

HEMPSTEAD UNION FREE SCHOOL DISTRICT

Basic Financial Statements,  
Supplementary Information and  
Independent Auditors' Report

June 30, 2018

# HEMPSTEAD UNION FREE SCHOOL DISTRICT

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 - 3
Management's Discussion and Analysis	4 - 19
Basic Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Balance Sheet - Governmental Funds	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	24
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	25
Statement of Fiduciary Net Position - Fiduciary Funds	26
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	27
Notes to Financial Statements	28 - 62
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	63 - 64
Schedule of Changes in the District's Total OPEB Liability and Related Ratios	65
Schedule of District's Proportionate Share of the Net Pension Asset/Liability	66
Schedule of District Pension Contributions	67

HEMPSTEAD UNION FREE SCHOOL DISTRICT

Table of Contents, Continued

	<u>Page</u>
Other Supplementary Information:	
Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit - General Fund	68
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund	69
Net Investment in Capital Assets	70

\* \* \* \* \*

## INDEPENDENT AUDITORS' REPORT

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 fiduciary funds of the Hempstead Union Free School District (the District), as of and for the year ended June 30, 2018, 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.

### Auditor's 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 fiduciary funds of the Hempstead Union Free School District as of June 30, 2018, 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.

### Other Matters

As discussed in note 1(u) to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," during the year ended June 30, 2018. Our opinions are not modified with respect to this matter.

### 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 63 through 67 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, 2018, 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 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, 2018

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018. 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 2018 are as follows:

- As a result of a state audit on the District's 2016-2017 Persistently Failing School grant, the District restated (reduced) beginning fund balance in the general fund by \$2,344,805, from total general fund-fund balance of \$17,468,263 to a restated opening general fund - fund balance of \$15,123,458. On the District-wide financial statements opening net position (deficit) was also restated by the same amount. See Note 20 of the financial statements for further details.
- For the fiscal year ended June 30, 2018, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This resulted in the District restating (increasing) the beginning net deficit by the amount of \$181,837,084. The District also recorded deferred inflows related to other postemployment benefits, which will be recognized in future periods. See Notes 16 and 20 of the financial statements for further details.
- As a result of both restatements the District's opening net position (deficit) was restated from (\$59,917,378) to an opening restated net position (deficit) of (\$244,099,267). See Note 20 of the financial statements for further details.
- On the District-wide financial statements, the District's total net deficit increased by \$14,822,021, or 6.07% to a deficit of \$(258,921,288). 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 \$3,997,761, or 1.78%. The increase was primarily in State sources offset by decreases in operating grants and other revenues.
- On the District-wide financial statements, expenses increased by \$13,865,243, or 6.04%, primarily due to increases in instruction and food service program expenses.
- On the governmental funds financial statements, the general fund total fund balance increased by \$4,308,901. Unassigned fund balance as of June 30, 2018 was \$7,264,424, which was 3.38% of the 2018-2019 budget.
- Reimbursement claims for the school food service program have not been submitted since March 2018. An estimated receivable of \$1,878,444 has been included in deferred inflows of resources on the Balance Sheet – Governmental Funds, and as an allowance net of receivables on the Statement of Net Position, since collection is uncertain.
- 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, 2018, the District has not issued any bonds related to this project.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- On May 15, 2018 the proposed 2018-2019 budget in the amount of \$215,075,440 was authorized by the District's residents. The budget passed by 58.55% of those who voted.

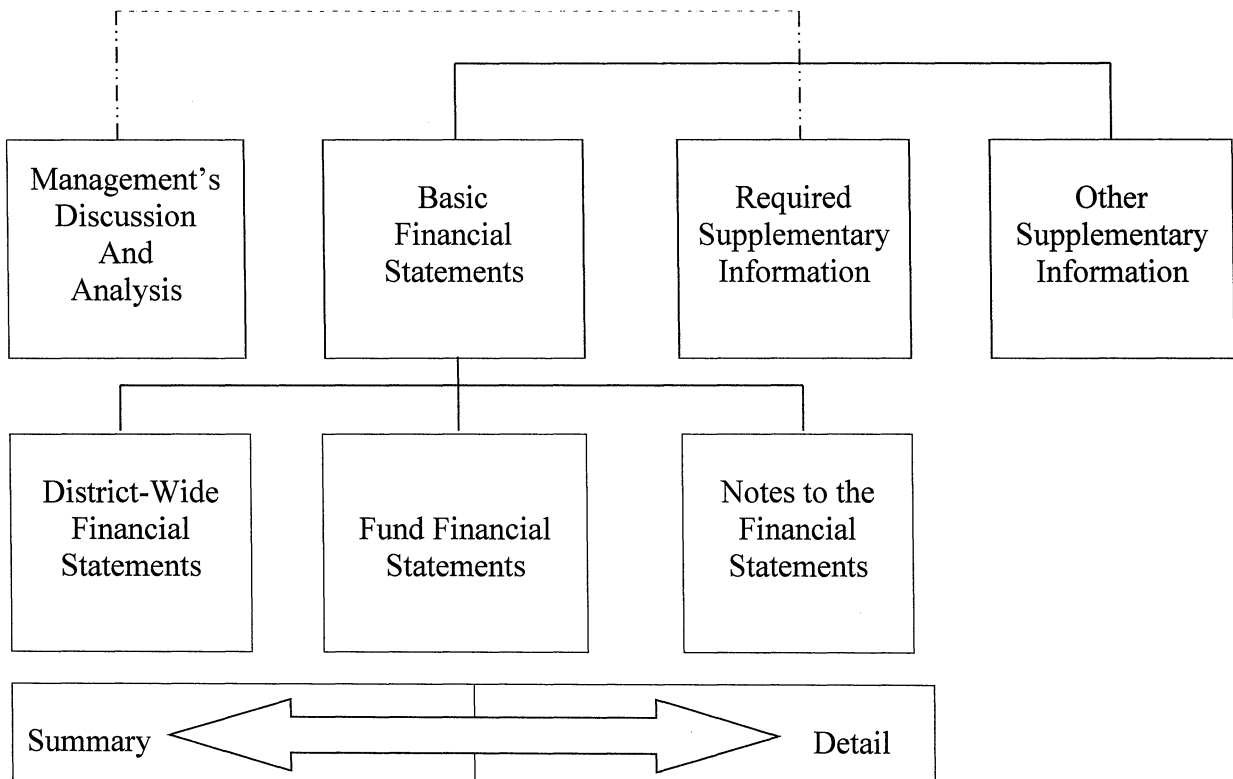
**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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.
- *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





**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources 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 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

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide financial statements report the District's net position and how it has changed. Net position, the difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is one way to measure the 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, 2018**

**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 \$14,822,021 between fiscal year 2018 and 2017, as detailed in Table A-3.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

	Fiscal Year 2018	Fiscal Year 2017 *	Increase / (Decrease)	Percentage Change
Current and other assets, net	\$ 47,771,806	\$ 40,181,178	\$ 7,590,628	18.89%
Capital assets, net of accumulated depreciation	48,822,467	51,016,151	(2,193,684)	(4.30%)
Net pension asset - proportionate share NYSTRS	2,990,614	-	2,990,614	100.00%
Total Assets	99,584,887	91,197,329	8,387,558	9.20%
Deferred outflows of resources	46,535,442	47,417,992	(882,550)	(1.86%)
Total Assets and Deferred Outflows of Resources	<u>\$ 146,120,329</u>	<u>\$ 138,615,321</u>	<u>\$ 7,505,008</u>	5.41%
Current liabilities	\$ 25,011,219	\$ 20,415,260	\$ 4,595,959	22.51%
Long-term liabilities	34,292,761	38,000,510	(3,707,749)	(9.76%)
Net pension liability - proportionate share NYSERS & NYSTRS	1,485,765	8,871,386	(7,385,621)	(83.25%)
Total other post-employment benefits obligation	330,513,613	313,234,457	17,279,156	5.52%
Total Liabilities	391,303,358	380,521,613	10,781,745	2.83%
Deferred inflows of resources	13,738,259	2,192,975	11,545,284	526.47%
Total Liabilities and Deferred Inflows of Resources	405,041,617	382,714,588	22,327,029	5.83%
Net investment in capital assets	25,082,467	24,190,675	891,792	3.69%
Restricted	10,926,347	8,170,008	2,756,339	33.74%
Unrestricted (deficit)	(294,930,102)	(276,459,950)	(18,470,152)	6.68%
Total Net Position (deficit)	(258,921,288)	(244,099,267)	(14,822,021)	6.07%
Total Liabilities, Deferred Inflows of Resources and Net Position (deficit)	<u>\$ 146,120,329</u>	<u>\$ 138,615,321</u>	<u>\$ 7,505,008</u>	5.41%

\* as restated, for the restatement of the District's 2016-2017 Persistently Failing School grant and for implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, see Notes 16 and 20 for additional details.

Current and other assets increased by \$7,590,628, as compared to the prior year. This was primarily due to increases in state and federal aid receivable, due from other governments, due from fiduciary funds and accounts receivable, offset by a decrease in cash.

Capital assets, net decreased by \$2,193,684, as compared to the prior year. This decrease is the result of depreciation expense in excess of current year capital asset acquisitions (see Note 11).

