

HEMPSTEAD UNION FREE SCHOOL DISTRICT

Basic Financial Statements,
Supplementary Information and
Independent Auditors' Report

June 30, 2020

HEMPSTEAD UNION FREE SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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The Board of Education
Hempstead Union Free School District
Town of Hempstead, New York:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Hempstead Union Free School District (the District), as of and for the year ended June 30, 2020, and the related notes to 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.

Auditors' Responsibility

Our responsibility is to express opinions on the 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 audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Hempstead Union Free School District as of June 30, 2020, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 19 and the additional information on pages 62 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

Williamsville, New York
October 8, 2020

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

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

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- On the District-wide financial statements, the District’s total net deficit increased by \$24,071,373, or 8.83% to a deficit of \$(296,593,977). This was due to an excess of expenses over revenues based on the accrual basis of accounting.
- On the District-wide financial statements, revenues increased by \$1,106,986, or 0.46%. The increase was attributed to increases in charges for services, State sources, use of money and property and other revenues offset by decreases in operating grants and property taxes and other tax items.
- On the District-wide financial statements, expenses increased by \$11,577,043, or 4.52%, primarily due to increases in instruction and debit service-interest offset by decreases in the general support, pupil transportation and food service program expenses.
- On the governmental funds financial statements, the general fund voter approved budget for the fiscal year ended June 30, 2020 was over spent by \$4,036,779, primarily due to increases in workers’ compensation, special education services and legal expenditures. Prior to setting the 2020-2021 tax levy, the Board authorized an increase of the voter approved budget to appropriate and transfer \$4,036,779 from the District’s unassigned fund balance to amend the 2019-2020 school budget.
- On the governmental funds financial statements, the general fund total fund balance decreased by \$545,023. Unassigned fund balance as of June 30, 2020 was \$5,392,650, which was 2.39% of the 2020-2021 voter approved budget.
- On June 9, 2020 the proposed 2020-2021 budget in the amount of \$225,364,654 was authorized by the District’s residents. The budget passed by 52.13% of those who voted.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District’s *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-wide statements.
- The *governmental fund financial statements* tell how basic services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

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

- Fiduciary *funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District’s budget for the year. Table A-1 shows how the various parts of this annual report are arranged and relate to one another.

Table A-1: Organization of the District’s Annual Financial Report

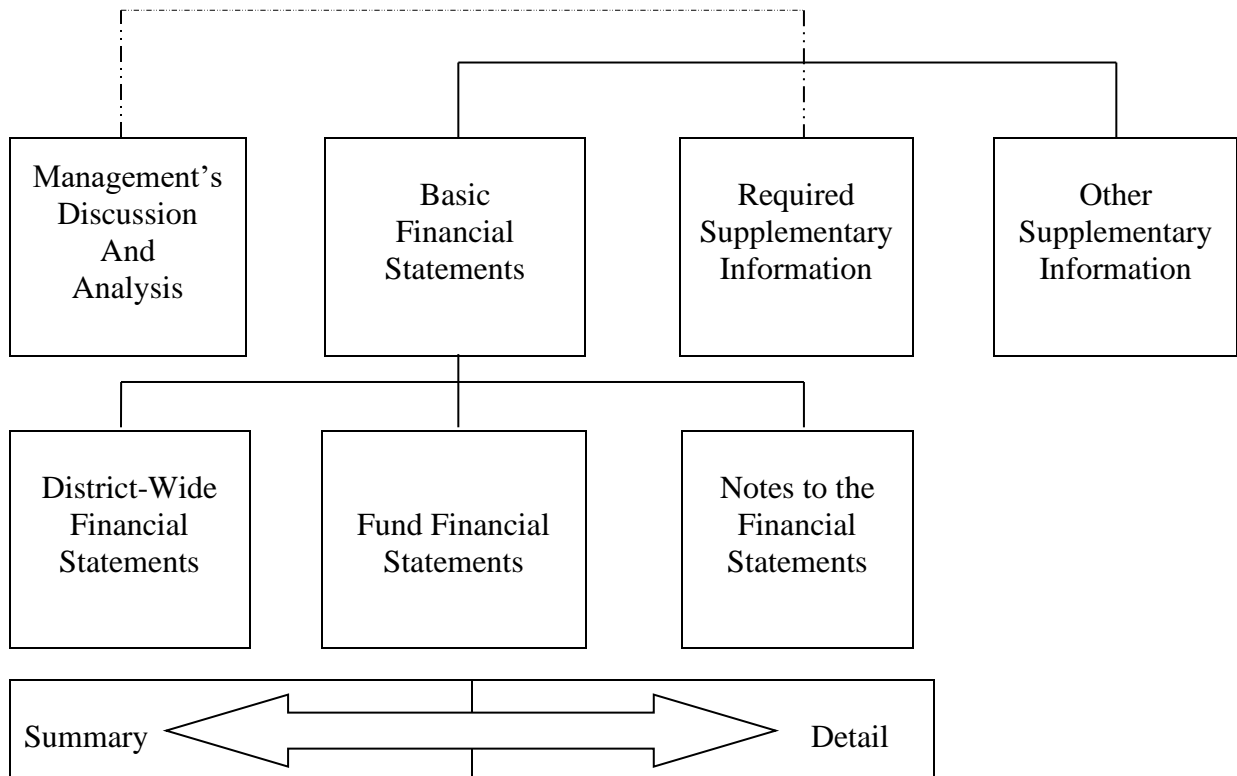


Table A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities that they cover and the types of information that they contain. The remainder of this overview section of Management’s Discussion and Analysis highlights the structure and contents of each of the statements.

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

Table A-2: Major Features of the District-wide and Fund Financial Statements

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

A. District-Wide Financial Statements:

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

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

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

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

In the District-wide financial statements, the District's activities are shown as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

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

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

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

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

B. Fund Financial Statements

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

The District has two kinds of funds:

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position decreased by \$24,071,373 between fiscal year 2020 and 2019, as detailed in Table A-3.

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

Table A-3 Condensed Statement of Net Position-Governmental Activities

	Fiscal Year <u>2020</u>	Fiscal Year <u>2019</u>	Increase/ (Decrease)	Percentage Change
Current and other assets, net	\$ 70,358,872	\$ 48,532,506	\$ 21,826,366	44.97%
Capital assets, net of accumulated depreciation	55,628,267	49,277,394	6,350,873	12.89%
Net pension asset - proportionate share NYSTRS	<u>10,606,697</u>	<u>7,298,718</u>	<u>3,307,979</u>	45.32%
Total Assets	136,593,836	105,108,618	31,485,218	29.95%
Deferred outflows of resources	<u>90,645,084</u>	<u>42,773,808</u>	<u>47,871,276</u>	111.92%
Total Assets and Deferred Outflows of Resources	<u>\$ 227,238,920</u>	<u>\$ 147,882,426</u>	<u>\$ 79,356,494</u>	53.66%
Current liabilities	65,494,013	33,822,357	31,671,656	93.64%
Long-term liabilities	28,741,652	31,668,146	(2,926,494)	(9.24%)
Net pension liability - proportionate share NYSERS	12,213,390	3,298,999	8,914,391	270.22%
Total other post-employment benefits obligation	<u>346,848,475</u>	<u>274,855,914</u>	<u>71,992,561</u>	26.19%
Total Liabilities	453,297,530	343,645,416	109,652,114	31.91%
Deferred inflows of resources	<u>70,535,367</u>	<u>76,759,614</u>	<u>(6,224,247)</u>	(8.11%)
Total Liabilities and Deferred Inflows of Resources	<u>523,832,897</u>	<u>420,405,030</u>	<u>103,427,867</u>	24.60%
Net investment in capital assets	26,709,225	25,948,738	760,487	2.93%
Restricted	6,546,938	9,576,391	(3,029,453)	(31.63%)
Unrestricted (deficit)	<u>(329,850,140)</u>	<u>(308,047,733)</u>	<u>(21,802,407)</u>	(7.08%)
Total Net Position (deficit)	<u>(296,593,977)</u>	<u>(272,522,604)</u>	<u>(24,071,373)</u>	(8.83%)
Total Liabilities, Deferred Inflows of Resources and Net Position (deficit)	<u>\$ 227,238,920</u>	<u>\$ 147,882,426</u>	<u>\$ 79,356,494</u>	53.66%

Current and other assets increased by \$21,826,366, as compared to the prior year. This was primarily due to increases in restricted and unrestricted cash, taxes receivable, State and federal aid receivable, due from other governments and due from fiduciary funds.

Capital assets, net increased by \$6,350,873, as compared to the prior year. This increase is the result of current year asset acquisitions in excess of depreciation expense (see Note 11).

Net pension asset - proportionate share NYSTRS increased by \$3,307,979 due to fluctuations in the actuarially determined net pension liability/(asset) of the New York State Teachers' Retirement System ("NYSTRS"). This was the result from several factors including differences between expected and actual experience, changes in the assumptions related to the pension plan and any change in the District's proportionate share to the plan as a whole.

Deferred outflows of resources increased by \$47,871,276, as compared to the prior year. This is primarily due to changes in assumptions or other inputs for other post-employment benefits and an increase in deferred outflows related to NYSERS offset by an decrease in deferred outflows related to NYSTRS. The deferred outflows will be amortized in future years, and contributions to the State retirement plans subsequent to the measurement date.

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

Current liabilities increased by \$31,671,656, as compared to the prior year. This increase was primarily due to increases in accounts payable, bond anticipation note payable, revenue anticipation note payable and due to other government, offset by a decrease in due to teachers' retirement system.

Long-term liabilities decreased by \$2,926,494, as compared to the prior year. This decrease was primarily due to decreases in bonds payable and compensated absences payable offset by an increase in workers' compensation claims payable.

Net pension liability - proportionate share NYSERS increased by \$8,914,391 due to fluctuations in the actuarially determined net pension asset of the New York State Employees' Retirement System ("NYSERS"). This was the result from several factors including differences between expected and actual experience, changes in the assumptions related to the pension plans and any change in the District's proportionate share to the plans as a whole.

The District's total other post-employment benefits (OPEB) obligation increased over the prior year by \$71,992,561. This was the result from several factors including service cost, interest, and changes in assumptions or other inputs offset by the District's benefit payments. See Note 16 for further details.

Deferred inflows of resources decreased by \$6,224,247, as compared to the prior year, primarily due to decreases in deferred inflows of resources related to NYSERS and OPEB, offset by an increase in deferred inflows of resources for NYSTRS. Deferred inflows are actuarial adjustments at the plan level, that will be amortized in future years.

The net investment in capital assets relates to the investment in capital assets at cost such as land, construction in progress, buildings & building improvements, furniture & equipment and site improvements, net of depreciation and related debt. This number increased from the prior year by \$760,487 due to capital asset additions and principal payments on related debt in excess of depreciation.

