	6,781,430	6,282,296	5,902,789
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	(40,759,062)	-	6,820,606	(1,522,808)
Changes of assumptions or other inputs	(1,489,052)	38,754,451	(33,512,968)	-
Benefit payments	(4,095,878)	(4,517,457)	(4,088,855)	(2,253,036)
Net change in total OPEB liability	(29,596,750)	50,072,590	(13,064,517)	12,016,993
Total OPEB liability, beginning	237,012,863	186,940,273	200,004,790	187,987,797
Total OPEB liability, ending	<u>\$ 207,416,113</u>	<u>\$ 237,012,863</u>	<u>\$ 186,940,273</u>	<u>\$ 200,004,790</u>
Covered employee payroll	\$ 78,611,176	\$ 77,276,377	\$ 77,276,377	\$ 88,951,122
Total OPEB liability as a percentage of covered employee payroll	263.85%	306.71%	241.91%	224.85%
Discount rate	2.16%	2.21%	3.50%	3.00%
Healthcare trend rates	5.3% to 4.1% by 2075	6.1% to 4.1% by 2075	6.1% to 4.1% by 2075	7.5% to 4.5% by 2022

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Notes to Required Supplementary Information

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

FREEPORT UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2021

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 188,263,107
Additions:	
Prior year's encumbrances	<u>391,188</u>
Original Budget	188,654,295
Budget revisions	<u>2,500,000</u>
Final Budget	<u><u>\$ 191,154,295</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2021-2022 voter-approved expenditure budget	<u><u>\$ 195,649,933</u></u>
Maximum allowed (4% of 2021-2022 budget)	<u><u>\$ 7,825,997</u></u>

General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:

Unrestricted fund balance:		
Assigned fund balance	\$ 8,832,141	
Unassigned fund balance	<u>12,420,714</u>	
		\$ 21,252,855
Less:		
Appropriated fund balance	8,500,000	
Encumbrances	<u>332,141</u>	
Total adjustments		<u>8,832,141</u>

General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 12,420,714</u></u>
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Actual Percentage	6.35%
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FREEPORT UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2021