Net pension asset - proportionate share increased by \$2,990,614 due to fluctuations in the actuarially determined net pension asset of the New York State Teachers' Retirement System ("NYSTRS"). In the prior year NYSTRS reported a net pension liability proportionate share. These changes 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.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Deferred outflows of resources decreased by \$882,550, as compared to the prior year. This was primarily due to actuarial adjustments at the plan level that will be amortized in future years, and contributions to the State retirement plans subsequent to the measurement date.

Current liabilities increased by \$4,595,959, as compared to the prior year. This increase was primarily due to an increase in accounts payable, offset by decreases in accrued liabilities, due to other governments, due to teachers' retirement system and collections in advance.

Long-term liabilities decreased by \$3,707,749, as compared to the prior year. This decrease was primarily due to decreases in bonds payable and claims payable, offset by an increase in compensated absences payable.

Net pension liability - proportionate share decreased by \$7,385,621 due to fluctuations in the actuarially determined net pension asset of the New York State Employees' Retirement System ("NYSERS") and NYSTRS which reports a net pension asset – proportionate share in the current year. These changes 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 \$17,279,156. This increase was the result of the actuarially determined OPEB expense of \$23,160,209 offset by District's contribution of \$5,881,053. See Note 16 for further details.

Deferred inflows of resources increased by \$11,545,284, as compared to the prior year, due to increases in deferred inflows for NYSERS and NYSTRS which are actuarial adjustments at the plan level, that will be amortized in future years. Additionally, the District recorded deferred inflows for the District's total OPEB obligation in the current year in accordance with the adoption of GASB #75.

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 \$891,792 due to capital asset additions and principal payments on related debt in excess of depreciation.

The restricted amount of \$10,926,347 relates to the District's restricted reserves. This balance increased over the prior year by \$2,756,339. During the current year, the Board of Education approved transfers of \$500,000 to the workers' compensation reserve, \$2,000,000 to the retirement contribution reserve, \$250,000 to the unemployment insurance reserve and \$250,000 to the insurance reserve. During the current year the Board also authorized the use of \$250,000 from the employee benefit accrued liability reserve and \$14,524 in capital reserves to pay for capital projects. The funding of reserves plus interest transferred to the reserves of \$20,863, less the use of the reserve funds amounts to the current year increase.

The unrestricted net position (deficit) in the amount of \$(294,930,102) relates to the balance of the District's net position (deficit). The unrestricted net position (deficit) increased from the prior year by \$18,470,152. Net position overall decreased by \$14,822,021.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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, 2018 and 2017 are as follows:

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

	Fiscal Year 2018	Fiscal Year 2017 *	Increase/ (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 604,943	\$ 734,137	\$ (129,194)	(17.60%)
Operating grants	21,575,121	21,839,902	(264,781)	(1.21%)
General Revenues				
Property taxes and other tax items	80,397,821	80,611,739	(213,918)	(0.27%)
State sources	124,507,188	119,063,301	5,443,887	4.57%
Use of money and property	36,951	34,814	2,137	6.14%
Other	1,367,242	2,207,612	(840,370)	(38.07%)
Total Revenues	<u>228,489,266</u>	<u>224,491,505</u>	<u>3,997,761</u>	1.78%
<b>Expenses</b>				
General support	30,522,857	29,845,432	677,425	2.27%
Instruction	199,413,470	187,067,325	12,346,145	6.60%
Pupil transportation	8,024,808	7,951,277	73,531	0.92%
Community services	11,933	-	11,933	100.00%
Food service program	4,631,145	3,696,305	934,840	25.29%
Debt service - interest	707,074	885,705	(178,631)	(20.17%)
Total Expenses	<u>243,311,287</u>	<u>229,446,044</u>	<u>13,865,243</u>	6.04%
Total Change in Net Position	<u>\$ (14,822,021)</u>	<u>\$ (4,954,539)</u>	<u>\$ (9,867,482)</u>	199.16%

\* as restated, for the restatement of the District's 2016-17 Persistently Failing School grant, see Note 20 for additional details.

The District's total fiscal year 2018 revenues were \$228,489,266 (See Table A-4). Property taxes and other tax items, and state sources accounted for 35.19% and 54.49% 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 \$3,997,761, or 1.78%, which is primarily attributable to an increase in State sources, offset by a decrease in other revenues. State sources increased by \$5,443,887 primarily as a result of increases in general aid and excess cost aid. Other revenues decreased primarily due to decreases in refund of insurance recoveries and miscellaneous revenues in the general fund.

The total cost of all programs and services totals \$243,311,287 for fiscal year 2018. These expenses are predominantly related to instruction expenses and caring for (pupil services) and transporting students, which account for 85.26% of District expenses (See Table A-6). The District's general support activities accounted for 12.54% of total costs.

The District's expenses for the year increased by \$13,865,243, or 6.04%, which is primarily attributable to increases in instruction expenses of \$12,346,145, or 6.60% and increases in food service program expenses of \$934,840, or 25.29%.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Table A-5 - Revenues for Fiscal Year 2018 (see Table A-4):

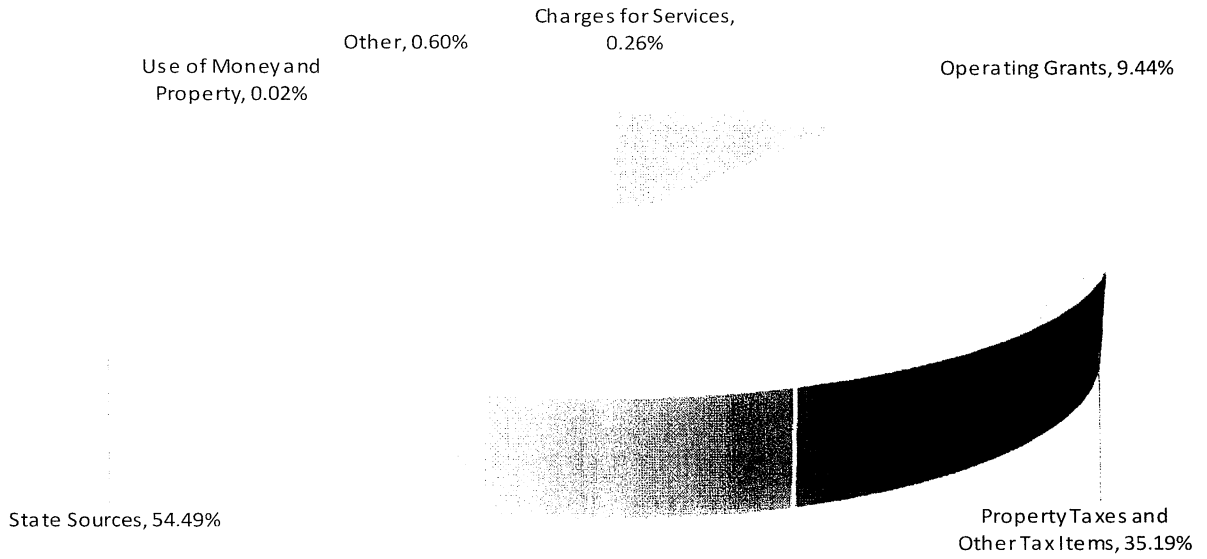
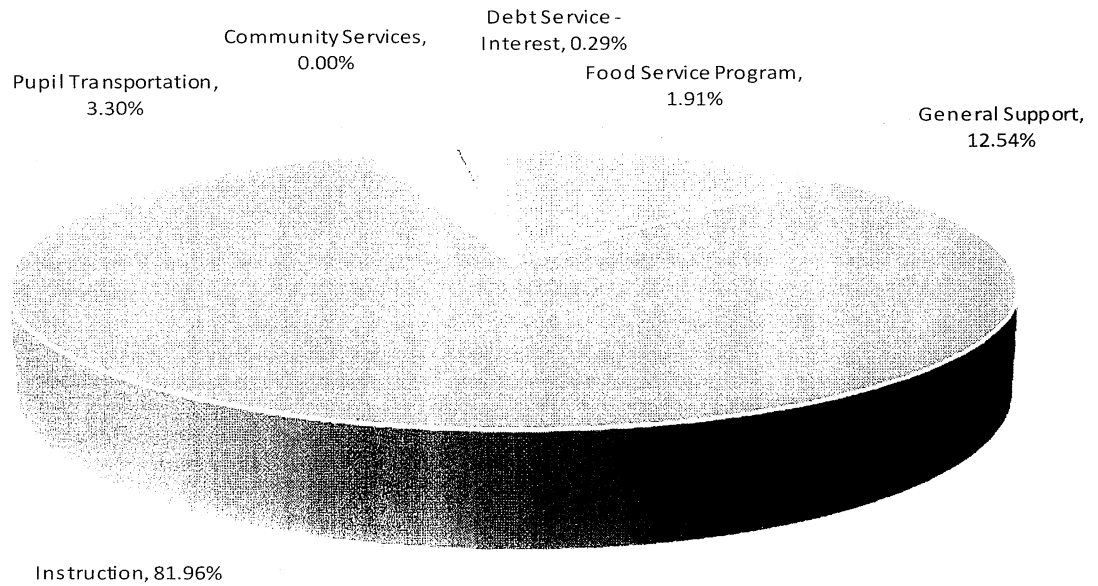


Table A-6 - Expenses for Fiscal Year 2018 (see Table A-4):



**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 2018	Fiscal Year 2017	Fiscal Year 2018	Fiscal Year 2017 *
General support	\$ 30,522,857	\$ 29,845,432	\$ 30,522,857	\$ 29,845,432
Instruction	199,413,470	187,067,325	180,185,036	169,441,524
Pupil transportation	8,024,808	7,951,277	8,024,808	7,951,277
Community services	11,933	-	11,933	-
Food service program	4,631,145	3,696,305	1,679,515	(1,251,933)
Debt service - interest	707,074	885,705	707,074	885,705
Total	<u>\$ 243,311,287</u>	<u>\$ 229,446,044</u>	<u>\$ 221,131,223</u>	<u>\$ 206,872,005</u>

\* as restated, for the restatement of the District's 2016-17 Persistently Failing School grant, see Note 20 for additional details.