The restricted amount of \$6,546,938 relates to the District's restricted reserves. This balance decreased over the prior year by \$3,029,453. In accordance to the voter approved budget for the fiscal year ended June 30, 2020, the District utilized \$430,000 from the workers' compensation reserve, \$70,000 from the unemployment reserve and \$1,844,243 from the retirement contributions reserve – NYSERS. In addition, in accordance with the voter approved budget, the District utilized \$800,000 from the debt service fund for debt service payments for principal and interest. See section 4 of this management's discussion and analysis, financial analysis of the District's funds for further details.

The unrestricted net position (deficit) in the amount of \$(329,850,140) relates to the balance of the District's net position (deficit). The unrestricted net position (deficit) increased from the prior year by \$21,802,407. Net position overall decreased by \$24,071,373.

B. Changes in Net Position

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

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

Table A-4: Change in Net Position from Operating Results Governmental Activities Only

	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for services	\$ 1,091,247	\$ 919,478	\$ 171,769	18.68%
Operating grants	17,736,562	23,595,231	(5,858,669)	(24.83%)
General Revenues				
Property taxes and other tax items	81,612,274	82,694,380	(1,082,106)	(1.31%)
State sources	139,798,954	132,905,636	6,893,318	5.19%
Use of money and property	337,272	203,654	133,618	65.61%
Other	3,040,064	2,191,008	849,056	38.75%
Total Revenues	<u>243,616,373</u>	<u>242,509,387</u>	<u>1,106,986</u>	0.46%
Expenses				
General support	33,181,611	33,270,570	(88,959)	(0.27%)
Instruction	221,419,572	208,597,038	12,822,534	6.15%
Pupil transportation	7,586,814	8,666,927	(1,080,113)	(12.46%)
Community services	12,059	9,131	2,928	32.07%
Food service program	3,769,709	4,285,534	(515,825)	(12.04%)
Debt service - interest	1,717,981	1,281,503	436,478	34.06%
Total Expenses	<u>267,687,746</u>	<u>256,110,703</u>	<u>11,577,043</u>	4.52%
Total Change in Net Position	<u>\$ (24,071,373)</u>	<u>\$ (13,601,316)</u>	<u>\$ (10,470,057)</u>	76.98%

The District's total fiscal year 2020 revenues were \$243,616,373 (See Table A-4). Property taxes and other tax items, and State sources accounted for 33.50% and 57.38% of the total revenues, respectively (See Table A-5). The remainder came from fees charged for services, operating grants, use of money and property and other miscellaneous sources.

The District's revenues increased by \$1,106,986, or 0.46%, which is primarily attributable to an increase in charges for services, State sources, use of money and property, and other miscellaneous sources offset by a decrease in operating grants and property taxes and other tax items. State sources increased by \$6,893,318 primarily as a result of increases in general aid and lottery aid offset by a decrease in excess cost aid.

The total cost of all programs and services totals \$267,687,746 for fiscal year 2020. These expenses are predominantly related to instruction expenses and caring for (pupil services) and transporting students, which account for 85.55% of District expenses (See Table A-6). The District's general support activities accounted for 12.40% of total costs.

The District's expenses for the year increased by \$11,577,043, or 4.52%, which is primarily attributable to increases in instruction expenses of \$12,822,534, or 6.15% and in debt service - interest of \$436,478, or 34.06% offset by decreases in pupil transportation of \$1,080,113, or 12.46%, and in food service program of \$515,825, or 12.04%. Instructional expenses increased primarily due to an increase in special education services.

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

Table A-5 - Revenues for Fiscal Year 2020 (see Table A-4):

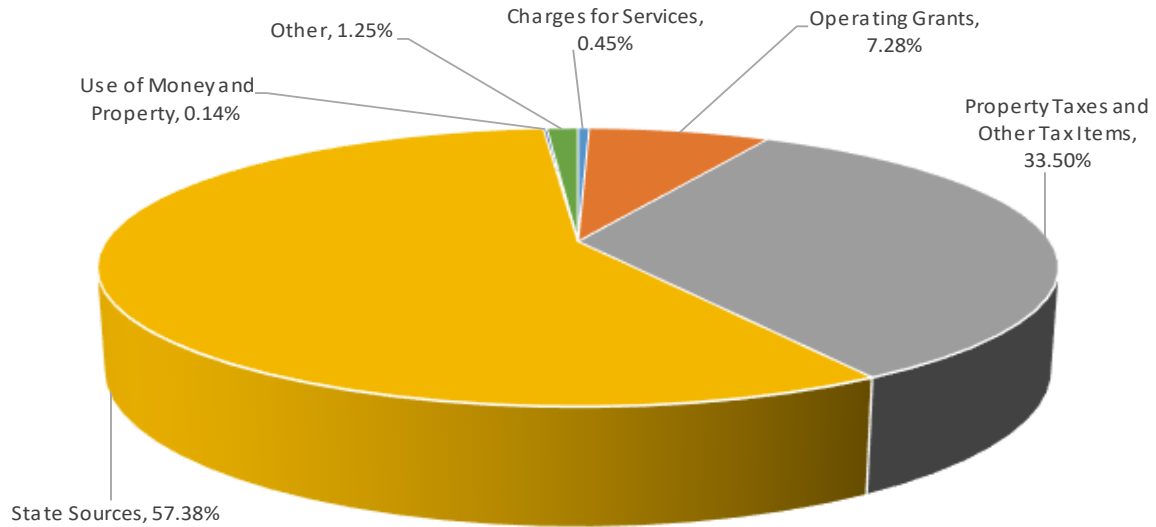
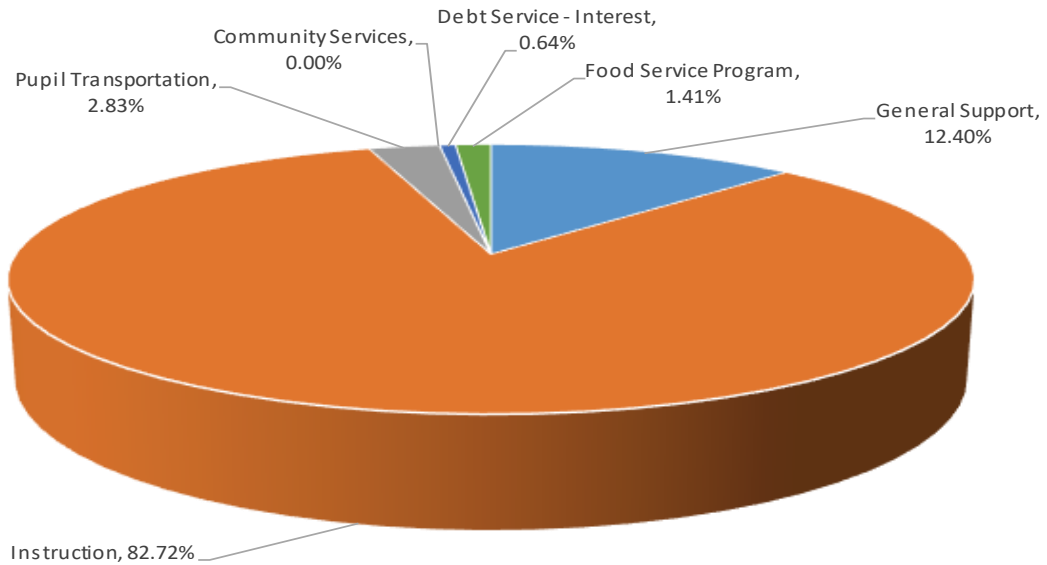


Table A-6 - Expenses for Fiscal Year 2020 (see Table A-4):



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

C. Governmental Activities

Table A-7 presents the cost of major District activities: general support, instruction, pupil transportation, community services, food service program and debt service-interest. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Table A-7: Net Cost of Governmental Activities

Category	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2019
General support	\$ 33,181,611	\$ 33,270,570	\$ 33,181,611	\$ 33,270,570
Instruction	221,419,572	208,597,038	205,365,407	189,382,391
Pupil transportation	7,586,814	8,666,927	7,586,814	8,666,927
Community services	12,059	9,131	12,059	9,131
Food service program	3,769,709	4,285,534	996,065	(1,014,528)
Debt service - interest	1,717,981	1,281,503	1,717,981	1,281,503
Total	<u>\$ 267,687,746</u>	<u>\$ 256,110,703</u>	<u>\$ 248,859,937</u>	<u>\$ 231,595,994</u>

- The cost of all governmental activities this year was \$267,687,746. (Statement of Activities and Changes in Net Position - Expenses column)
- The users of the District's programs financed \$1,091,247 of the cost. (Statement of Activities and Changes in Net Position - Charges For Services column)
- The state and federal governments subsidized certain programs with operating grants of \$17,736,562 (Statement of Activities and Changes in Net Position - Operating Grants column)
- Most of the District's net costs of \$248,859,937 were financed by District taxpayers and state aid. (Statements of Activities and Changes in Net Position - Net (Expense) Revenue and Changes in Net Position column)

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

At June 30, 2020, the District's governmental funds reported a combined fund balance of \$3,552,289, which is a decrease of \$(10,947,709) over the prior year. This decrease is due to decreases in fund balance in the general fund, school food service fund, capital projects fund and debt service fund. A summary of the change in fund balance by fund is as follows:

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

	2020	2019	Increase/ (Decrease)	Percentage Change
General Fund				
Restricted for workers' compensation	\$ 511,471	\$ 1,730,319	\$ (1,218,848)	(70.44%)
Restricted for retirement contribution -NYSERS	2,236,303	2,832,213	(595,910)	(21.04%)
Restricted for retirement contribution -NYSTRS	809,589	-	809,589	100.00%
Restricted for employee benefit accrued liability	2,205,408	2,179,285	26,123	1.20%
Restricted for unemployment insurance	284,876	1,550,672	(1,265,796)	(81.63%)
Restricted for insurance	415,223	410,305	4,918	1.20%
Assigned - appropriated for: subsequent year's expenditures	1,600,000	2,100,000	(500,000)	(23.81%)
Assigned - unappropriated for:				
General support	2,482	-	2,482	100.00%
Instruction	6,223	-	6,223	100.00%
Unassigned fund balance	5,392,650	3,206,454	2,186,196	68.18%
Total Fund Balance - General Fund	<u>13,464,225</u>	<u>14,009,248</u>	<u>(545,023)</u>	<u>(3.89%)</u>
School Food Service Fund				
Nonspendable - inventory	29,891	26,777	3,114	11.63%
Assigned	270,763	1,195,947	(925,184)	(77.36%)
Total Fund Balance - School Food Service Fund	<u>300,654</u>	<u>1,222,724</u>	<u>(922,070)</u>	<u>(75.41%)</u>
Capital Projects Fund				
Unassigned	(10,296,658)	(1,605,571)	(8,691,087)	541.31%
Total Fund Balance - Capital Projects Fund	<u>(10,296,658)</u>	<u>(1,605,571)</u>	<u>(8,691,087)</u>	<u>541.31%</u>
Debt Service Fund				
Restricted	84,068	873,597	(789,529)	(90.38%)
Total Fund Balance - Debt Service Fund	<u>84,068</u>	<u>873,597</u>	<u>(789,529)</u>	<u>(90.38%)</u>
Total Fund Balance - all funds	<u>\$ 3,552,289</u>	<u>\$ 14,499,998</u>	<u>\$ (10,947,709)</u>	<u>(75.50%)</u>

The District can attribute changes to fund balances and reserves primarily due to Board approved transfers in, transfers out to pay expenses, and allocation of interest and earnings.