PROJECT TITLE	Expenditures		Methods of Financing				Fund				
	Budget June 30, 2020	Budget June 30, 2021	Prior Years	Current Year	Total	Unexpended Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Balance June 30, 2021
Building Additions & Alterations	\$ 39,615,237	\$ 39,615,237	\$ 39,551,926	\$	\$ 39,551,926	\$ 63,311	\$ 35,600,000	\$	\$ 4,015,237	\$ 39,615,237	\$ 63,311
Transfer to Capital 05/06	1,707,953	1,707,953	1,700,839		1,700,839	7,114			1,707,953	1,707,953	7,114
Transfer to Capital 07/08	861,764	861,764	861,758		861,758	6			861,764	861,764	6
Transfer to Capital 08/09	1,228,895	1,228,895	1,225,277		1,225,277	3,618			1,228,895	1,228,895	3,618
Transfer to Capital 09/10	980,996	980,996	1,002,667		1,002,667	(21,671)			980,996	980,996	(21,671)
Transfer to Capital 10/11	256,584	256,584	247,880		247,880	8,704			256,584	256,584	8,704
Transfer to Capital 11/12	337,814	337,814	337,814		337,814	-			337,814	337,814	-
Transfer to Capital 17/18	2,000,000	2,000,000	1,913,694		1,913,694	86,306			2,000,000	2,000,000	86,306
Transfer to Capital 18/19	2,000,000	2,000,000	1,769,827	108,939	1,878,766	121,234			2,000,000	2,000,000	121,234
Transfer to Capital 19/20	1,850,000	1,850,000	312,692	474,164	786,856	1,063,144			1,850,000	1,850,000	1,063,144
Transfer to Capital 20/21		1,250,000	-	46,784	46,784	1,203,216			1,250,000	1,250,000	1,203,216
EXCEL Projects	16,993,003	16,993,003	16,634,471		16,634,471	358,532	11,910,000	5,083,003		16,993,003	358,532
Qualified School Construction Bond	5,000,000	5,000,000	5,025,102		5,025,102	(25,102)	5,000,000			5,000,000	(25,102)
Capital Reserve 10/11	1,500,001	1,500,001	1,494,127		1,494,127	5,874			1,500,001	1,500,001	5,874
Capital Reserve 11/12	1,900,000	1,900,000	1,784,155	22,356	1,806,511	93,489			1,900,000	1,900,000	93,489
Capital Reserve 12/13	1,300,000	1,300,000	1,300,000		1,300,000	-			1,300,000	1,300,000	-
Capital Reserve 13/14	1,200,000	1,200,000	1,200,000		1,200,000	-			1,200,000	1,200,000	-
Capital Reserve 14/15	1,500,000	1,500,000	1,486,341		1,486,341	13,659			1,500,000	1,500,000	13,659
Capital Reserve 15/16	1,500,000	1,500,000	1,500,000		1,500,000	-			1,500,000	1,500,000	-
Capital Reserve 17/18	1,500,000	1,500,000	1,320,263	165,665	1,485,928	14,072			1,500,000	1,500,000	14,072
Capital Reserve 17/18	2,500,000	2,500,000	2,483,909	25,954	2,509,863	(9,863)			2,500,000	2,500,000	(9,863)
Capital Reserve 18/19	1,500,000	1,500,000	-	621,167	621,167	878,833			1,500,000	1,500,000	878,833
Capital Reserve 18/19	2,500,000	2,500,000	277,889	1,328,957	1,606,846	893,154			2,500,000	2,500,000	893,154
Capital Reserve 19/20	2,500,000	2,500,000	-	109,837	109,837	2,390,163			2,500,000	2,500,000	2,390,163
Capital Reserve 20/21		2,500,000	-	-	-	2,500,000			2,500,000	2,500,000	2,500,000
Smart Schools Bond Act	5,944,521	5,944,521	5,758,088	186,315	5,944,403	118		5,944,521		5,944,521	118
Energy Performance Contract	6,283,913	6,283,913	3,810,357	2,421,080	6,231,437	52,476	6,283,913			6,283,913	52,476
	<u>\$ 104,460,681</u>	<u>\$108,210,681</u>	<u>\$ 92,999,076</u>	<u>\$ 5,511,218</u>	<u>\$ 98,510,294</u>	<u>\$ 9,700,387</u>	<u>\$ 58,793,913</u>	<u>\$ 11,027,524</u>	<u>\$ 38,389,244</u>	<u>\$ 108,210,681</u>	9,700,387
Unrealized state aid from Smart Schools Bond Act											(217,376)
										Fund Balance	\$ 9,483,011

FREEPORT UNION FREE SCHOOL DISTRICT
Schedule of Net Investment in Capital Assets
June 30, 2021

Capital assets, net	<u>\$ 97,866,355</u>
Deduct:	
Short-term portion of bonds payable	2,940,000
Long-term portion of bonds payable	7,555,000
Less: Unspent bond proceeds	(396,741)
Short-term portion of energy performance contract	1,104,710
Long-term portion of energy performance contract	6,731,444
Less: Unspent energy performance contract proceeds	<u>(52,476)</u>
	<u>17,881,937</u>
Net Investment in Capital Assets	<u><u>\$ 79,984,418</u></u>



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(1950 – 2013)

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

To the Board of Education
Freeport Union Free School District
Freeport, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Freeport Union Free School District (District), as of and for the 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 4, 2021. That report included a qualified opinion on the extraclassroom activities fund based on a scope limitation.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Freeport Union Free School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

We noted certain matters that we have reported to the Board of Education, Audit Committee, and management of the Freeport Union Free School District in a separate letter dated October 4, 2021.

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

October 4, 2021