- The cost of all governmental activities this year was \$243,311,287. (Statement of Activities and Changes in Net Position - Expenses column)
- The users of the District's programs financed \$604,943 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 \$21,575,121 (Statement of Activities and Changes in Net Position - Operating Grants column)
- Most of the District's net costs of \$221,131,223 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**

Variations between years for the Governmental Fund Financial Statements are not the same as variations 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.



**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

At June 30, 2018, the District's governmental funds reported a combined fund balance of \$22,211,141, which is an increase of \$2,215,375 over the prior year. This increase is due to increases in fund balance in the general fund and debt service fund, offset by decreases in fund balance in the school food service and capital projects funds. A summary of the change in fund balance by fund is as follows:

	2018	2017 *	Increase/ (Decrease)	Percentage Change
<b>General Fund</b>				
Restricted for workers' compensation	\$ 1,714,620	\$ 1,211,009	\$ 503,611	41.59%
Restricted for retirement contribution	2,806,515	804,117	2,002,398	249.02%
Restricted for employee benefit accrued liability	2,555,883	2,797,541	(241,658)	(8.64%)
Restricted for unemployment insurance	1,536,603	1,282,778	253,825	19.79%
Restricted for insurance	654,314	403,112	251,202	62.32%
Assigned - appropriated for: subsequent year's expenditures	2,900,000	-	2,900,000	100.00%
Assigned - unappropriated for:				
General support	-	13,261	(13,261)	(100.00%)
Instruction	-	600	(600)	(100.00%)
Unassigned fund balance	7,264,424	8,611,040	(1,346,616)	(15.64%)
Total Fund Balance - General Fund	<u>19,432,359</u>	<u>15,123,458</u>	<u>4,308,901</u>	28.49%
<b>School Food Service Fund</b>				
Nonspendable - inventory	26,974	24,303	2,671	10.99%
Assigned	95,350	1,687,967	(1,592,617)	(94.35%)
Total Fund Balance - School Food Service Fund	<u>122,324</u>	<u>1,712,270</u>	<u>(1,589,946)</u>	(92.86%)
<b>Capital Projects Fund</b>				
Restricted	-	14,524	(14,524)	(100.00%)
Assigned	998,046	1,488,587	(490,541)	(32.95%)
Total Fund Balance - Capital Projects Fund	<u>998,046</u>	<u>1,503,111</u>	<u>(505,065)</u>	(33.60%)
<b>Debt Service Fund</b>				
Restricted	1,658,412	1,656,927	1,485	0.09%
Total Fund Balance - all funds	<u>\$ 22,211,141</u>	<u>\$ 19,995,766</u>	<u>\$ 2,215,375</u>	11.08%

\* as restated, for the restatement of the District's 2016-17 Persistently Failing School grant, see Note 20 for additional details.

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.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**A. General Fund**

The general fund – fund balance increased by \$4,308,901 during the year as compared to an increase of \$11,446,734 in the prior year (as restated). Actual operating revenues increased by \$3,603,889, mainly due to an increase in State sources of \$4,678,101, offset by decreases in other real property tax items of \$396,928 and miscellaneous revenues of \$542,519. Actual operating expenditures increased \$10,741,722, mainly due to increases in general support and instruction expenditures of \$3,437,507 and \$8,538,568, respectively. The general fund transferred \$677,326 to the special aid fund. In addition, the Board authorized the use of \$250,000 from the employee benefit accrued liability reserve.

**B. School Food Service Fund**

The net change in the school food service fund – fund balance is a decrease of \$1,589,946 during the year as compared to an operating surplus of \$441,576 in the prior year. This decrease was primarily due to reimbursement claims for the school food service fund that have not been submitted since March 2018. The school food service fund reflects a state and federal receivable of \$1,878,444 that has been included in deferred inflows of resources on the Balance Sheet – Governmental Funds.

**C. Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$505,065, which is the result of capital outlay for the year.

**D. Debt Service Fund**

The net change in the debt service – fund balance is an increase of \$1,485, which is the result of interest earned for the year. The District has budgeted the use of \$800,000 for debt service payments in the voter approved 2018-2019 budget.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2017-2018 Adopted Budget**

The District's general fund original budget for the year ended June 30, 2018 was \$202,696,297. This amount was increased by encumbrances carried forward from the prior year in the amount of \$13,861 and budget revisions of \$250,000, which resulted in a final budget of \$202,960,158. 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 \$122,023,850.

**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, 2018**

Opening, unassigned fund balance, as restated, see Note 20	\$ 8,611,040
Revenues over budget	3,510,275
Expenditures and encumbrances under budget	1,062,487
Allocation of interest to reserves	(19,378)
Transfers to reserves	(3,000,000)
Assigned, appropriated for June 30, 2019 budget	<u>(2,900,000)</u>
Closing, unassigned fund balance	<u>\$ 7,264,424</u>

Opening, Unassigned Fund Balance

The \$8,611,040 shown in the table is the portion of the District's June 30, 2017 fund balance that was retained as unassigned, as restated. The unassigned fund balance equaled 4.25% of the ensuing year's budget, which exceeded the statutory maximum of 4.00% according to New York State Real Property Tax Law.

Revenues Over Budget

The revenues over budget of \$3,510,275 were primarily attributable to other real property tax items, charges for services, miscellaneous revenues, interfund revenues and state sources. (See Supplemental Schedule 1 for details).

Expenditures and Encumbrances Under Budget

The expenditures and encumbrances under budget of \$1,062,487 were primarily due to lower than budgeted amounts for general support, pupil transportation, employee benefits, debt service-interest, and transfers to other funds, offset by expenditures over budget in instruction, and debt service-principal (See Supplemental Schedule 1 for details).

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	\$ 3,611
Retirement contribution	2,398
Employee benefit accrued liability	8,342
Unemployment insurance	3,825
Insurance	<u>1,202</u>
Total interest allocation	<u>\$ 19,378</u>

Transfers to Reserves

Monies transferred from budget lines within the general fund operating budget into required reserves do not affect the combined reserved, assigned, and unassigned fund balance unless, and until these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned portion of the fund balance by the amount of the transfers.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The funding of reserves consisted of \$500,000 to the workers' compensation reserve, \$2,000,000 to the retirement contribution reserve, \$250,000 to the unemployment insurance reserve and \$250,000 to the insurance reserve. Pursuant to the resolutions set by the Board of Education, these funds are set aside by the District to cover future expenditures.

Assigned Appropriated Fund Balance

The District has chosen to use \$2,900,000 of its available June 30, 2018 fund balance to partially fund its 2018-2019 voter approved operating budget.

Closing, Unassigned Fund Balance

Based upon the summarized changes shown in the previous table, the District will begin the 2018-2019 fiscal year with an unassigned fund balance of \$7,264,424. This is a decrease of \$1,346,616 in unassigned fund balance from the prior year. This amount is 3.38% of the 2018-2019 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 2018. 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 2018	Fiscal Year 2017	Increase/ (Decrease)	Percentage Change
Land	\$ 1,695,948	\$ 1,695,948	\$ -	0.00%
Construction in progress	18,485,990	17,980,925	505,065	2.81%
Buildings & building improvements	68,927,285	68,927,285	-	0.00%
Furniture & equipment	3,472,043	3,252,470	219,573	6.75%
Site improvements	2,398,220	2,398,220	-	0.00%
Subtotal	94,979,486	94,254,848	724,638	0.77%
Less: accumulated depreciation	46,157,019	43,238,697	2,918,322	6.75%
Total Net Capital Assets	<u>\$ 48,822,467</u>	<u>\$ 51,016,151</u>	<u>\$ (2,193,684)</u>	(4.30%)

The District spent \$505,065 from the capital projects fund on building improvements, \$194,197 from the general fund and \$25,376 in the special aid fund on equipment purchases during the year. The District has \$998,046 in the capital projects fund available for various projects.

**B. Debt Administration**

At June 30, 2018, the District had total bonds payable of \$23,740,000. Principal payments were made in the amount of \$3,100,000 for serial bonds. See Note 14 for more detailed information about the District's long-term debt.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

A summary of the outstanding debt at June 30, 2018 and 2017 is as follows:

	2018	2017	Increase/ (Decrease)
Serial bonds	\$ 23,740,000	\$ 26,840,000	\$ (3,100,000)

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2.