A. General Fund

The general fund – fund balance decreased by \$(545,023) during the year as compared to a decrease of \$(5,423,111) in the prior year. For the fiscal year ended June 30, 2020, the District overspent the voter approved budget by \$4,036,779, primarily due to unexpected increases in workers' compensation, special education services and legal expenditures. Prior to setting the 2020-2021 tax levy, the Board authorized an increase of the voter approved budget to appropriate and transfer \$4,036,779 from the District's unassigned fund balance to amend the 2019-2020 school budget.

Actual operating revenues increased by \$5,322,710, mainly due to increases in State sources of \$5,422,947 and miscellaneous sources of \$1,335,264 offset by decreases in other real property tax items of \$1,389,178 and in interfund revenues of \$115,202. Actual operating expenditures increased \$444,622, mainly due to increases in instruction expenditures of \$4,233,360, debt service principal and interest expenditures of \$386,121, and transfers to other funds of \$160,778, offset by decreases

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

in general support expenditures of \$2,263,766, pupil transportation expenditures of \$1,080,113 and employee benefit expenditures of \$992,679. The general fund transferred \$678,365 and \$535,490 to the special aid and capital projects funds, respectively.

During the fiscal year ended June 30, 2020, the Board authorized the reallocation of restricted reserve balances. The retirement contribution reserve-NYSERS and retirement contribution reserve-NYSTRS were increased by \$1,200,000 and \$800,000, respectively. The workers' compensation reserve and the unemployment insurance reserve were decreased by \$800,000 and \$1,200,000, respectively. In accordance with the voter approved budget, the District also utilized \$430,000 from the workers' compensation reserve, \$70,000 from the unemployment reserve and \$1,844,243 from the retirement contribution reserve – NYERS.

B. School Food Service Fund

The net change in the school food service fund – fund balance is an decrease of \$922,070 during the year as compared to an operating surplus of \$1,100,400 in the prior year. This decrease was primarily due to operating expenditures in excess of revenues.

C. Capital Projects Fund

The net change in the capital projects fund – fund balance is a decrease of \$8,691,087, which is the result of capital outlay for the year in excess of revenues.

D. Debt Service Fund

The net change in the debt service – fund balance is a decrease of \$789,529, which is the result of interest earned for the year and a transfer to the general fund of \$800,000 for debt service payments in accordance with the voter approved 2019-2020 budget.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2019-2020 Adopted Budget

The District's general fund original budget for the year ended June 30, 2020 was \$221,507,736. This amount was increased by budget revisions of \$4,535,436, which resulted in a final budget of \$226,043,172. The majority of the funding for the final budget was estimated to come from property taxes and STAR revenues of \$75,934,370 and state aid of \$134,503,565.

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

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

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

Opening, unassigned fund balance,	\$ 3,206,454
Revenues over budget	8,252,852
Unused appropriated fund balance	(325,559)
Use of fund balance	(4,036,779)
Allocation of interest to reserves	(104,318)
Assigned, appropriated for June 30, 2021 budget	<u>(1,600,000)</u>
Closing, unassigned fund balance	<u>\$ 5,392,650</u>

Opening, Unassigned Fund Balance

The \$3,206,454 shown in the table is the portion of the District's June 30, 2019 fund balance that was retained as unassigned. The unassigned fund balance equaled 1.45% of the ensuing year's budget, which is within the statutory maximum of 4.00% according to New York State Real Property Tax Law.

Revenues Over Budget

The revenues over budget of \$8,252,852 were primarily attributable to other real property tax items, charges for services, use of money and property, miscellaneous revenues, interfund revenues and State sources. (See Supplemental Schedule 1 for details).

Unused Appropriated Reserves

The unused appropriated reserves of \$325,559 represents the amount returned to the retirement contribution reserve – NYSERS.

Use of Fund Balance

The Board authorized the use of unassigned fund balance to increase the voter approved budget by \$4,036,779. This was the result of the District overspending the voter approved budget due to unexpected increases in worker's compensation, special education services and legal expenditures.

Interest Allocated to Reserves

Revenues such as interest earned in a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the general fund-fund balance.

Workers' compensation	\$ 11,152
Retirement contribution - NYS employees' retirement system	48,333
Retirement contribution - NYS teachers' retirement system	9,589
Employee benefit accrued liability	26,123
Unemployment insurance	4,203
Insurance	<u>4,918</u>
Total interest allocation	<u>\$ 104,318</u>

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

Assigned Appropriated Fund Balance

The District has chosen to use \$1,600,000 of its available June 30, 2020 fund balance to partially fund its 2020-2021 voter approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summarized changes shown in the previous table, the District will begin the 2020-2021 fiscal year with an unassigned fund balance of \$5,392,650. This is an increase of \$2,186,196 in unassigned fund balance from the prior year. This amount is 2.39% of the 2020-2021 adopted budget and is below the statutory maximum established by New York State Real Property Tax Law.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A. Capital Assets

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

Table A-8: Capital Assets (Net of Depreciation)

Category	Fiscal Year 2020	Fiscal Year 2019	Increase/ (Decrease)	Percentage Change
Land	\$ 1,695,948	\$ 1,695,948	\$ -	0.00%
Construction in progress	30,816,184	21,589,607	9,226,577	42.74%
Buildings & building improvements	68,927,285	68,927,285	-	0.00%
Furniture & equipment	3,946,616	3,809,083	137,533	3.61%
Site improvements	2,398,220	2,398,220	-	0.00%
Subtotal	107,784,253	98,420,143	9,364,110	9.51%
Less: accumulated depreciation	52,155,986	49,142,749	3,013,237	6.13%
Total Net Capital Assets	\$ 55,628,267	\$ 49,277,394	\$ 6,350,873	12.89%

The District spent \$9,226,577 from the capital projects fund on building improvements and \$137,533 from the general fund on furniture and equipment purchases during the year.

B. Debt Administration

At June 30, 2020, the District had total bonds payable of \$17,385,000. Principal payments were made in the amount of \$3,205,000 for serial bonds. See Note 14 for more detailed information about the District's long-term debt.

A summary of the outstanding debt at June 30, 2020 and 2019 is as follows:

	2020	2019	Increase/ (Decrease)
Serial bonds	\$ 17,385,000	\$ 20,590,000	\$ (3,205,000)

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

On May 15, 2018, the voters authorized the issuance of bonds not to exceed \$46,844,112 for the demolition and replacement of the Marguerite G. Rhodes School. As of June 30, 2020, the demolition of the building was completed and the new building is under construction. The District has not issued any bonds related to this project.

The District's latest underlying, long-term credit rating from Standard & Poors. is A- Stable.

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- A. The general fund budget for the 2020-2021 school year in the amount of \$225,364,654 was approved by 52.13% of those who voted. This is an increase of \$3,856,918, or 1.74% over the previous year's budget. The increase was primarily due to increases in general and instruction services.
- B. On May 15, 2018, 71.77% of the voters authorized the issuance of bonds not to exceed \$46,844,112 for the demolition and replacement of the Marguerite G. Rhodes School. As of June 30, 2020, the District has not issued any bonds related to this project.
- C. Future budgets may be negatively affected by certain trends impacting school districts. These factors include rising health care premiums, increased costs associated with meeting the requirements for instructional services, uncertainty with state aid and the enactment of the Real Property Tax Levy Limit ("Tax Cap") Law by New York State which will continue to impact the District's ability to fund its current cost of services (see below).
- D. In July 2020, the State Education Department released information on the application process for school districts to apply for \$1.2 billion in Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Districts can apply to the New York State Education Department (NYSED) for Governor's Emergency Education Relief Funds (GEER) and Elementary and Secondary School Emergency Relief Funds (ESSER). New York State was allocated \$164.2 million under GEER, which is a flexible emergency block grant designed to allow Governors to decide how to best meet the needs of students and the schools in the District. The funding under GEER will be allocated to eligible school districts using the relative shares of grants awarded under Title I, Part A of the Elementary and Secondary Education Act (ESEA) for the most recent fiscal year (2019-2020). Under ESSER New York State was allocated \$1.037 billion for the purpose of providing school districts with emergency relief funds to address the impact of COVID-19 on elementary and secondary schools. The funding under ESSER will be allocated to eligible school districts under Title I, Part A of the ESEA for the most recent fiscal year (2019-2020).
- E. Subsequent to the fiscal year ended June 30, 2020, New York State Education Department ("NYSED") announced a 20% hold on all State aid payments (except for foundation aid) to all school districts due to the COVID-19 pandemic. On September 30, 2020, the District received full payment on its general aid receivable for the fiscal year ended June 30, 2020. The District recorded \$1,204,862 to deferred inflows on the Balance Sheet - Governmental Funds for excess cost aid and BOCES aid receivables related to the fiscal year ended June 30, 2020. The hold is temporary with future payment expected when funds become available. These funds will be recognized as revenues upon collection.