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

- A. The general fund budget for the 2018-2019 school year in the amount of \$215,075,440 was approved by 58.55% of those who voted. This is an increase of \$12,379,143, or 6.11% over the previous year's budget. The increase was primarily due to increases in personnel costs and employee benefits.
- 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.
- 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. New York State law limits the increase in the property tax levy of school district to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. The District's 2018-2019 property tax increase fell within the tax cap and did not require an override vote.
- E. New York State law provides a "Property Tax Relief Credit" to eligible taxpayers for the 2017-2018 through 2019-2020 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy. Eligible District taxpayers received a tax credit in the form of check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayers' income. This property tax credit program provides an incentive for the District to be tax cap compliant.
- F. The District issued tax anticipation notes on August 29, 2018, in the amount of \$30,000,000, which will mature on June 27, 2019 bearing a stated interest rate of 2.75%. The District received a premium of \$128,400 with the borrowing to yield an effective interest rate of 1.85%.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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. Edward A. Cullen  
School Business Consultant  
185 Peninsula Boulevard  
Hempstead, New York 11550  
(516) 434-4000

**HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**GOVERNMENTAL ACTIVITIES**  
**JUNE 30, 2018**

<b>ASSETS</b>	
<b>Current assets</b>	
Cash	
Unrestricted	\$ 7,495,212
Restricted	9,267,935
Receivables	
Taxes receivable	4,456,406
State and federal aid, net of allowance of \$1,878,444	24,964,654
Due from other governments	430,672
Accounts receivable	152,719
Due from fiduciary funds	977,234
Inventories	26,974
<b>Non-current assets</b>	
Capital assets	
Capital assets not being depreciated	20,181,938
Capital assets being depreciated, net of accumulated depreciation	28,640,529
Net pension asset - proportionate share NYSTRS	2,990,614
<b>TOTAL ASSETS</b>	<b>99,584,887</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - NYSERS	4,795,413
Deferred outflows of resources - NYSTRS	41,740,029
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 146,120,329</b>
<b>LIABILITIES</b>	
<b>Payables</b>	
Accounts payable	\$ 15,695,728
Accrued liabilities	907,506
Accrued interest payable	216,340
Due to other governments	339,818
Due to teachers' retirement system	6,962,053
Due to employees' retirement system	559,041
Compensated absences payable	242,565
Unearned credits	
Collections in advance	88,168
Long-term liabilities	
Due and payable within one year	
Bonds payable	3,150,000
Compensated absences payable	1,462,676
Due and payable after one year	
Bonds payable	20,590,000
Compensated absences payable	5,312,346
Termination benefits payable	578,500
Workers' compensation claims payable	3,199,239
Net pension liability - proportionate share NYSERS	1,485,765
Total other post-employment benefit obligation	330,513,613
<b>TOTAL LIABILITIES</b>	<b>391,303,358</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - NYSERS	4,809,742
Deferred inflows of resources - NYSTRS	8,273,468
Total other post-employment benefit obligation	655,049
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,738,259</b>
<b>NET POSITION</b>	
Net investment in capital assets	25,082,467
Restricted	
Workers' compensation	1,714,620
Retirement contribution	2,806,515
Employee benefit accrued liability	2,555,883
Unemployment insurance	1,536,603
Insurance	654,314
Debt service	1,658,412
	<u>10,926,347</u>
Unrestricted (deficit)	(294,930,102)
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>(258,921,288)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION (DEFICIT)</b>	<b>\$ 146,120,329</b>

See Accompanying Notes to Financial Statements

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position</b>
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants</b>	
<b>FUNCTIONS / PROGRAMS</b>				
General support	\$ (30,522,857)	\$ -	\$ -	\$ (30,522,857)
Instruction	(199,413,470)	457,553	18,770,881	(180,185,036)
Pupil transportation	(8,024,808)	-	-	(8,024,808)
Community services	(11,933)	-	-	(11,933)
Food service program	(4,631,145)	147,390	2,804,240	(1,679,515)
Debt service - interest	(707,074)	-	-	(707,074)
<b>TOTAL FUNCTIONS AND PROGRAMS</b>	<b>\$ (243,311,287)</b>	<b>\$ 604,943</b>	<b>\$ 21,575,121</b>	<b>(221,131,223)</b>
 <b>GENERAL REVENUES</b>				
Real property taxes				71,069,177
Other tax items - including STAR reimbursement				9,328,644
Use of money and property				36,951
Sale of property and compensation for loss				169,784
Miscellaneous				1,197,458
State sources				124,507,188
<b>TOTAL GENERAL REVENUES</b>				<b>206,309,202</b>
<b>CHANGE IN NET POSITION</b>				<b>(14,822,021)</b>
<b>TOTAL NET POSITION (DEFICIT) - BEGINNING OF YEAR, AS RESTATED SEE NOTE 20</b>				<b>(244,099,267)</b>
<b>TOTAL NET POSITION (DEFICIT) - END OF YEAR</b>				<b>\$ (258,921,288)</b>



**HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	General	Special Aid	School Food Service	Capital Projects	Debt Service	Total Governmental Funds
<b>ASSETS</b>						
Cash						
Unrestricted	\$ 5,527,197	\$ 144,667	\$ 291,702	\$ 1,531,646	\$ -	\$ 7,495,212
Restricted	9,267,935	-	-	-	-	9,267,935
Receivables						
Taxes receivable	4,456,406	-	-	-	-	4,456,406
State and federal aid	10,554,022	14,410,632	1,878,444	-	-	26,843,098
Due from other governments	430,672	-	-	-	-	430,672
Accounts receivable	152,719	-	-	-	-	152,719
Due from governmental funds	11,827,774	437,298	376,640	170,471	1,658,412	14,470,595
Due from fiduciary funds	977,234	-	-	-	-	977,234
Inventories	-	-	26,974	-	-	26,974
<b>TOTAL ASSETS</b>	<b>\$ 43,193,959</b>	<b>\$ 14,992,597</b>	<b>\$ 2,573,760</b>	<b>\$ 1,702,117</b>	<b>\$ 1,658,412</b>	<b>\$ 64,120,845</b>
<b>LIABILITIES, DEFERRED INFLOW OF RESOURCES AND FUND BALANCE</b>						
Payables						
Accounts payable	\$ 10,213,869	\$ 5,334,734	\$ 134,576	\$ 12,549	\$ -	\$ 15,695,728
Accrued liabilities	812,780	86,726	-	8,000	-	907,506
Due to other governments	338,700	-	1,118	-	-	339,818
Due to governmental funds	3,866,806	9,482,969	437,298	683,522	-	14,470,595
Due to teachers' retirement system	6,962,053	-	-	-	-	6,962,053
Due to employees' retirement system	559,041	-	-	-	-	559,041
Compensated absences	242,565	-	-	-	-	242,565
Unearned credits						
Collections in advance	-	88,168	-	-	-	88,168
<b>TOTAL LIABILITIES</b>	<b>22,995,814</b>	<b>14,992,597</b>	<b>572,992</b>	<b>704,071</b>	<b>-</b>	<b>39,265,474</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue	765,786	-	1,878,444	-	-	2,644,230
<b>FUND BALANCES</b>						
Non-Spendable	-	-	26,974	-	-	26,974
Restricted						
Workers' compensation	1,714,620	-	-	-	-	1,714,620
Retirement contribution	2,806,515	-	-	-	-	2,806,515
Employee benefit accrued liability	2,555,883	-	-	-	-	2,555,883
Unemployment insurance	1,536,603	-	-	-	-	1,536,603
Insurance	654,314	-	-	-	-	654,314
Debt service	-	-	-	-	1,658,412	1,658,412
Assigned						
Appropriated fund balance	2,900,000	-	-	-	-	2,900,000
Unappropriated fund balance	-	-	95,350	998,046	-	1,093,396
Unassigned						
Unassigned fund balance	7,264,424	-	-	-	-	7,264,424
<b>TOTAL FUND BALANCES</b>	<b>19,432,359</b>	<b>-</b>	<b>122,324</b>	<b>998,046</b>	<b>1,658,412</b>	<b>22,211,141</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 43,193,959</b>	<b>\$ 14,992,597</b>	<b>\$ 2,573,760</b>	<b>\$ 1,702,117</b>	<b>\$ 1,658,412</b>	<b>\$ 64,120,845</b>

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total Governmental Fund Balances \$ 22,211,141

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	\$ 94,979,486	
Accumulated depreciation	<u>(46,157,019)</u>	48,822,467

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.		765,786
--	--	---------

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	2,990,614	
Deferred outflows of resources - NYSERS and NYSTRS pension related	46,535,442	
Proportionate share of net pension liability - NYSERS	(1,485,765)	
Deferred inflows of resources - NYSERS and NYSTRS pension related	<u>(13,083,210)</u>	34,957,081

Deferred inflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred inflows for total other post-employment benefits that will be recognized as expenditures in futures periods amounted to:		(655,049)
--	--	-----------