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

- F.** The District issued revenue anticipation notes on July 17, 2020, in the amount of \$43,000,000, which will mature on June 30, 2021 bearing a stated interest rate of 1.50%. The District received a premium of \$197,312 with the borrowing to yield an effective interest rate of 1.02%.
- G.** The District issued bond anticipation notes on July 14, 2020, in the amount of \$25,900,000, which will mature on July 14, 2021 bearing a stated interest rate of 1.50%. The District received a premium of \$125,760 with the borrowing to yield an effective interest rate of 1.01%.
- H.** The District is in the process of a capital asset appraisal. These reports were not available to be included at the time of issuance in these financial statements.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Hempstead Union Free School District
Mr. Jamal Scott
Assistant Superintendent for Business and Operations
185 Peninsula Boulevard
Hempstead, New York 11550
(516) 434-4000

HEMPSTEAD UNION FREE SCHOOL DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
JUNE 30, 2020

ASSETS

Current assets

Cash	
Unrestricted	\$ 9,685,701
Restricted	20,445,837
Receivables	
Taxes receivable	5,397,264
State and federal aid	31,896,967
Due from other governments	2,354,242
Accounts receivable	89,457
Due from fiduciary funds	459,513
Inventories	29,891

Non-current assets

Capital assets	
Capital assets not being depreciated	32,512,132
Capital assets being depreciated, net of accumulated depreciation	23,116,135
Net pension asset - proportionate share NYSTRS	10,606,697

TOTAL ASSETS 136,593,836

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - NYSERS	8,402,223
Deferred outflows of resources - NYSTRS	34,523,196
Total other post-employment benefit obligation	47,719,665

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES \$ 227,238,920

LIABILITIES

Payables

Accounts payable	\$ 19,283,989
Accrued liabilities	881,355
Accrued interest payable	472,495
Bond anticipation note payable	26,000,000
Revenue anticipation note payable	10,000,000
Due to other governments	1,388,257
Due to teachers' retirement system	6,445,171
Due to employees' retirement system	589,287
Compensated absences payable	259,732

Unearned credits

Collections in advance	173,727
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Long-term liabilities

Due and payable within one year	
Bonds payable	3,265,000
Compensated absences payable	825,000
Due and payable after one year	
Bonds payable	14,120,000
Compensated absences payable	5,802,557
Termination benefits payable	473,000
Workers' compensation claims payable	4,256,095
Net pension liability - proportionate share NYSERS	12,213,390
Total other post-employment benefits obligation	346,848,475

TOTAL LIABILITIES 453,297,530

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources - NYSERS	283,369
Deferred inflows of resources - NYSTRS	15,023,376
Total other post-employment benefits obligation	55,228,622

TOTAL DEFERRED INFLOWS OF RESOURCES 70,535,367

NET POSITION

Net investment in capital assets 26,709,225

Restricted

Workers' compensation	511,471
Retirement contribution - NYS employees' retirement system	2,236,303
Retirement contribution - NYS teachers' retirement system	809,589
Employee benefit accrued liability	2,205,408
Unemployment insurance	284,876
Insurance	415,223
Debt service	84,068
	6,546,938

Unrestricted (deficit) (329,850,140)

TOTAL NET POSITION (DEFICIT) (296,593,977)

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT) \$ 227,238,920

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

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
FUNCTIONS / PROGRAMS				
General support	\$ (33,181,611)	\$ -	\$ -	\$ (33,181,611)
Instruction	(221,419,572)	949,962	15,104,203	(205,365,407)
Pupil transportation	(7,586,814)	-	-	(7,586,814)
Community services	(12,059)	-	-	(12,059)
Food service program	(3,769,709)	141,285	2,632,359	(996,065)
Debt service - interest	(1,717,981)	-	-	(1,717,981)
TOTAL FUNCTIONS AND PROGRAMS	\$ (267,687,746)	\$ 1,091,247	\$ 17,736,562	(248,859,937)
GENERAL REVENUES				
Real property taxes				71,506,583
Other tax items - including STAR reimbursement				10,105,691
Use of money and property				337,272
Sale of property and compensation for loss				383,964
Miscellaneous				2,656,100
State sources				139,798,954
TOTAL GENERAL REVENUES				224,788,564
CHANGE IN NET POSITION				(24,071,373)
TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR				(272,522,604)
TOTAL NET POSITION (DEFICIT) - END OF YEAR				\$ (296,593,977)

See Accompanying Notes to Financial Statements

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

	General	Special Aid	School Food Service	Capital Projects	Debt Service	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 3,768,927	\$ 48,859	\$ 28,833	\$ 5,839,082	\$ -	\$ 9,685,701
Restricted	6,462,870	-	-	13,982,967	-	20,445,837
Receivables						
Taxes receivable	5,397,264	-	-	-	-	5,397,264
State and federal aid	16,632,183	15,110,294	154,490	-	-	31,896,967
Due from other governments	2,354,242	-	-	-	-	2,354,242
Accounts receivable	89,457	-	-	-	-	89,457
Due from governmental funds	15,226,406	-	130,589	-	84,068	15,441,063
Due from fiduciary funds	459,513	-	-	-	-	459,513
Inventories	-	-	29,891	-	-	29,891
TOTAL ASSETS	\$ 50,390,862	\$ 15,159,153	\$ 343,803	\$ 19,822,049	\$ 84,068	\$ 85,799,935
LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE						
Payables						
Accounts payable	\$ 15,401,069	\$ 602,365	\$ 39,874	\$ 3,240,681	\$ -	\$ 19,283,989
Accrued liabilities	845,012	26,681	1,662	8,000	-	881,355
Bond anticipation note payable	-	-	-	26,000,000	-	26,000,000
Revenue anticipation note payable	10,000,000	-	-	-	-	10,000,000
Due to other governments	1,388,257	-	-	-	-	1,388,257
Due to governmental funds	214,657	14,356,380	-	870,026	-	15,441,063
Due to teachers' retirement system	6,445,171	-	-	-	-	6,445,171
Due to employees' retirement system	589,287	-	-	-	-	589,287
Compensated absences	259,732	-	-	-	-	259,732
Unearned credits						
Collections in advance	-	173,727	-	-	-	173,727
TOTAL LIABILITIES	35,143,185	15,159,153	41,536	30,118,707	-	80,462,581
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	1,783,452	-	1,613	-	-	1,785,065
TOTAL DEFERRED INFLOWS OF RESOURCES	1,783,452	-	1,613	-	-	1,785,065
FUND BALANCES						
Non-Spendable	-	-	29,891	-	-	29,891
Restricted						
Workers' compensation	511,471	-	-	-	-	511,471
Retirement contribution - NYS employees' retirement system	2,236,303	-	-	-	-	2,236,303
Retirement contribution - NYS teachers' retirement system	809,589	-	-	-	-	809,589
Employee benefit accrued liability	2,205,408	-	-	-	-	2,205,408
Unemployment insurance	284,876	-	-	-	-	284,876
Insurance	415,223	-	-	-	-	415,223
Debt service	-	-	-	-	84,068	84,068
Assigned						
Appropriated fund balance	1,600,000	-	-	-	-	1,600,000
Unappropriated fund balance	8,705	-	270,763	-	-	279,468
Unassigned						
Unassigned fund balance	5,392,650	-	-	(10,296,658)	-	(4,904,008)
TOTAL FUND BALANCES	13,464,225	-	300,654	(10,296,658)	84,068	3,552,289
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 50,390,862	\$ 15,159,153	\$ 343,803	\$ 19,822,049	\$ 84,068	\$ 85,799,935

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

Total Governmental Fund Balances \$ 3,552,289

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

The costs of the 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	\$ 107,784,253	
Accumulated depreciation	<u>(52,155,986)</u>	55,628,267

Deferred inflows of resources - The Statement of Net Position recognized revenues received under the full accrual method. Governmental funds recognize revenues under the modified accrual method.	1,785,065
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Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the State retirement systems are not current financial resources or obligations and are not reported in the funds:

Proportionate share of net pension asset - NYSTRS	10,606,697	
Deferred outflows of resources - NYSERS and NYSTRS pension related	42,925,419	
Proportionate share of net pension liability - NYSERS	(12,213,390)	
Deferred inflows of resources - NYSERS and NYSTRS pension related	<u>(15,306,745)</u>	26,011,981

Long-term liability and related deferred outflows and inflows associated with total other post-employment benefit obligation are not current financial resources or obligations and are not reported in the funds:

Deferred outflows of resources - OPEB related	47,719,665	
Total other post-employment benefits obligation	(346,848,475)	
Deferred inflows of resources - OPEB related	<u>(55,228,622)</u>	(354,357,432)

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

Bonds payable	(17,385,000)	
Workers' compensation claims payable	(4,256,095)	
Compensated absences payable	(6,627,557)	
Termination benefits payable	<u>(473,000)</u>	(28,741,652)

Interest payable applicable to the District's activities are due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position.

Total Net Position (Deficit)	<u><u>\$ (296,593,977)</u></u>
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HEMPSTEAD UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General	Special Aid	School Food Service	Capital Projects	Debt Service	Total Governmental Funds
REVENUES						
Real property taxes	\$ 71,506,583	\$ -	\$ -	\$ -	\$ -	\$ 71,506,583
Other tax items - including STAR reimbursement	10,105,691	-	-	-	-	10,105,691
Charges for services	949,962	-	-	-	-	949,962
Use of money and property	326,793	-	8	-	10,471	337,272
Sale of property and compensation for loss	383,964	-	-	-	-	383,964
Miscellaneous	2,551,278	-	-	-	-	2,551,278
Interfund revenues	244,572	-	-	-	-	244,572
State sources	138,620,601	9,623,222	57,603	-	-	148,301,426
Federal sources	-	5,480,981	2,427,980	-	-	7,908,961
Surplus food	-	-	146,776	-	-	146,776
Sales	-	-	141,285	-	-	141,285
TOTAL REVENUES	224,689,444	15,104,203	2,773,652	-	10,471	242,577,770
EXPENDITURES						
General support	24,006,578	-	-	-	-	24,006,578
Instruction	150,511,274	15,782,568	-	-	-	166,293,842
Pupil transportation	7,583,691	-	-	-	-	7,583,691
Community services	6,484	-	-	-	-	6,484
Employee benefits	37,970,360	-	961,528	-	-	38,931,888
Debt service - Principal	3,205,000	-	-	-	-	3,205,000
Debt service - Interest	1,537,225	-	-	-	-	1,537,225
Cost of sales	-	-	2,734,194	-	-	2,734,194
Capital outlay	-	-	-	9,226,577	-	9,226,577
TOTAL EXPENDITURES	224,820,612	15,782,568	3,695,722	9,226,577	-	253,525,479
EXCESS (DEFICIENCY)						
OF REVENUES OVER EXPENDITURES	(131,168)	(678,365)	(922,070)	(9,226,577)	10,471	(10,947,709)
OTHER FINANCING SOURCES AND USES						
Operating transfers in	800,000	678,365	-	535,490	-	2,013,855
Operating transfers (out)	(1,213,855)	-	-	-	(800,000)	(2,013,855)
TOTAL OTHER FINANCING SOURCES (USES)	(413,855)	678,365	-	535,490	(800,000)	-
NET CHANGE IN FUND BALANCES	(545,023)	-	(922,070)	(8,691,087)	(789,529)	(10,947,709)
FUND BALANCES - BEGINNING OF YEAR	14,009,248	-	1,222,724	(1,605,571)	873,597	14,499,998
FUND BALANCES - END OF YEAR	\$ 13,464,225	\$ -	\$ 300,654	\$ (10,296,658)	\$ 84,068	\$ 3,552,289

HEMPSTEAD 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 FISCAL YEAR ENDED JUNE 30, 2020

Net Change in Fund Balance \$ (10,947,709)