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	(23,740,000)	
Workers' compensation claims payable	(3,199,239)	
Compensated absences payable	(6,775,022)	
Termination benefits payable	(578,500)	
Total other post-employment benefit obligation	<u>(330,513,613)</u>	(364,806,374)

Interest payable applicable to the District's activities are not 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.		<u>(216,340)</u>
---	--	------------------

Total Net Position (Deficit)		<u>\$ (258,921,288)</u>
------------------------------	--	-------------------------

**HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	<u>General</u>	<u>Special Aid</u>	<u>School Food Service</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Real property taxes	\$ 71,069,177	\$ -	\$ -	\$ -	\$ -	\$ 71,069,177
Other tax items - including STAR reimbursement	9,328,644	-	-	-	-	9,328,644
Charges for services	457,553	-	-	-	-	457,553
Use of money and property	35,229	-	237	-	1,485	36,951
Sale of property and compensation for loss	169,784	-	-	-	-	169,784
Miscellaneous	1,141,022	-	15,345	-	-	1,156,367
Interfund revenues	263,761	-	-	-	-	263,761
Local sources	-	41,091	-	-	-	41,091
State sources	123,741,402	13,357,637	63,447	-	-	137,162,486
Federal sources	-	5,413,244	2,566,535	-	-	7,979,779
Surplus food	-	-	174,258	-	-	174,258
Sales	-	-	147,390	-	-	147,390
<b>TOTAL REVENUES</b>	<u>206,206,572</u>	<u>18,811,972</u>	<u>2,967,212</u>	<u>-</u>	<u>1,485</u>	<u>227,987,241</u>
<b>EXPENDITURES</b>						
General support	24,670,334	-	-	-	-	24,670,334
Instruction	129,910,239	19,489,298	-	-	-	149,399,537
Pupil transportation	8,021,685	-	-	-	-	8,021,685
Community services	4,975	-	-	-	-	4,975
Employee benefits	34,792,530	-	876,095	-	-	35,668,625
Debt service - Principal	3,100,000	-	-	-	-	3,100,000
Debt service - Interest	720,582	-	-	-	-	720,582
Cost of sales	-	-	3,681,063	-	-	3,681,063
Capital outlay	-	-	-	505,065	-	505,065
<b>TOTAL EXPENDITURES</b>	<u>201,220,345</u>	<u>19,489,298</u>	<u>4,557,158</u>	<u>505,065</u>	<u>-</u>	<u>225,771,866</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>4,986,227</u>	<u>(677,326)</u>	<u>(1,589,946)</u>	<u>(505,065)</u>	<u>1,485</u>	<u>2,215,375</u>
<b>OTHER FINANCING SOURCES AND USES</b>						
Operating transfers in	-	677,326	-	-	-	677,326
Operating transfers (out)	(677,326)	-	-	-	-	(677,326)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(677,326)</u>	<u>677,326</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	4,308,901	-	(1,589,946)	(505,065)	1,485	2,215,375
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>15,123,458</u> *	<u>-</u>	<u>1,712,270</u>	<u>1,503,111</u>	<u>1,656,927</u>	<u>19,995,766</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 19,432,359</u>	<u>\$ -</u>	<u>\$ 122,324</u>	<u>\$ 998,046</u>	<u>\$ 1,658,412</u>	<u>\$ 22,211,141</u>

\* As restated, see Note 20

**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, 2018**

Net Change in Fund Balance	\$	2,215,375
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.		765,786
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, 2018 changed by:		(437,494)
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, 2018 changed by:		(8,500)
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, 2018 changed by:		153,743
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. Claims payable for the fiscal year ended June 30, 2018 changed by:		900,000
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, 2018 changed by:		(17,279,156)
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.		(655,049)
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	\$ 724,638	
Depreciation expense	<u>(2,918,322)</u>	(2,193,684)
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.		3,100,000
Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and 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, 2018 changed by:		13,508
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	115,813	
New York State Teachers' retirement system	<u>(1,512,363)</u>	<u>(1,396,550)</u>
Change in Net Position of Governmental Activities	\$	<u>(14,822,021)</u>

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018**

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash - restricted	\$ 21,110	\$ 1,059,946
<b>TOTAL ASSETS</b>	<u>\$ 21,110</u>	<u>\$ 1,059,946</u>
<b>LIABILITIES</b>		
Due to governmental funds	\$ -	\$ 977,234
Extraclassroom activity balance	-	12,133
Other liabilities	-	70,579
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>\$ 1,059,946</u>
<b>NET POSITION</b>		
Restricted for scholarships	<u>\$ 21,110</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, 2018**

	<b><u>Private Purpose Trust Fund</u></b>
<b>ADDITIONS</b>	
Gifts and contributions	\$ 10,000
Interest and earnings	<u>1</u>
<b>TOTAL ADDITIONS</b>	<u>10,001</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>2,500</u>
<b>TOTAL DEDUCTIONS</b>	<u>2,500</u>
<b>CHANGE IN NET POSITION</b>	7,501
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>13,609</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 21,110</u></u>

See Accompanying Notes to Financial Statements

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

area that shares planning, services, and programs, which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under 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:



**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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.

**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

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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 15<sup>th</sup>, and become a lien on October 1<sup>st</sup> and April 1<sup>st</sup>. Taxes are collected by the Town of Hempstead and remitted to the District during the period October 1<sup>st</sup> through November 10<sup>th</sup>, and April 1<sup>st</sup> through May 10<sup>th</sup> 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 1<sup>st</sup>.

**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

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

(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 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 gross, with uncollectible amounts recognized under the direct write-off method. An allowance of \$1,878,444 has been established for New York state reimbursement of state and federal aid for the food service receivable on the Statement of Net Position.

**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.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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, 2018.

**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 five items that qualify for reporting in this category. The 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), the net difference between projected and actual investments earnings on pension plan investments (NYSERS), 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.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 four items that qualify for reporting in this category. The first three 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), net difference between projected and actual earnings on pension plan investments (NYSERS and NYSTRS) and the changes in proportion and differences between the District's contributions and proportionate share of contributions (NYSERS and NYSTRS). The last item is related to OPEB reported in the district-wide Statement of Net Position. This represents the difference between expected and actual experience.

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 30<sup>th</sup>.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 \$578,500 and is recorded as a long-term liability in the Statement of Net Position.

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.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

The District issued and redeemed a \$18,000,000 TAN in the fiscal year ended June 30, 2018 (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:

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- 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 \$26,974.
  
- 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

According to General Municipal Law §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 legally be appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the Board. This reserve is 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



**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other restricted fund balance. This reserve is accounted for in the general fund 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 \$21,110 at June 30, 2018.

- 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, 2018.
- 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, 2018**

- 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, 2018, the District adopted the provisions of Statements of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. See Note 14, 16 and 21 of the financial statements for the impact of the implementation on the financial statements.

V) **Future changes in accounting standards:**

GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the year ending June 30, 2019. The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the year ending June 30, 2020. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB has issued Statement No. 87, *Leases*, effective for the year ending June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

GASB has issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*, effective for the year ending June 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

GASB has issued Statement No. 89, *Accounting For Interest Cost Incurred Before The End Of A Construction Period*, effective for the year ending June 30, 2021. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.

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.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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.

**(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.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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.

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 appropriation occurred during the fiscal year:

Appropriations from employee benefit accrued liability reserve	<u>\$ 250,000</u>
--	-------------------

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

Certain individual budgetary expenditures exceeded their budgetary authorizations in the general fund.

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, 2018**

**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, 2018 included \$9,267,935 within the governmental funds for general reserve purposes and \$1,081,056 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, 2018, the District was billed \$39,647,050 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$4,263,520. 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, 2018**

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

State and federal aid receivable at June 30, 2018 consisted of the following:

General fund	
New York State Aid	
General aid	\$ 3,677,680
Excess cost aid	2,898,167
BOCES aid	3,212,389
General aid - prior years	<u>765,786</u>
Total general fund	<u>10,554,022</u>
Special aid fund	
Federal aid	4,988,220
State aid	<u>9,422,412</u>
Total special aid fund	<u>14,410,632</u>
School food service fund	
State food service program reimbursement	124,442
Federal food service program reimbursement	<u>1,754,002</u>
Total school food service fund	<u>1,878,444</u>
Total - all funds	<u><u>\$ 26,843,098</u></u>

District management has deemed the amounts in the general fund and special aid fund to be fully collectible. Reimbursement submissions for the school food service fund have not been performed since March 2018 and therefore collection is uncertain. The full \$1,878,444 has been included in deferred inflows of resources on the Balance Sheet – Governmental Funds and as an allowance net of receivables on the Statement of Net Position to account for this uncertainty.

**NOTE 7 – DUE FROM OTHER GOVERNMENTS:**

Due from other governments at June 30, 2018 consisted of the following:

General fund	
Other districts - tuition	\$ 146,820
Other districts - health services	180,008
Other districts - parentally placed	17,755
Internal revenue service - interest subsidy on bond interest	<u>86,089</u>
Total	<u><u>\$ 430,672</u></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, 2018**

**NOTE 8 – ACCOUNTS RECEIVABLE:**

Accounts receivable at June 30, 2018 consisted of the following:

General fund		
Insurance recoveries	\$	150,919
Other receivables		<u>1,800</u>
Total	\$	<u><u>152,719</u></u>

District management has deemed the amounts to be fully collectible.