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

Long-Term Revenue and Expense Differences

Deferred inflows of resources - The Statement of Net Position recognized revenue received under the full accrual method. Governmental funds recognize revenue under the modified accrual method.	1,283,175
In the Statement of Activities, compensated absences are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Compensated absences payable for the fiscal year ended June 30, 2020 changed by:	173,792
In the Statement of Activities, termination benefits payable are measured by the amounts earned or incurred during the year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used. Termination benefits payable for the fiscal year ended June 30, 2020 changed by:	7,500
Workers' compensation claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Workers' compensation claims payable for the fiscal year ended June 30, 2020 changed by:	(459,798)
Total other post-employment benefits obligation in the Statement of Activities differs from the amount reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, the payable is recognized as it accrues regardless of when it is due. Total other post-employment benefits obligation for the fiscal year ended June 30, 2020 changed by:	(71,992,561)
Deferred inflows related to total other post-employment benefits in the Statement of Activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Deferred inflows related to total other post-employment benefits for the fiscal year ended June 30, 2020 changed by:	10,624,489
Deferred outflows related to total net other post-employment benefits in the Statement of Activities require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Deferred inflows related to total other post-employment benefits for the fiscal year ended June 30, 2020 changed by:	47,719,665

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 exceeded depreciation in the period:

Capital outlays	\$ 9,364,110	
Depreciation expense	(3,013,237)	6,350,873

Long-Term Debt Transaction Differences

Repayment of a bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	3,205,000
Interest on short and long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statements of Activities, however, interest expense is recognized as the interest accrues regardless of when it is due. Accrued interest for the fiscal year ended June 30, 2020 changed by:	(180,756)

Pension Differences

Increases/decreases in proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

New York State Employees' retirement system	(2,242,106)	
New York State Teachers' retirement system	(7,612,937)	(9,855,043)

Change in Net Position of Governmental Activities		\$ (24,071,373)
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HEMPSTEAD UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash - restricted	\$ 20,917	\$ 794,975
TOTAL ASSETS	<u>\$ 20,917</u>	<u>\$ 794,975</u>
LIABILITIES		
Due to governmental funds	\$ -	\$ 459,513
Extraclassroom activity balance	-	56,350
Other liabilities	-	279,112
TOTAL LIABILITIES	<u>-</u>	<u>\$ 794,975</u>
NET POSITION		
Restricted for scholarships	<u>\$ 20,917</u>	

See Accompanying Notes to Financial Statements

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	<u>Private Purpose Trust Fund</u>
ADDITIONS	
Interest and earnings	\$ 161
TOTAL ADDITIONS	<u>161</u>
DEDUCTIONS	
Scholarships and awards	<u>7,500</u>
TOTAL DEDUCTIONS	<u>7,500</u>
CHANGE IN NET POSITION	(7,339)
NET POSITION - BEGINNING OF YEAR	<u>28,256</u>
NET POSITION - END OF YEAR	<u><u>\$ 20,917</u></u>

See Accompanying Notes to Financial Statements

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

NOTE 1 – SUMMARY OF CERTAIN SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of Hempstead Union Free School District (the “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 accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Significant accounting principles and policies utilized by the District are described 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 (“the Board”) 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 the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

The accompanying financial statements present the activities of the District and other organizational entities determined to be includable in the District’s financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District’s reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District’s reporting entity:

Extraclassroom Activity Funds:

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held as an agent for various student organizations in the Statement of Fiduciary Net Position – Fiduciary Funds. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s Business Office.

B) Joint venture:

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

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

C) Basis of presentation:

i) District-Wide Financial Statements:

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

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

ii) Fund Financial Statements:

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

The District financial statements reflect the following major funds:

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

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

School Food Service Fund: This fund is used to account for the activities of the District's school lunch operations, which are supported by federal and state grants and charges to participants for its services.

Capital Projects Fund: These funds are used to account for the financial resources used for acquisition, construction, renovation, or major repair of capital facilities and other capital assets, such as equipment.

Debt Service Fund: This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities. When a capital asset is sold and all or a portion of the bonds used to finance the capital asset are outstanding, this fund must be used to account for the proceeds from the sale of capital assets up to the balance of related bonds outstanding.

Fiduciary Funds: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third-party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extraclassroom activity funds and for payroll or employee withholding.

D) Measurement focus and basis of accounting:

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Non-exchange transactions, in which the District gives or receives value without directly, receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, pension costs, other post-employment benefits which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E) Real property taxes:

Real property taxes are levied annually by the Board of Education no later than August 15th, and become a lien on October 1st and April 1st. Taxes are collected by the Town of Hempstead and remitted to the District during the period October 1st through November 10th, and April 1st through May 10th without penalty.

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

F) 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.

G) Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services. 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, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables may be netted on the accompanying governmental funds balance sheet

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 12 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H) Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities 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. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, termination benefits, claims payable, workers' compensation claims, net pension liability/(asset) – proportionate share, potential contingent liabilities, other postemployment benefits, and useful lives of capital assets.

I) Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

J) Restricted cash:

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 allowance for uncollectible amounts, when applicable. An allowance for uncollectible accounts represents the portion of receivables that is not expected to be collected.

L) Inventories and prepaid items:

Inventories of food in the school food service fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial in amount.

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

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District has no prepaid items as of June 30, 2020.

M) Capital assets:

Capital assets are reported at actual cost when available or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at acquisition value at the time received.

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

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Building and building improvements	\$ 15,000	Straight-line	50 years
Site improvements	\$ 15,000	Straight-line	20 years
Furniture and equipment	\$ 1,000	Straight-line	5-20 years

N) Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded. See Note 10 for further detail.

O) Deferred outflows and inflows 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 six items that qualify for reporting in this category. The first five items are related to pensions reported in the District-wide Statement of Net Position. They represent the difference between expected and actual experience (NYSERS and NYSTRS), changes of assumptions (NYSERS and NYSTRS), net difference between projected and actual investment earnings on pension plan investments (NYERS), changes in proportion and differences between the District's contributions and proportionate share of contributions (NYSERS and NYSTRS), and the District's contributions to the pension systems (NYSERS and NYSTRS) subsequent to the measurement date. The last item relates to other post-employment benefits for changes of assumptions or other inputs.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has six items that qualify for reporting in this category. The first four items are related to pensions reported in the District-wide

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Statement of Net Position. They represent the difference between expected and actual experience (NYSTRS), the changes of assumptions (NYSERS and NYSTRS), the net difference between projected and actual earnings on pension plan investments (NYSTRS), changes in proportion and differences between the District's contributions and proportionate share of contributions (NYSERS and NYSTRS). The last two items are related to other post-employment benefits reported in the District-wide Statement of Net Position. They represent the difference between expected and actual experience and changes of assumptions or other inputs.

In addition to liabilities, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred revenues are reclassified as revenues. The District wide financial statements, however, report these deferred inflows as revenues in accordance with the accrual basis of accounting and economic resources measurement focus.

P) Employee benefits – Compensated absences and termination benefits:

Compensated absences

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

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

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

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

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

Termination benefits

In addition to the compensated absences, the teachers assistants contracts with the District provide for the lump sum payment upon termination of \$4,000, \$5,500 or \$8,500 after 10, 15 or 20 years of employment, respectively. The current estimated value of the payout is \$473,000 and is recorded as a long-term liability in the Statement of Net Position.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

In the fund financial statements only the amount of matured liabilities is accrued within the general fund.

Q) Other benefits:

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

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

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

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

R) Short-term debt:

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

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

The District may issue Bond Anticipation Notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. The District may issue deficiency notes up to an amount not to exceed 5% of the amount of that same year's annual budget in any fund or funds arising from revenues being less than the amount estimated in the budget for that fiscal year. The deficiency notes may mature no later than the close of the fiscal year following the fiscal year in which they were issued. However, they may mature no later than the close of the second fiscal year after the fiscal year in which they were issued, if the notes were authorized and issued after the adoption of the budget for the fiscal year following the year in which they were issued.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The District issued and redeemed a \$43,000,000 TAN and redeemed a \$6,000,000 BAN. The District also issued a \$10,000,000 RAN and \$26,000,000 in BANs in the fiscal year ended June 30, 2020. (See Note 13 for further details).

S) Accrued liabilities and long-term obligations:

Payables, accrued liabilities, and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. claims and judgments, compensated absences, termination benefits, net pension liability/(asset)-proportionate share, and other post-employment benefits that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent they have matured. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

T) Equity classifications:

i) District-Wide Financial Statements

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

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

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

Unrestricted net position – Reports the balance of net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ii) Fund Financial Statements

There are five classifications of fund balance as detailed below; however, in the District's fund financial statements there are four classifications of fund balance presented:

- 1) Non-spendable fund balance** - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school food service fund of \$29,891.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- 2) **Restricted fund balance** - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Currently, New York State laws still use the terminology “reserves” and districts are allowed to use reserves authorized by law. The District has classified the following as restricted:

Workers’ Compensation Reserve

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

Retirement Contribution Reserve

Retirement contribution reserve (GML§6-r) must be 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 be legally appropriated. The Board has adopted 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 under restricted fund balance.

Employee Benefit Accrued Liability Reserve

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

Unemployment Insurance Reserve

Unemployment insurance reserve (GML§6-m), must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Insurance Reserve

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

Restricted for Debt Service

Unexpended balances of proceeds of borrowings for capital projects; interest and earning from investing proceeds of obligations, and premium and accrued interest 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, net of earnings and awards. These restricted funds are accounted for in the private purpose trust fund under restricted fund balance and amounted to \$20,917 at June 30, 2020.

- 3) **Committed fund balance** – includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2020.
- 4) **Assigned fund balance** – Includes amounts that are subject to a purpose constraint that represents an intended use established by the District's Board of Education. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes encumbrances not classified as restricted or committed at the end of the fiscal year.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

- 5) **Unassigned fund balance** - Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

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

Order of Use of Fund Balance:

The District's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the general fund are classified as restricted fund balance. In the general fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

U) Change in accounting standard:

During the year ended June 30, 2020, the District adopted the following provisions of Statements of the Governmental Accounting Standards Board (GASB):

GASB has issued Statement No. 90, *Majority Equity Interests*, effective for the year ending June 30, 2020. The primary objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

GASB had issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders due to the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The District is evaluating the financial impact of these GASB Statements however, the financial impact, if any, would be immaterial to the District's financial statement.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

V) Future changes in accounting standards:

GASB has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 83 - *Certain Asset Retirement Obligations*. Effective for fiscal years beginning after June 15, 2019.

Statement No. 84 - *Fiduciary Activities*. Effective for fiscal years beginning after December 15, 2019.

Statement No. 87 - *Leases*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2020.

Statement No. 91 - *Conduit Debt Obligations*. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - *Omnibus 2020*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - *Replacement of Interbank Offered Rates*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Effective for fiscal years beginning after June 15, 2022.

Statement No. 95 - *Postponement of the Effective Dates of Certain Authoritative Guidance*. Effective immediately. See note 18 for further information.

Statement No. 96 - *Subscription-Based Information Technology Arrangements*. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Effective for fiscal years beginning after June 15, 2021.