**NOTE 9 – DUE TO OTHER GOVERNMENTS:**

Due to other governments at June 30, 2018 consisted of the following:

General fund		
Due to Town of Hempstead - 2017 PILOT overpayment	\$	146,655
Tuition and health services		<u>192,045</u>
Total general fund		<u>338,700</u>
School food service		
Sales tax payable		<u>1,118</u>
Total - all funds	\$	<u><u>339,818</u></u>

**NOTE 10 – COLLECTIONS IN ADVANCE:**

Collections in advance at June 30, 2018 consisted of the following:

Special aid fund		
Grant funds received in advance	\$	<u><u>88,168</u></u>



**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 11 - CAPITAL ASSETS:**

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 1,695,948	\$ -	\$ -	\$ 1,695,948
Construction in progress	17,980,925	505,065	-	18,485,990
Total capital assets not depreciated	<u>19,676,873</u>	<u>505,065</u>	<u>-</u>	<u>20,181,938</u>
Capital assets that are depreciated:				
Building & building improvements	68,927,285	-	-	68,927,285
Furniture and equipment	3,252,470	219,573	-	3,472,043
Site improvement	2,398,220	-	-	2,398,220
Total depreciable historical cost	<u>74,577,975</u>	<u>219,573</u>	<u>-</u>	<u>74,797,548</u>
Less accumulated depreciation:				
Building & building improvements	39,217,784	2,235,461	-	41,453,245
Furniture and equipment	2,200,205	625,029	-	2,825,234
Site improvement	1,820,708	57,832	-	1,878,540
Total accumulated depreciation	<u>43,238,697</u>	<u>2,918,322</u>	<u>-</u>	<u>46,157,019</u>
Total capital assets, net	<u>\$ 51,016,151</u>	<u>\$ (2,193,684)</u>	<u>\$ -</u>	<u>\$ 48,822,467</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 58,354
Instruction	2,782,858
Transportation	3,123
School Food Service	73,987
	<u>\$ 2,918,322</u>

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 12 – INTERFUND TRANSACTIONS:**

	Interfund		Interfund	
	Receivable	Payable	Revenues	Expenditures
General fund	\$ 12,805,008	\$ 3,866,806	\$ -	\$ 677,326
Special aid fund	437,298	9,482,969	677,326	-
School food service	376,640	437,298	-	-
Capital projects fund	170,471	683,522	-	-
Debt Service fund	1,658,412	-	-	-
Total government activities	15,447,829	14,470,595	677,326	677,326
Fiduciary agency fund	-	977,234	-	-
Total	<u>\$ 15,447,829</u>	<u>\$ 15,447,829</u>	<u>\$ 677,326</u>	<u>\$ 677,326</u>

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 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:**

On September 14, 2017, the District issued tax anticipation notes in the of \$18,000,000. This debt was issued for interim financing of general fund operations. Transactions in short-term debt for the year are summarized below:

	Maturity	Interest Rate	Beginning Balance	Issued	Redeemed	Ending Balance
TAN	6/29/2018	1.82%	\$ -	\$ 18,000,000	\$ 18,000,000	\$ -
Total			<u>\$ -</u>	<u>\$ 18,000,000</u>	<u>\$ 18,000,000</u>	<u>\$ -</u>

Interest paid on short-term debt for the year was \$259,350.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 14 – LONG-TERM DEBT OBLIGATIONS:**

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

	Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 26,840,000	\$ -	\$ 3,100,000	\$ 23,740,000	\$ 3,150,000
Other long-term liabilities:					
Compensated absences payable	6,337,528	799,724	362,230	6,775,022	1,462,676
Termination benefits payable	570,000	8,500	-	578,500	-
Workers' compensation claims payable	3,352,982	1,483,822	1,637,565	3,199,239	-
Claims payable	900,000	-	900,000	-	-
Net pension liability- proportionate share-NYSERS	4,535,819	-	3,050,054	1,485,765	-
Net pension liability- proportionate share-NYSTRS	4,335,567	-	4,335,567	-	-
Total other post-employment benefits obligation	* 313,234,457	23,160,209	5,881,053	330,513,613	-
Total long-term liabilities	<u>\$360,106,353</u>	<u>\$ 25,452,255</u>	<u>\$ 19,266,469</u>	<u>\$366,292,139</u>	<u>\$ 4,612,676</u>

\* as restated for implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, see Note 16 and 20 for additional details.

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

**A) Bonds payable**

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
QZAB Bonds	12/22/06	12/15/22	7.25%	\$ 9,000,000
Serial Bonds	06/01/09	06/01/24	4.00 - 5.00%	2,985,000
Serial Bonds	07/18/13	07/15/28	3.00 - 4.00%	6,610,000
QZAB Bonds	10/02/13	07/15/28	1.15 - 5.30%	3,585,000
Serial Bonds	07/17/14	07/15/24	2.00 - 3.00%	1,560,000
				<u>\$ 23,740,000</u>

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Fiscal Year Ended June 30,	Principal	Interest	Total
2019	\$ 3,150,000	\$ 580,473	\$ 3,730,473
2020	3,205,000	528,912	3,733,912
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
2024-2028	6,025,000	847,208	6,872,208
2029	1,125,000	25,198	1,150,198
	<u>\$ 23,740,000</u>	<u>\$ 3,217,823</u>	<u>\$ 26,957,823</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, 2018, 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, 2018, 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, 2018, 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:

	<u>Total</u>
Interest paid	\$ 461,232
Less interest accrued in the prior year	(229,848)
Plus interest accrued in the current year	<u>216,340</u>
Total expense	<u>\$ 447,724</u>

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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").

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 ("NYSGILIP"), 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](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

*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](http://www.nystrs.org).

Contributions

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

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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

Year	NYSERS	NYSTRS
2018	\$ 2,084,463	\$ 6,443,207
2017	\$ 2,132,441	\$ 7,307,296
2016	\$ 2,222,023	\$ 8,303,066

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

At June 30, 2018, 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, 2018 for NYSERS and June 30, 2017 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, 2018	June 30, 2017
District's proportionate share of the net pension liability/(asset)	\$ 1,485,765	\$ (2,990,614)
District's portion of the Plan's total net pension liability/(asset)	0.0460353%	0.393450%
Change in proportion since the prior measurement date	0.0000224%	0.000113%

For the year ended June 30, 2018, the District recognized pension expense of \$1,983,436 and \$7,956,059 for NYSERS and NYSTRS, respectively. At June 30, 2018 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, 2018**

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>NYSERS</u>	<u>NYSTRS</u>	<u>NYSERS</u>	<u>NYSTRS</u>
Differences between expected and actual experience	\$ 529,924	\$ 2,460,541	\$ 437,909	\$ 1,166,006
Changes of assumptions	985,185	30,430,082	-	-
Net difference between projected and actual investment earnings on pension plan investments	2,157,955	-	4,259,588	7,043,762
Changes in proportion and differences between the District's contributions and proportionate share of contributions	563,308	2,406,199	112,245	63,700
District's contributions subsequent to the measurement date	559,041	6,443,207	-	-
<b>Total</b>	<u>\$ 4,795,413</u>	<u>\$ 41,740,029</u>	<u>\$ 4,809,742</u>	<u>\$ 8,273,468</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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Plan Year Ended</u>	<u>NYSERS</u>	<u>NYSTRS</u>
2019	\$ 505,280	\$ 1,129,362
2020	376,823	8,488,166
2021	(984,156)	6,198,628
2022	(471,317)	1,867,546
2023	-	6,181,866
Thereafter	-	3,157,786
<b>Total</b>	<u>\$ (573,370)</u>	<u>\$ 27,023,354</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, 2018**

	<u>NYSERS</u>	<u>NYSTRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Interest rate	7.00%	7.25%
Salary scale	3.80%	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%	2.50%
Cost of living adjustments	1.30%	1.50%

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-2014. For NYSTRS, annuitant mortality rates are based on system's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014, applied on a generational basis.

For NYSERS, the actuarial assumptions used in the April 1, 2017 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, 2016 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, 2018**

	NYSERS		NYSTRS	
	Target Allocation	Long-term Expected Rate of Return *	Target Allocation	Long-term Expected Rate of Return *
Measurement date	March 31, 2018		June 30, 2017	
Asset Type:				
Domestic equity	36.0%	4.55%	35.0%	5.90%
International equity	14.0%	6.35%	18.0%	7.40%
Private equity	10.0%	7.50%	8.0%	9.00%
Real Estate	10.0%	5.55%	11.0%	4.30%
Absolute return strategies	2.0%	3.75%		
Opportunistic portfolio	3.0%	5.68%		
Real assets	3.0%	5.29%		
Bond and mortgages	17.0%	1.31%		
Cash	1.0%	-0.25%		
Inflation indexed bonds	4.0%	1.25%		
Domestic fixed income securities			16.0%	1.60%
Global fixed income securities			2.0%	1.30%
High-yield fixed income securities			1.0%	3.90%
Mortgages			8.0%	2.80%
Short-term			1.0%	0.60%
	100.0%		100.0%	

\* 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 7.00% for NYSERS and 7.25% 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 7.0% for NYSERS and 7.25% 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 (6.0% for NYSERS and 6.25% for NYSTRS) or 1-percentage point higher (8.0% for NYSERS and 8.25% for NYSTRS) than the current rate:

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
<b>NYSERS</b>			
Employer's proportionate share of the net pension liability/(asset)	\$ 11,241,696	\$ 1,485,765	\$ (6,767,363)
	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
<b>NYSTRS</b>			
Employer's proportionate share of the net pension liability/(asset)	\$ 51,519,426	\$ (2,990,614)	\$ (48,640,067)

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:

	NYSERS	NYSTRS
	(Dollars in Thousands)	
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension liability	\$ 183,400,590	\$ 114,708,261
Plan Net Position	(180,173,145)	(115,468,360)
Employers' net pension liability/(asset)	\$ 3,227,445	\$ (760,099)
Ratio of plan net position to the Employers' total pension liability/(asset)	98.24%	100.66%

Payables to the Pension Plan

For NYSERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid NYSERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$559,041.

For NYSTRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid deduction and remittance to NYSTRS. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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 \$518,846 and \$6,443,207, respectively, as of June 30, 2018. Total accrued NYSTRS contributions as of June 30, 2018 amount to \$6,962,053.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
 NOTES TO FINANCIAL STATEMENTS (continued)  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018, totaled \$3,423,579.

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, 2018 totaled \$373,869.

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

**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, 2018, the District contributed an estimated \$5,881,053 to the Plan including \$5,881,053 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, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	507
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	924
 Total members	 1,431

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Total OPEB Liability**

The District's total OPEB liability of \$330,513,613 was measured as of June 30, 2018 and was determined by an actuarial valuation as of July 1, 2017.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 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	3.00%
Healthcare cost trend rates	7.50% for 2018, decreasing 0.5% per year to an ultimate rate of 4.5% for 2022 and later years
Retirees' share of benefit-related costs	10% to 14% of projected health insurance premiums

The discount rate was based on the July 1, 2018 S&P Municipal Bond 20 Year High Grade Rate 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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2017 through June 30, 2018.

**Changes in total OPEB liability**

Original OPEB liability as of July 1, 2017 (under GASB Statement No. 45)	\$ 131,397,373
Cumulative effect of change in accounting principle (required GASB Statement No. 75)	<u>181,837,084</u>
Total OPEB liability as of July 1, 2017, as restated	313,234,457
Service cost	14,174,143
Interest	9,734,694
Changes of benefit terms	-
Differences between expected and actual experience	(748,628)
Changes of assumptions or other inputs	-
Benefit payments	<u>(5,881,053)</u>
Total net changes	<u>17,279,156</u>
Total OPEB liability as of June 30, 2018	<u><u>\$ 330,513,613</u></u>

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

There were no significant plan changes since the last valuation.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current discount rate:

	1% Decrease (2.00%)	Discount Rate (3.00%)	1% Increase (4.00%)
Total OPEB liability	\$ 392,811,589	\$ 330,513,613	\$ 281,124,928

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current healthcare cost trend rate:

	1% Decrease (6.50%) Decreasing to (3.50%)	Healthcare Cost Trend Rates (7.50%) Decreasing to (4.50%)	1% Increase (8.50%) Decreasing to (5.50%)
Total OPEB liability	\$ 269,222,537	\$ 330,513,613	\$ 411,636,420

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$23,815,258. At June 30, 2018, 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	\$ -	\$ 655,049
Changes of assumptions or other inputs	-	-
District's contributions subsequent to the measurement date	-	-
Total	\$ -	\$ 655,049

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

Fiscal Year Ended June 30,	
2019	\$ (93,579)
2020	(93,579)
2021	(93,579)
2022	(93,579)
2023	(93,579)
Thereafter	(187,154)
	\$ (655,049)

**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, 2018, the District has recorded potential workers’ compensation claims of \$3,199,239 and has a workers’ compensation reserve balance of \$1,714,620.

	2018	2017
Unpaid claims at beginning of year	\$ 3,352,982	\$ 4,477,973
Incurred claims	1,483,822	502,080
Claims payments and adjustments	(1,637,565)	(1,627,071)
Unpaid claims at year end	\$ 3,199,239	\$ 3,352,982

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 \$4,463,451.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 19 – COMMITMENTS AND CONTINGENCIES:**

A. Encumbrances:

All encumbrances are classified as assigned or restricted fund balance. At June 30, 2018 the District did not have any encumbrances.

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, 2018 was \$408,191. The minimum remaining operating lease payments are as follows:

Fiscal Year Ended June 30,	Total
2019	\$ 408,191
2020	396,683
Total lease payments	\$ 804,874

In the year ended June 30, 2018, the District leased space in two buildings located in the District. The contracts were year to year. Anticipated costs for the 2018-19 year are \$1,759,940 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.

**NOTE 20 – RESTATEMENT OF FUND BALANCE AND NET POSITION AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE**

During the fiscal year ended June 30, 2018, the state performed a desk audit on the District's 2016-17 Persistently Failing School grant, which found that expenditures were erroneously charged to the grant in the amount of \$2,344,805 during the fiscal year ended June 30, 2017. This resulted in an overstatement of instructional expenditures, state aid revenue and due from state and federal in the special aid fund, and an understatement of instructional expenditures and an overstatement of fund balance in the general fund for this amount in the governmental funds for the fiscal year ended June 30, 2017. In the District-wide statements, due from state and federal was overstated and the net deficit was understated by this amount as of June 30, 2017.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other postemployment benefits.

The District's fund balance and net position at June 30, 2017 has been restated as follows:

	As Previously Reported <u>June 30, 2017</u>	<u>Restatement</u>	As Restated <u>June 30, 2017</u>
Governmental activities statements			
Special aid fund			
Due from state and federal	<u>\$ 8,133,195</u>	<u>\$(2,344,805)</u>	<u>\$ 5,788,390</u>
General fund			
Fund balance	<u>\$ 17,468,263</u>	<u>\$(2,344,805)</u>	<u>\$ 15,123,458</u>
District-wide statements:			
Due from state and federal	<u>\$ 15,866,812</u>	<u>\$(2,344,805)</u>	<u>\$ 13,522,007</u>
Net position (deficit)	<u>\$ (59,917,378)</u>	<u>\$(2,344,805)</u>	<u>\$ (62,262,183)</u>
GASB Statement No. 75 implementation:			
OPEB liability - beginning of year, as previously reported under GASB Statement No. 45		\$ 131,397,373	
Total OPEB liability - beginning of year, under GASB Statement No. 75		<u>313,234,457</u>	
Cumulative effect of change in accounting principle			<u>(181,837,084)</u>
Net position (deficit) at beginning of year, as restated			<u>\$ (244,099,267)</u>



**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS (continued)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 21 – 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 tax anticipation notes on August 29, 2018, in the amount of \$30,000,000, which will mature on June 27, 2019 bearing a stated interest rate of 2.75%. The District received a premium of \$128,400 with the borrowing to yield an effective interest rate of 1.85%.

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Final Budget Variance with Actual</u>
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 71,069,177	\$ 71,069,177	\$ 71,069,177	\$ -
Other real property tax items	8,865,193	8,865,193	9,328,644	463,451
Charges for services	5,000	5,000	457,553	452,553
Use of money & property	30,000	30,000	35,229	5,229
Sale of property & compensation for loss	100,000	100,000	169,784	69,784
Miscellaneous	603,077	603,077	1,141,022	537,945
Interfund revenues	-	-	263,761	263,761
State Sources				
Basic formula	82,035,429	82,035,429	81,417,535	(617,894)
Excess cost aid	17,142,901	17,142,901	19,345,314	2,202,413
Lottery aid	16,737,642	16,737,642	17,132,693	395,051
BOCES aid	4,593,472	4,593,472	4,263,520	(329,952)
Textbook aid	799,702	799,702	587,859	(211,843)
Computer hardware/software aid	214,704	214,704	369,942	155,238
Library material aid	-	-	4,992	4,992
Other state aid	500,000	500,000	619,547	119,547
<b>TOTAL REVENUES</b>	<b>202,696,297</b>	<b>202,696,297</b>	<b>\$ 206,206,572</b>	<b>\$ 3,510,275</b>
<b>APPROPRIATED FUND BALANCE</b>				
Prior Year's Encumbrances	13,861	13,861		
Appropriated Reserves	-	250,000		
<b>TOTAL REVENUES AND APPROPRIATED FUND BALANCE</b>	<b>\$ 202,710,158</b>	<b>\$ 202,960,158</b>		