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the District-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the District-wide statements, compared with the current financial resource measurement focus of the governmental funds.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

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

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

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

i) Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences, workers' compensation, pension costs and other post-employment benefits.

ii) Capital related differences:

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

iii) Long-term debt transaction differences:

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

iv) Pension differences:

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

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

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

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Budget Revisions:

Appropriated fund balance	\$ 4,036,779
Donations	100,000
Adult education fees	51,707
Insurance recoveries	346,950
	<hr/>
Total Budget Revisions	\$ 4,535,436

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

For the fiscal year ended June 30, 2020, the District overspent the operating budget of the general fund by \$4,036,779. The primary cause was an increase of worker's compensation, special education services and legal expenditures. Prior to setting the 2020-2021 tax levy, the Board authorized an increase of the voter approved budget to appropriate and transfer \$4,036,779 from the District's unassigned fund balance to amend the 2019-2020 school budget.

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

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

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 4 – CASH (AND CASH EQUIVALENTS) - CUSTODIAL CREDIT, CONCENTRATION OF CREDIT, INTEREST RATE AND FOREIGN CURRENCY RISKS:

A) Cash:

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

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

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB directs that deposits be 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 with securities held by the pledging financial institution in the District's name; or
- C) Collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

None of the District's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above at year end.

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by the legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2020 included \$20,445,837 within the governmental funds for general reserve purposes in the general fund and unspent BAN proceeds in capital projects fund and \$815,892 in the fiduciary funds.

B) Investments:

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

NOTE 5 – PARTICIPATION IN BOCES:

During the year ended June 30, 2020, the District was billed \$38,229,217 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$4,666,449. Financial statements for the Nassau BOCES are available from the Nassau BOCES administrative office at 71 Clinton Road, Garden City, New York 11530.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

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

General fund	
New York State Aid	
General aid	\$ 8,652,619
Excess cost aid	3,562,766
BOCES aid	3,943,030
General aid - prior years	473,768
Total general fund	<u>16,632,183</u>
Special aid fund	
Federal aid	4,809,872
State aid	10,300,422
Total special aid fund	<u>15,110,294</u>
School food service fund	
State food service program reimbursement	8,067
Federal food service program reimbursement	146,423
Total school food service fund	<u>154,490</u>
Total - all funds	<u>\$ 31,896,967</u>

District management has deemed the amounts to be fully collectible.

Subsequent to the fiscal year ended June 30, 2020, New York State Education Department (“NYSED”) announced a 20% hold on all State aid payments (except for foundation aid) to all school districts due to the COVID-19 pandemic. On September 30, 2020, the District received full payment on its general aid receivable for the fiscal year ended June 30, 2020. The District recorded \$1,204,862 to deferred inflows on the Balance Sheet - Governmental Funds for excess cost aid and BOCES aid receivables related to the fiscal year ended June 30, 2020. The hold is temporary with future payment expected when funds become available. These funds will be recognized as revenues upon collection.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

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

General fund	
PILOTS	\$ 1,598,377
Other districts - tuition	755,865
Total	<u>\$ 2,354,242</u>

District management has deemed the amounts to be fully collectible.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

NOTE 8 – ACCOUNTS RECEIVABLE:

Accounts receivable at June 30, 2020 consisted of the following:

General fund	
Insurance recoveries	\$ 64,680
Other receivables	24,777
	<hr/>
Total	\$ 89,457

District management has deemed the amounts to be fully collectible.

NOTE 9 – DUE TO OTHER GOVERNMENTS:

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

General fund	
Due to Village of Hempstead - School Resource Officer	\$ 138,585
Other Districts - Tuition and health services	1,249,672
	<hr/>
Total	\$ 1,388,257

NOTE 10 – COLLECTIONS IN ADVANCE:

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

Special aid fund	
Grant funds received in advance	\$ 173,727
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HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 11 - CAPITAL ASSETS:

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

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,695,948	\$ -	\$ -	\$ 1,695,948
Construction in progress	21,589,607	9,226,577	-	30,816,184
Total capital assets not depreciated	23,285,555	9,226,577	-	32,512,132
Capital assets that are depreciated:				
Building & building improvements	68,927,285	-	-	68,927,285
Furniture and equipment	3,809,083	137,533	-	3,946,616
Site improvement	2,398,220	-	-	2,398,220
Total depreciable historical cost	75,134,588	137,533	-	75,272,121
Less accumulated depreciation:				
Building & building improvements	43,688,706	2,235,461	-	45,924,167
Furniture and equipment	3,517,671	719,944	-	4,237,615
Site improvement	1,936,372	57,832	-	1,994,204
Total accumulated depreciation	49,142,749	3,013,237	-	52,155,986
Total capital assets, net	\$ 49,277,394	\$ 6,350,873	\$ -	\$ 55,628,267

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 58,354
Instruction	2,877,773
Transportation	3,123
School Food Service	73,987
	<u>\$ 3,013,237</u>

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

NOTE 12 – INTERFUND TRANSACTIONS:

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 15,685,919	\$ 214,657	\$ 800,000	\$ 1,213,855
Special aid fund	-	14,356,380	678,365	-
School food service	130,589	-	-	-
Capital projects fund	-	870,026	535,490	-
Debt Service fund	84,068	-	-	800,000
Total government activities	15,900,576	15,441,063	2,013,855	2,013,855
Fiduciary agency fund	-	459,513	-	-
Total	\$ 15,900,576	\$ 15,900,576	\$ 2,013,855	\$ 2,013,855

The District typically transfers from the general fund to the special aid fund to fund the District's 20% share of the summer school program for students with disabilities and the basic contribution required for Section 4201 state-supported school expenditures required by State Law.

The District made a \$535,490 transfer from the general fund to the capital projects fund in accordance with the voter approved 2019-2020 school budget to fund various school improvement projects.

The District made a \$800,000 transfer from the debt service fund to the general fund in accordance with the voter approved 2019-2020 school budget to return accumulated funds in the debt service fund to offset debt service expenditures.

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

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

NOTE 13 - SHORT-TERM DEBT:

During the fiscal year ended June 30, 2020, the District issued tax anticipation notes in the amount of \$43,000,000, revenue anticipation notes of \$10,000,000 and bond anticipation notes of \$26,000,000. The debt was issued for interim financing of general fund operations and capital projects. Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
RAN	12/15/2020	1.75%	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000
TAN	6/25/2020	2.50%	-	43,000,000	43,000,000	-
BAN	1/3/2020	3.00%	6,000,000	-	6,000,000	-
BAN	7/15/2020	2.00%	-	20,000,000	-	20,000,000
BAN	7/15/2020	2.00%	-	6,000,000	-	6,000,000
Total			\$ 6,000,000	\$ 79,000,000	\$ 49,000,000	\$ 36,000,000

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

	<u>Total</u>
Interest paid	\$ 1,157,697
Less interest accrued in the prior year	(89,750)
Plus interest accrued in the current year	<u>287,002</u>
Total expense	<u>\$ 1,354,949</u>

NOTE 14 – LONG-TERM DEBT OBLIGATIONS:

Long-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 20,590,000	\$ -	\$ 3,205,000	\$ 17,385,000	\$ 3,265,000
Other long-term liabilities:					
Compensated absences payable	6,801,349	504,582	678,374	6,627,557	825,000
Termination benefits payable	480,500	-	7,500	473,000	-
Workers' compensation claims payable	3,796,297	2,498,698	2,038,900	4,256,095	-
Net pension liability- proportionate share-NYSERS	3,298,999	11,020,696	2,106,305	12,213,390	-
Total other post-employment benefits obligation	<u>274,855,914</u>	<u>78,738,819</u>	<u>6,746,258</u>	<u>346,848,475</u>	<u>-</u>
Total long-term liabilities	<u>\$309,823,059</u>	<u>\$ 92,762,795</u>	<u>\$ 14,782,337</u>	<u>\$387,803,517</u>	<u>\$ 4,090,000</u>

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

A) Bonds payable

Existing serial and statutory bond obligations are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at Year End</u>
QZAB Bonds	12/22/06	12/15/22	7.25%	\$ 5,500,000
Serial Bonds	06/01/09	06/01/24	4.00 - 5.00%	2,085,000
Serial Bonds	07/18/13	07/15/28	3.00 - 4.00%	3,065,000
QZAB Bonds	10/02/13	07/15/28	1.15 - 5.30%	5,590,000
Serial Bonds	07/17/14	07/15/24	2.00 - 3.00%	<u>1,145,000</u>
				<u>\$ 17,385,000</u>

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2021	\$ 3,265,000	\$ 472,975	\$ 3,737,975
2022	3,325,000	413,382	3,738,382
2023	3,645,000	349,675	3,994,675
2024	1,710,000	280,684	1,990,684
2025	1,200,000	207,268	1,407,268
2026-2029	4,240,000	384,455	4,624,455
	<u>\$ 17,385,000</u>	<u>\$ 2,108,439</u>	<u>\$ 19,493,439</u>

Unissued Debt

On June 13, 2006, the voters authorized the issuance of bonds not to exceed \$33,317,483 to construct improvements and alterations to all District owned school buildings and sites. As of June 30, 2020, the District had issued \$32,641,931 of bonds; \$675,552 of bonds had not been issued. The projects are almost completed and expenditures are recorded in the capital projects fund.

On March 15, 2011, the voters authorized the issuance of bonds not to exceed \$18,135,084 for the Prospect School Bond Project. As of June 30, 2020, the District had issued \$14,920,000 of bonds and \$3,215,084 of funding was provided by State sources and the general fund.

On May 15, 2018, the voters authorized the issuance of bonds not to exceed \$46,844,112 for the demolition and replacement of the Marguerite G. Rhodes School. As of June 30, 2020, the District has not issued any bonds related to this project.

B) Long-Term Interest

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

	Total
Interest paid	\$ 379,528
Less interest accrued in the prior year	(201,989)
Plus interest accrued in the current year	185,493
Total expense	<u>\$ 363,032</u>

NOTE 15 – PENSION PLANS:

General information

The District participates in the New York State and Local Employees' Retirement System ("NYSERS") and the New York State Teachers' Retirement System ("NYSTRS") (collectively referred to as the "Systems").

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Plan descriptions and benefits provided

Employees' Retirement System

The New York State and Local Employees' Retirement System is a cost-sharing, multiple-employer retirement system. NYSERS provides retirement benefits, as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of NYSERS. NYSERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("NYSRSSL"). Once a public employer elects to participate in NYSERS, 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 ("NYSGGLIP"), which provides death benefits in the form of life insurance. NYSERS is included within New York State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Teachers' Retirement System

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

The Systems are noncontributory for the employee who joined prior to July 27, 1976 (tiers I and II). For employees who joined the Systems after July 27, 1976, and prior to January 1, 2010, employees contribute 3% of their salary (tiers III and IV). For NYSERS, employees who joined the system between January 1, 2010 and April 1, 2012, are required to contribute 3% of their salary (tier V). For NYSTRS, employees who joined the system between January 1, 2010 and April 1, 2012, are required to contribute 3.5% of their salary (tier V). In addition, employee contribution rates (3% to 6%) under NYSERS and NYSTRS tier VI (those who joined after April 1, 2012) vary based on a sliding salary scale. With the exception of NYSERS and NYSTRS tier V and VI employees, employees in the system more than ten years are no longer required to contribute. For NYSERS, the Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for NYSTRS.

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

Year	NYSERS	NYSTRS
2020	\$ 2,106,305	\$ 5,757,673
2019	\$ 2,071,849	\$ 7,237,074
2018	\$ 2,084,463	\$ 6,443,207

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

At June 30, 2020, the District reported the following liability/(asset) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension liability/(asset) was measured as of March 31, 2020 for NYSERS and June 30, 2019 for NYSTRS. The total pension liability/(asset) used to calculate the net pension liability/(asset) was determined by an actuarial valuation. The District's proportion of the net pension liability/(asset) 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 NYSERS and NYSTRS Systems in reports provided to the District.

	NYSERS	NYSTRS
Measurement date	March 31, 2020	June 30, 2019
District's proportionate share of the net pension liability/(asset)	\$ 12,213,390	\$(10,606,697)
District's portion of the Plan's total net pension liability/(asset)	0.0461221%	0.408263%
Change in proportion since the prior measurement date	0.0004390%	0.004632%

For the year ended June 30, 2020, the District recognized pension expense of \$4,397,088 and \$13,378,758 for NYSERS and NYSTRS, respectively. At June 30, 2020 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	NYSERS	NYSTRS	NYSERS	NYSTRS
Differences between expected and actual experience	\$ 718,807	\$ 7,187,887	\$ -	\$ 788,735
Changes of assumptions	245,920	20,037,469	212,348	4,885,702
Net difference between projected and actual investment earnings on pension plan investments	6,261,178	-	-	8,506,023
Changes in proportion and differences between the District's contributions and proportionate share of contributions	587,031	1,540,167	71,021	842,916
District's contributions subsequent to the measurement date	589,287	5,757,673	-	-
Total	<u>\$ 8,402,223</u>	<u>\$ 34,523,196</u>	<u>\$ 283,369</u>	<u>\$ 15,023,376</u>

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

Plan Year Ended	NYSERS	NYSTRS
2020	\$ -	\$ 5,060,371
2021	1,384,767	566,236
2022	1,898,700	5,042,978
2023	2,370,959	3,226,464
2024	1,875,141	256,840
Thereafter	-	(410,742)
Total	<u>\$ 7,529,567</u>	<u>\$ 13,742,147</u>

Actuarial Assumptions

The total pension liability/(asset) 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/(asset) to the measurement date. The actuarial valuations used the following actuarial assumptions:

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	NYSERS	NYSTRS
Measurement date	March 31, 2020	June 30, 2019
Actuarial valuation date	April 1, 2019	June 30, 2018
Interest rate	6.80%	7.10%
Salary scale	4.20%	1.90% - 4.72%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience	July 1, 2009 - June 30, 2014 System's Experience
Inflation rate	2.50%	2.20%
Cost of living adjustments	1.30%	1.30%

For NYSERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. For NYSTRS, annuitant mortality rates are based on system's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018, applied on a generational basis.

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

The long-term expected rate of return on NYSERS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected 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 long-term expected rate of return on NYSTRS 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.

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

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	NYSERS		NYSTRS	
	Target	Long-term	Target	Long-term
	Allocation	Expected Rate	Allocation	Expected Rate
		of Return *		of Return *
Measurement date	March 31, 2020		June 30, 2019	
Asset Type:				
Domestic equity	36.0%	4.05%	33.0%	6.30%
International equity	14.0%	6.15%	16.0%	7.80%
Private equity	10.0%	6.75%	8.0%	9.90%
Real estate	10.0%	4.95%	11.0%	4.60%
Absolute return strategies	2.0%	3.25%		
Opportunistic portfolio	3.0%	4.65%		
Real assets	3.0%	5.95%		
Bond and mortgages	17.0%	0.75%		
Cash	1.0%	0.00%	1.0%	0.30%
Inflation indexed bonds	4.0%	0.50%		
Domestic fixed income securities			16.0%	1.30%
Global bonds			2.0%	0.90%
High-yield fixed income securities			1.0%	3.60%
Real estate debt			7.0%	2.90%
Global equities			4.0%	7.20%
Private debt			1.0%	6.50%
	<u>100.0%</u>		<u>100.0%</u>	

* Real rates of return are net of a long-term assumption of 2.50% for NYSERS and 2.20% for NYSTRS.

Discount Rate

The discount rate used to calculate the total pension liability/(asset) was 6.80% for NYSERS and 7.10% for NYSTRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability/(asset).

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

The following presents the District's proportionate share of the net pension liability/(asset) calculated using the discount rate of 6.80% for NYSERS and 7.10% for NYSTRS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.80% for NYSERS and 6.10% for NYSTRS) or 1-percentage point higher (7.80% for NYSERS and 8.10% for NYSTRS) than the current rate:

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	1% Decrease (5.80%)	Current Assumption (6.80%)	1% Increase (7.80%)
NYSERS			
Employer's proportionate share of the net pension liability/(asset) \$	22,415,020	\$ 12,213,390	\$ 2,817,647
NYSTRS	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability/(asset) \$	47,877,512	\$ (10,606,697)	\$ (59,668,335)

Pension Plan Fiduciary Net Position

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

	<u>NYSERS</u>	<u>NYSTRS</u>
	(Dollars in Thousands)	
Measurement date	March 31, 2020	June 30, 2019
Employers' total pension liability	\$ 194,596,261	\$ 119,879,474
Plan Net Position	(168,115,682)	(122,477,481)
Employers' net pension liability/(asset)	<u>\$ 26,480,579</u>	<u>\$ (2,598,007)</u>
Ratio of plan net position to the Employers' total pension liability/(asset)	86.39%	102.20%

Payables to the Pension Plan

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020 represent the projected employer contribution for the period of April 1, 2020 through June 30, 2020 based on paid NYSERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2020 amounted to \$589,287.

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2020 are paid to the System in September, October and November 2020 through a state aid deduction and remittance to NYSTRS. Accrued retirement contributions as of June 30, 2020 represent employee and employer contributions for the fiscal year ended June 30, 2020 based on paid NYSTRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the NYSTRS System. Accrued employee retirement and employer contributions amounted to \$687,498 and \$5,757,673, respectively, as of June 30, 2020. Total accrued NYSTRS contributions as of June 30, 2020 amount to \$6,445,171.

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Pension Plans – Other

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. Contributions made by employees for the year ended June 30, 2020, totaled \$3,475,593.

Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2020 totaled \$544,065.

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) OTHER THAN PENSIONS:

Plan Description and Benefits:

The District's OPEB plan (the "Plan") primarily provides post-employment health insurance coverage to retired employees, their spouses and their covered dependents in accordance with the provisions of various employment contracts. Benefits are provided through the New York State Health Insurance Program, which is a single-employer defined benefit healthcare plan administered by New York State. Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided:

Authorization for the District to pay a portion (86% to 90%) of retiree health insurance premiums was enacted through various contracts, which were ratified by the Board. The District assumes a portion of the premium costs and recognizes the cost of the healthcare plan annually as an expenditure in the general fund of the fund financial statements as payments are accrue. For the year ended June 30, 2020, the District contributed an estimated \$6,746,258 to the Plan including \$6,746,258 for current premiums and \$0 to prefund benefits. Currently, there is no provision in the law to permit the District to fund OPEB by any means other than the "pay as you go" method.

Employees Covered by Benefit Terms:

At June 30, 2020, the following employees were covered by the benefit terms:

Actives	987
Retirees	559
Beneficiaries	14
Spouses of Retirees	175
Total Members	<u>1,735</u>

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Total OPEB Liability:

The District's total OPEB liability of \$346,848,475 was measured as of June 30, 2020 and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs:

The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.60%
Discount rate	2.21%
Healthcare cost trend rates	6.10% for 2020, decreasing to an ultimate rate of 4.1% over 57 years
Retirees' share of benefit-related costs	10% to 14% of projected health insurance premiums

The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index. Trend rates are based on industry surveys.

Mortality rates were based on the RP-2014 Adjusted to 2006 Total Dataset Mortality Table projected to the valuation date with Scale MP-2016. Mortality improvements are projected to date of decrement using Scale MP-2016 (generational mortality).

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2019 through June 30, 2020.

Changes in total OPEB liability:

Total OPEB liability as of July 1, 2019	\$ 274,855,914
Service cost	12,555,432
Interest	9,942,353
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	56,241,034
Benefit payments	(6,746,258)
Total net changes	71,992,561
Total OPEB liability as of June 30, 2020	\$ 346,848,475

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% percent in 2019 to 2.21% percent in 2020.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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

The following presents the total OPEB liability of the District, calculated using the discount rate of 2.21%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.21%) or 1-percentage-point higher (3.21%) than the current discount rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 412,181,288	\$ 346,848,475	\$ 294,889,812

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

The following presents the total OPEB liability of the District, calculated using current healthcare cost trend rates as well as what the District's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower (5.10%) or 1 percentage point higher (7.10%) than the current healthcare cost trend rate:

	1% Decrease (5.10%) Decreasing to (3.10%)	Healthcare Cost Trend Rates (6.10%) Decreasing to (4.10%)	1% Increase (7.10%) Decreasing to (5.10%)
Total OPEB liability	\$ 281,691,144	\$ 346,848,475	\$ 433,095,887

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$20,394,665. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 3,936,262
Changes of assumptions or other inputs	47,719,665	51,292,360
Total	<u>\$ 47,719,665</u>	<u>\$ 55,228,622</u>

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

HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Fiscal Year Ended June 30,</u>	
2021	\$ 2,103,120
2022	2,103,120
2023	2,103,120
2024	2,103,120
2025	2,103,116
Thereafter	<u>(3,006,639)</u>
	<u>\$ 7,508,957</u>

NOTE 17 – RISK MANAGEMENT:

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

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. General Fund liabilities only include amounts for reported claims and do not include claims which were incurred on or before year end but not reported ("IBNR"). As of June 30, 2020, the District has recorded potential workers' compensation claims of \$4,256,095 and has a workers' compensation reserve balance of \$511,471.

	<u>2020</u>	<u>2019</u>
Unpaid claims at beginning of year	\$ 3,796,297	\$ 3,199,239
Incurred claims	2,498,698	1,878,256
Claims payments and adjustments	<u>(2,038,900)</u>	<u>(1,281,198)</u>
Unpaid claims at year end	<u>\$ 4,256,095</u>	<u>\$ 3,796,297</u>

The District has not purchased any annuity contracts.

NOTE 18 - TAX ABATEMENTS:

The Nassau County Industrial Development Agency enters into various property tax abatement programs for the purpose of economic development. The amount of property tax revenue that was reduced as a result of these programs is not available. The District received payment in lieu of taxes (PILOT) payments totaling \$5,563,408.