**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.

**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, 2018**

	<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>
<b>EXPENDITURES</b>					
General support					
Board of education	\$ 179,183	\$ 446,183	\$ 361,299	\$ -	\$ 84,884
Central administration	400,529	580,529	442,340	-	138,189
Finance	2,334,574	2,401,574	1,814,605	-	586,969
Staff	1,776,308	2,959,158	2,683,873	-	275,285
Central services	16,966,846	16,266,099	15,761,902	-	504,197
Special items	3,580,484	3,700,484	3,606,315	-	94,169
Instruction					
Instruction, administration & improvement	6,635,600	6,686,738	6,179,555	-	507,183
Teaching - regular school	68,145,625	60,104,826	70,820,643	-	(10,715,817)
Programs for children with disabilities	34,565,817	41,857,787	38,448,716	-	3,409,071
Occupational education	1,715,207	2,045,207	2,133,391	-	(88,184)
Teaching - special schools	533,556	303,556	428,919	-	(125,363)
Instructional media	4,385,057	4,434,836	4,110,725	-	324,111
Pupil services	8,324,884	8,854,713	7,788,290	-	1,066,423
Pupil transportation	8,276,232	8,532,562	8,021,685	-	510,877
Community services	7,200	7,200	4,975	-	2,225
Employee benefits	39,203,869	38,103,869	34,792,530	-	3,311,339
Debt service					
Debt service principal	3,056,000	3,056,000	3,100,000	-	(44,000)
Debt service interest	1,073,187	1,068,837	720,582	-	348,255
	<u>201,160,158</u>	<u>201,410,158</u>	<u>201,220,345</u>	<u>-</u>	<u>189,813</u>
<b>OTHER FINANCING USES</b>					
Transfers to other funds	<u>1,550,000</u>	<u>1,550,000</u>	<u>677,326</u>	<u>-</u>	<u>872,674</u>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 202,710,158</u>	<u>\$ 202,960,158</u>	<u>201,897,671</u>	<u>\$ -</u>	<u>\$ 1,062,487</u>
Net change in fund balance			4,308,901		
Fund balance - beginning, as restated, see Note 21			<u>15,123,458</u>		
Fund balance - ending			<u>\$ 19,432,359</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.

**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Total OPEB Liability	
Service cost	\$ 14,174,143
Interest	9,734,694
Changes of benefit terms	-
Differences between expected and actual experience	(748,628)
Changes of assumptions or other inputs	-
Benefit payments	<u>(5,881,053)</u>
Net change in total OPEB liability	17,279,156
Total OPEB liability - beginning	<u>313,234,457</u>
Total OPEB liability - ending	<u>\$ 330,513,613</u>
District's covered payroll	\$ 78,158,695
Contributions as a percentage of covered payroll	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 the fiscal year were determined as of the measurement date of the plan.

10 years of historical information will not be available upon implementation. An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

**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**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportionate share of the net pension liability	0.04504%	0.04827%	0.04547%	0.04676%
District's proportionate share of the net pension liability	\$ 1,486	\$ 4,536	\$ 7,298	\$ 1,580
District's covered payroll	\$ 14,502	\$ 14,079	\$ 14,200	\$ 14,264
District's proportionate share of the net pension liability as a percentage of its covered payroll	10.25%	32.22%	51.40%	11.07%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.95%

**NYSTRS Pension Plan**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's proportionate share of the net pension liability/(asset)	0.39345%	0.40480%	0.43395%	0.44572%
District's proportionate share of the net pension liability/(asset)	\$ (2,991)	\$ 4,336	\$ (45,073)	\$ (49,650)
District's covered payroll	\$ 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	4.53%	6.89%	-70.50%	-70.98%
Plan fiduciary net position as a percentage of the total pension liability/(asset)	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 available.

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

<b>NYSERS Pension Plan</b>										
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Contractually required contribution	\$ 2,085	\$ 2,132	\$ 2,222	\$ 2,484	\$ 2,599	\$ 2,442	\$ 1,855	\$ 1,072	\$ 1,025	\$ 1,156
Contributions in relation to the contractually required contribution	2,085	2,132	2,222	2,484	2,599	2,442	1,855	1,072	1,025	1,156
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 14,502	\$ 14,079	\$ 14,200	\$ 14,264	\$ 13,995	\$ 13,309	\$ 13,573	\$ 13,554	\$ 13,685	\$ 14,300
Contributions as a percentage of covered payroll	14.38%	15.14%	15.65%	17.41%	18.57%	18.35%	13.67%	7.91%	7.49%	8.08%

<b>NYTRS Pension Plan</b>										
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Contractually required contribution	\$ 6,443	\$ 7,307	\$ 8,303	\$ 11,796	\$ 11,068	\$ 7,831	\$ 7,294	\$ 5,722	\$ 3,920	\$ 4,598
Contributions in relation to the contractually required contribution	6,443	7,307	8,303	11,796	11,068	7,831	7,294	5,722	3,920	4,598
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 66,037	\$ 62,972	\$ 63,931	\$ 69,950	\$ 68,032	\$ 64,660	\$ 63,899	\$ 64,314	\$ 64,445	\$ 61,730
Contributions as a percentage of covered payroll	9.76%	11.60%	12.99%	16.86%	16.27%	12.11%	11.41%	8.90%	6.08%	7.45%

**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, 2018**

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 202,696,297
Add: Prior year's encumbrances	13,861
Original Budget	202,710,158
Budget Revision:	
Appropriations from Employee	
Benefit Accrued Liability Reserve	250,000
Final Budget	\$ 202,960,158

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

2018-19 voter-approved expenditure budget	\$ 215,075,440
Maximum allowed (4% of 2018-19 budget)	\$ 8,603,018
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*:	
Unrestricted fund balance:	
Assigned fund balance	\$ 2,900,000
Unassigned fund balance	7,264,424
Total unrestricted fund balance	10,164,424
Less:	
Appropriated fund balance	2,900,000
Encumbrances included in assigned fund balance	-
Total adjustments	2,900,000
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$ 7,264,424
Actual percentage of 2018-19 budget	3.38%

\* 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  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROJECT EXPENDITURES AND FINANCING RESOURCES - CAPITAL PROJECTS FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

PROJECT TITLE SED Project#	Budget		Expenditures			Unexpended Balance	Methods of Financing				Fund Balance June 30, 2018	
	June 30, 2017	June 30, 2018	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total		
<b>Projects Funded by Appropriations</b>												
District-wide improvements	\$ 1,500,000	\$ 1,500,000	\$ 11,413	\$ -	\$ 11,413	\$ 1,488,587	\$ -	\$ -	\$ 1,500,000	\$ 1,500,000	\$ 1,488,587	
<b>Bond issue - 2018 - 19</b>												
Rhodes/New Building	-	50,000	-	3,500	3,500	46,500	50,000	-	-	50,000	46,500	
<b>Bond issue - 2010 - 11</b>												
Prospect School 008-012	18,247,083	18,247,083	18,247,083	-	18,247,083	-	14,920,000	2,760,811	454,273	18,135,084	(111,999)	
<b>Bond issue - 2005 - 06</b>												
Hempstead High School 0020-020	13,515,982	13,515,982	12,718,307	501,565	13,219,872	296,110	13,515,982	-	-	13,515,982	296,110	
Hempstead High School 0020-024	205,500	205,500	201,100	-	201,100	4,400	205,500	-	-	205,500	4,400	
Hempstead Middle School 0001-022	5,810,164	5,810,164	5,810,164	-	5,810,164	-	5,810,164	-	-	5,810,164	-	
Hempstead Middle School 0001-023	211,432	211,432	211,432	-	211,432	-	211,432	-	-	211,432	-	
Franklin Street Elementary 0002-013	3,613,905	3,613,905	3,613,905	-	3,613,905	-	3,613,905	-	-	3,613,905	-	
Franklin Street Elementary 0003-014	2,384,283	2,384,283	2,384,283	-	2,384,283	-	2,384,283	-	-	2,384,283	-	
Jackson Main Elementary 0004-013	2,420,482	2,420,482	2,420,482	-	2,420,482	-	2,420,482	-	-	2,420,482	-	
Jackson Annex 0005-009	1,474,492	1,474,492	1,474,492	-	1,474,492	-	1,474,492	-	-	1,474,492	-	
Ludlum Elementary 0006-015	2,260,529	2,260,529	2,260,529	-	2,260,529	-	2,260,529	-	-	2,260,529	-	
Marshall School 0007-013	1,420,714	1,420,714	1,420,714	-	1,420,714	-	1,420,714	-	-	1,420,714	-	
	33,317,483	33,317,483	32,515,408	501,565	33,016,973	300,510	33,317,483	-	-	33,317,483	300,510	
	<u>\$ 53,064,566</u>	<u>\$ 53,114,566</u>	<u>\$ 50,773,904</u>	<u>\$ 505,065</u>	<u>\$ 51,278,969</u>	<u>\$ 1,835,597</u>	<u>\$ 48,287,483</u>	<u>\$ 2,760,811</u>	<u>\$ 1,954,273</u>	<u>\$ 53,002,567</u>	1,723,598	
												Unissued Debt 2018-2019 (50,000)
												Unissued Debt 2005-2006 (675,552)
												Fund balance <u>\$ 998,046</u>



**HEMPSTEAD UNION FREE SCHOOL DISTRICT  
OTHER SUPPLEMENTARY INFORMATION  
NET INVESTMENT IN CAPITAL ASSETS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Capital assets, net</b>		<b>\$ 48,822,467</b>
<b>Deduct:</b>		
Short-term portion of bonds payable	\$ 3,150,000	
Long-term portion of bonds payable	<u>20,590,000</u>	
		<u>23,740,000</u>
 <b>Net investment in capital assets</b>		 <b><u><u>\$ 25,082,467</u></u></b>

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