NOTE 19 – COMMITMENTS AND CONTINGENCIES:

A. Encumbrances

All encumbrances are classified as assigned fund balance. At June 30, 2020 the District had \$8,705 in encumbrances.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

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, will be immaterial.

C. Operating Leases

The District leases various equipment under non-cancelable operating leases, principally in the general fund. Rental expense for the year ended June 30, 2020 was \$1,548,087. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Total</u>
2021	\$ 408,194
Total lease payments	<u>\$ 408,194</u>

In the year ended June 30, 2020, the District leased space in two buildings located in the District. The contracts were year to year. Anticipated costs for the 2020-21 year are \$1,139,896 which includes an additional leased space due to fire at Prospect Elementary School.

D. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

E. Debt Default

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

NOTE 20 – SUBSEQUENT EVENTS:

Management has evaluated the activity through the date of the auditor report (the date the financial statements were available to be issued) and is reporting the following item in accordance with the above:

The District issued revenue anticipation notes on July 17, 2020, in the amount of \$43,000,000, which will mature on June 30, 2021 bearing a stated interest rate of 1.50%. The District received a premium of \$197,312 with the borrowing to yield an effective interest rate of 1.02%.

The District issued bond anticipation notes on July 14, 2020, in the amount of \$25,900,000, which will mature on July 14, 2021 bearing a stated interest rate of 1.50%. The District received a premium of \$125,760 with the borrowing to yield an effective interest rate of 1.01%.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS (continued)
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic. COVID-19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the District's residents, employees and vendors, as well as the State, all of which are uncertain and cannot be predicted.

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Actual</u>
REVENUES				
Local Sources				
Real property taxes	\$ 75,934,370	\$ 71,506,583	\$ 71,506,583	\$ -
Other real property tax items	4,500,000	8,927,787	10,105,691	1,177,904
Charges for services	-	51,707	949,962	898,255
Use of money & property	-	-	326,793	326,793
Sale of property & compensation for loss	-	346,950	383,964	37,014
Miscellaneous	1,000,000	1,100,000	2,551,278	1,451,278
Interfund revenues	-	-	244,572	244,572
State Sources				
Basic formula	93,762,148	93,762,148	92,666,723	(1,095,425)
Excess cost aid	18,089,912	18,089,912	18,985,165	895,253
Lottery aid	16,737,642	16,737,642	19,328,592	2,590,950
BOCES aid	4,920,242	4,920,242	4,666,449	(253,793)
Textbook aid	770,349	770,349	566,074	(204,275)
Computer hardware/software aid	223,272	223,272	368,999	145,727
Library material aid	-	-	4,450	4,450
Other state aid	-	-	2,034,149	2,034,149
OTHER FINANCING SOURCES				
Operating transfers in	800,000	800,000	800,000	-
TOTAL REVENUES	216,737,935	217,236,592	\$ 225,489,444	\$ 8,252,852
APPROPRIATED FUND BALANCE				
Appropriated Fund Balance	2,100,000	6,136,779		
Appropriated Reserves	2,669,801	2,669,801		
TOTAL REVENUES AND APPROPRIATED FUND BALANCE	\$ 221,507,736	\$ 226,043,172		

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.

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

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Year-End Encumbrances</u>	<u>Final Budget Variance with Actual and Encumbrances</u>
EXPENDITURES					
General support					
Board of education	\$ 313,012	\$ 313,012	\$ 198,869	\$ -	\$ 114,143
Central administration	683,518	683,518	394,072	-	289,446
Finance	1,872,583	2,032,083	1,911,604	-	120,479
Staff	2,325,558	3,222,675	3,033,452	2,482	186,741
Central services	14,879,248	14,724,248	16,123,940	-	(1,399,692)
Special items	2,730,484	2,259,784	2,344,641	-	(84,857)
Instruction					
Instruction, administration & improvement	7,121,764	7,121,264	6,118,953	633	1,001,678
Teaching - regular school	87,974,374	88,421,824	86,671,879	5,590	1,744,355
Programs for children with disabilities	34,445,933	37,599,843	44,828,990	-	(7,229,147)
Occupational education	1,124,734	1,124,734	1,462,432	-	(337,698)
Teaching - special schools	305,000	356,707	49,416	-	307,291
Instructional media	3,459,890	3,459,890	3,000,768	-	459,122
Pupil services	7,562,556	7,562,556	8,378,836	-	(816,280)
Pupil transportation	8,741,232	8,741,232	7,583,691	-	1,157,541
Community services	7,200	7,200	6,484	-	716
Employee benefits	40,791,248	41,243,200	37,970,360	-	3,272,840
Debt service					
Debt service principal	3,205,000	3,205,000	3,205,000	-	-
Debt service interest	2,928,912	2,928,912	1,537,225	-	1,391,687
	<u>220,472,246</u>	<u>225,007,682</u>	<u>224,820,612</u>	<u>8,705</u>	<u>178,365</u>
OTHER FINANCING USES					
Transfers to other funds	<u>1,035,490</u>	<u>1,035,490</u>	<u>1,213,855</u>	<u>-</u>	<u>(178,365)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 221,507,736</u>	<u>\$ 226,043,172</u>	<u>226,034,467</u>	<u>\$ 8,705</u>	<u>\$ -</u>
Net change in fund balance			(545,023)		
Fund balance - beginning			<u>14,009,248</u>		
Fund balance - ending			<u>\$ 13,464,225</u>		

Budget Basis of Accounting

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

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

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

	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 12,555,432	\$ 16,010,987	\$ 14,174,143
Interest	9,942,353	10,304,165	9,734,694
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	(4,802,361)	(748,628)
Changes of assumptions or other inputs	56,241,034	(71,020,190)	-
Benefit payments	<u>(6,746,258)</u>	<u>(6,150,300)</u>	<u>(5,881,053)</u>
Net change in total OPEB liability	71,992,561	(55,657,699)	17,279,156
Total OPEB liability - beginning	<u>274,855,914</u>	<u>330,513,613</u>	<u>313,234,457</u>
Total OPEB liability - ending	<u><u>\$ 346,848,475</u></u>	<u><u>\$ 274,855,914</u></u>	<u><u>\$ 330,513,613</u></u>
District's covered payroll	\$ 73,553,958	\$ 73,553,958	\$ 78,158,695
Contributions as a percentage of covered payroll	471.56%	373.68%	422.88%

Notes to Schedule:

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

The amounts presented for each fiscal year were determined as of the measurement date of the plan.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

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

NYSERS Pension Plan						
	2020	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability	0.04612%	0.04656%	0.04504%	0.04827%	0.04547%	0.04676%
District's proportionate share of the net pension liability	\$ 12,213	\$ 3,299	\$ 1,486	\$ 4,536	\$ 7,298	\$ 1,580
District's covered payroll	\$ 15,305	\$ 15,708	\$ 14,502	\$ 14,079	\$ 14,200	\$ 14,264
District's proportionate share of the net pension liability as a percentage of its covered payroll	79.80%	21.00%	10.25%	32.22%	51.40%	11.07%
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%	98.24%	94.70%	90.68%	97.95%

NYSTRS Pension Plan						
	2020	2019	2018	2017	2016	2015
District's proportionate share of the net pension liability/(asset)	0.40826%	0.40363%	0.39345%	0.40480%	0.43395%	0.44572%
District's proportionate share of the net pension liability/(asset)	\$ (10,607)	\$ (7,299)	\$ (2,991)	\$ 4,336	\$ (45,073)	\$ (49,650)
District's covered payroll	\$ 67,279	\$ 68,432	\$ 66,037	\$ 62,972	\$ 63,931	\$ 69,950
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	15.77%	10.67%	4.53%	6.89%	-70.50%	-70.98%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	102.20%	101.53%	100.66%	99.01%	110.46%	111.48%

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

** Notes to Required Supplementary Information

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is

**HEMPSTEAD UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS
(Dollar amounts in thousands)**

NYSERS Pension Plan										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 2,106	\$ 2,072	\$ 2,085	\$ 2,132	\$ 2,222	\$ 2,484	\$ 2,599	\$ 2,442	\$ 1,855	\$ 1,072
Contributions in relation to the contractually required contribution	2,106	2,072	2,085	2,132	2,222	2,484	2,599	2,442	1,855	1,072
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	\$ 15,305	\$ 15,708	\$ 14,502	\$ 14,079	\$ 14,200	\$ 14,264	\$ 13,995	\$ 13,309	\$ 13,573	\$ 13,554
Contributions as a percentage of covered payroll	13.76%	13.19%	14.38%	15.14%	15.65%	17.41%	18.57%	18.35%	13.67%	7.91%

NYTRS Pension Plan										
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 5,758	\$ 7,237	\$ 6,443	\$ 7,307	\$ 8,303	\$ 11,796	\$ 11,068	\$ 7,831	\$ 7,294	\$ 5,722
Contributions in relation to the contractually required contribution	5,758	7,237	6,443	7,307	8,303	11,796	11,068	7,831	7,294	5,722
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	\$ 67,279	\$ 68,432	\$ 66,037	\$ 62,972	\$ 63,931	\$ 69,950	\$ 68,032	\$ 64,660	\$ 63,899	\$ 64,314
Contributions as a percentage of covered payroll	8.56%	10.58%	9.76%	11.60%	12.99%	16.86%	16.27%	12.11%	11.41%	8.90%

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

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget			\$ 221,507,736
Add: Prior year's encumbrances			-
Original Budget			<u>221,507,736</u>
Budget Revision:			
Appropriated fund balance	\$	4,036,779	
Donations		100,000	
Adult education fees		51,707	
Insurance recoveries		<u>346,950</u>	<u>4,535,436</u>
Final Budget			<u>\$ 226,043,172</u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2020-21 voter-approved expenditure budget		<u>\$ 225,364,654</u>
Maximum allowed (4% of 2020-21 budget)		<u>\$ 9,014,586</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:		
Unrestricted fund balance:		
Assigned fund balance	\$	1,608,705
Unassigned fund balance		<u>5,392,650</u>
Total unrestricted fund balance		<u>7,001,355</u>
Less:		
Appropriated fund balance		1,600,000
Encumbrances included in assigned fund balance		<u>8,705</u>
Total adjustments		<u>1,608,705</u>
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$	<u>5,392,650</u>
Actual percentage of 2020-21 budget		<u>2.39%</u>

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", Updated April 2011 (Originally Issued November 2010), the portion of [General Fund] fund balance subject to Section 1318 of the Real Property Tax Law is: unassigned fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

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

[illegible]

See Paragraph on Other Information Included in Auditor's Report

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

Capital assets, net		\$ 55,628,267
Deduct:		
Bond anticipation notes payable	\$ 26,000,000	
Short-term portion of bonds payable	3,265,000	
Long-term portion of bonds payable	14,120,000	
Less: Unspent BAN proceeds	<u>(14,465,958)</u>	<u>28,919,042</u>
Net investment in capital assets		<u><u>\$ 26,709,225</u></u>

See Paragraph on Other Information Included in Auditor's Report