



**WEST HEMPSTEAD PUBLIC SCHOOLS**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES WITH  
INDEPENDENT AUDITOR'S REPORTS**

June 30, 2013

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
West Hempstead Union Free School District  
West 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 West Hempstead Union Free School District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express opinions on 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 of 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 financial statement presentation.

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 West Hempstead Union Free School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Changes in Accounting Principles***

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of June 30, 2013.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedule of funding progress – other postemployment benefits on pages 3 through 13 and 44 through 46, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Hempstead Union Free School District's basic financial statements. The other supplementary information on pages 47 through 49 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2013 on our consideration of the West Hempstead Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 West Hempstead Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 4, 2013

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The West Hempstead Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013 in comparison with the year ended June 30, 2012, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2013 are as follows:

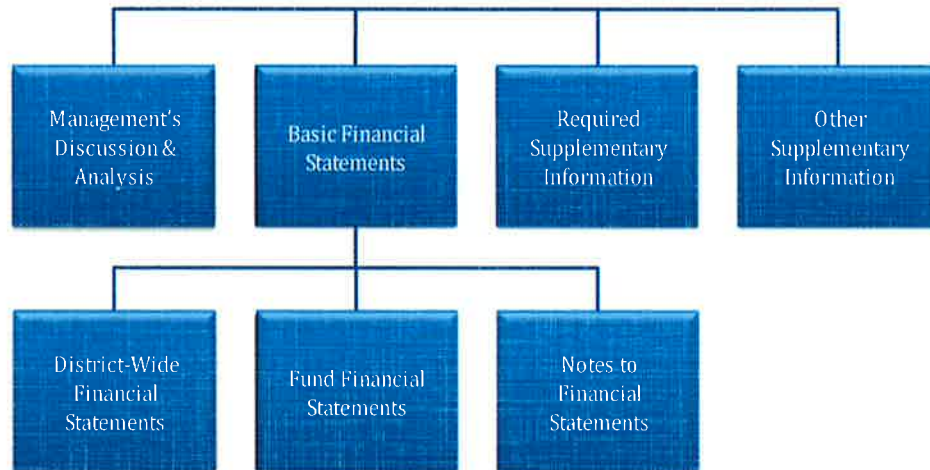
- The District's total net position, as reflected in the district-wide financial statements, increased by \$512,978 due to revenues exceeding expenses based on the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$56,031,579. Of this amount, \$3,604,890 was offset by program charges for services. The District received \$1,532,902 in operating grants and contributions to support instructional and food service programs and \$637,281 in capital grants and contributions. General revenues of \$50,769,484 amount to 89.8% of total revenues. These revenues covered the balance of program expenses.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$1,445,657 to \$7,941,587, as revenues exceeded expenditures based on the modified accrual basis of accounting.
- The unassigned fund balance in the general fund was \$2,727,030.
- General fund state and federal revenue increased by \$234,947 to \$8,068,885 in 2013 from \$7,833,938 in 2012, due to an increase in state aid to school districts and the receipt of FEMA grant for damages sustained during Hurricane Sandy.
- The general fund expended \$53,043,348 in 2012-13. This, along with \$158,132 in encumbrances at June 30, 2013, totals \$53,201,480, which represents 96.1% of the available general fund appropriations.
- Special aid fund's state and federal revenues decreased by \$554,905 as ARRA federal stimulus money was no longer available in 2013-13
- As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of June 30, 2013.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**A. District-Wide Financial Statements**

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

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

The Statement of Net Position

The Statement of Net Position presents information on all of the District's assets and liabilities with the difference between the two reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities

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

**B. Fund Financial Statements**

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Governmental Funds

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

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

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

The District maintains four individual governmental funds: general fund, special aid fund, school lunch fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the District in its capacity as agent or trustee and utilize the accrual basis of accounting. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The fiduciary activities have been excluded from the District's district-wide financial statements because the District cannot use these assets to finance its operations.

**3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**A. Net Position**

The District's total net position increased by \$512,978 between fiscal year 2013 and 2012. The 2012 balances were restated to reflect the results of a new capital asset inventory valuation, increasing capital assets by \$120,528. A summary of the District's Statement of Net Position is as follows:

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2013	As Restated 2012	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 13,667,806	\$ 12,956,371	\$ 711,435	5.49 %
Capital Assets, Net	<u>20,128,584</u>	<u>19,384,184</u>	<u>744,400</u>	3.84 %
Total Assets	<u>33,796,390</u>	<u>32,340,555</u>	<u>1,455,835</u>	4.50 %
Current and Other Liabilities	4,314,803	4,700,881	(386,078)	(8.21)%
Long-Term Liabilities	14,691,015	14,982,775	(291,760)	(1.95)%
Net Other Postemployment Benefits Obligation	<u>16,180,240</u>	<u>14,559,545</u>	<u>1,620,695</u>	11.13 %
Total Liabilities	<u>35,186,058</u>	<u>34,243,201</u>	<u>942,857</u>	2.75 %
Net Position (Deficit)				
Net investment in capital assets	8,780,126	7,809,439	970,687	12.43 %
Restricted	4,556,425	3,737,654	818,771	21.91 %
Unrestricted (Deficit)	<u>(14,726,219)</u>	<u>(13,449,739)</u>	<u>(1,276,480)</u>	9.49 %
Total Net Position (Deficit)	<u>\$ (1,389,668)</u>	<u>\$ (1,902,646)</u>	<u>\$ 512,978</u>	(26.96)%

Current and other assets increased by \$711,435, as compared to the prior year. The increase is primarily related to increased cash balances.

Capital assets, net increased by \$744,400, as compared to the prior year. This was primarily due to capital projects relating to the high school roof repair, installation of a new wireless network and construction at the high school and middle school for masonry EXCEL projects, offset by depreciation expense. The 2012 balances were restated as a result of a new physical inventory and appraisal. Note 9 "Capital Assets/Prior Period Adjustment" provides additional information.

Current and other liabilities decreased by \$386,078, as compared to the prior year. This reduction is primarily a result of a decrease in due to other governments offset by increases in due to teachers' retirement system and accounts payable.

Long-term liabilities decreased by \$291,760, as compared to the prior year. This decrease is primarily the result of the principal payments made which reduced the outstanding principal of long-term debt.

Net other postemployment benefits obligation increased by \$1,620,695, as compared to the prior year. The accompanying Notes to Financial Statements, Note 14 "Postemployment Benefits", provides additional information.

The net investment in capital assets relates to the investment in capital assets at cost such as land; construction in progress; buildings and improvements; site improvements; and, furniture and equipment, net of depreciation and related debt. The net investment in capital assets increased by \$970,687 due to capital asset additions exceeding depreciation and principal payments on related debt.



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The restricted amount of \$4,556,425 relates to the District's reserves. This number increased over the prior year by \$818,771 due to reserve increases for the retirement contribution and employee accrued benefit liability of \$1,675,560 and interest earnings on reserves of \$5,606, offset by the use of reserve funds for expenditures relating to retirement and unemployment in the amount of \$862,395.

The unrestricted (deficit) amount of \$(14,726,219) relates to the balance of the District's net position. The deficit increased over the prior year by \$1,276,480 primarily due to unfunded liabilities associated with other post employment benefit obligations.

The District's total net position increased by \$512,978 or 26.96%.

**B. Changes in Net Position**

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format in the accompanying financial statements. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2013 and 2012 is as follows:

	2013	2012	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 3,604,890	\$ 3,806,471	\$ (201,581)	(5.30)%
Operating Grants & Contributions	1,532,902	2,033,207	(500,305)	(24.61)%
Capital Grants & Contributions	637,281		637,281	100.00 %
General Revenues				
Property Taxes and STAR	40,871,192	39,859,364	1,011,828	2.54 %
State Sources	7,997,312	7,823,742	173,570	2.22 %
Other	1,900,980	2,484,447	(583,467)	(23.48)%
Total Revenues	<u>56,544,557</u>	<u>56,007,231</u>	<u>537,326</u>	0.96 %
<b>Expenses</b>				
General Support	6,820,077	6,479,334	340,743	5.26 %
Instruction	43,996,887	44,060,953	(64,066)	(0.15)%
Pupil Transportation	4,007,153	4,729,169	(722,016)	(15.27)%
Debt Service - Interest	489,746	508,348	(18,602)	(3.66)%
Food Service Program	717,716	771,971	(54,255)	(7.03)%
Total Expenses	<u>56,031,579</u>	<u>56,549,775</u>	<u>(518,196)</u>	(0.92)%
Increase / (Decrease) in Net Position	<u>\$ 512,978</u>	<u>\$ (542,544)</u>	<u>\$ 1,055,522</u>	(194.55)%

The District's net position increased by \$512,978 and decreased by \$542,544 for the years ended June 30, 2013 and 2012, respectively.

The District's revenues increased by \$537,326 or 0.96%. The major factors that contributed to the increase were:

- Property taxes and STAR revenues increased by \$1,011,828.
- The District recognized revenue from a capital grant relating to the EXCEL project in the amount of \$637,281 based on qualifying expenditures.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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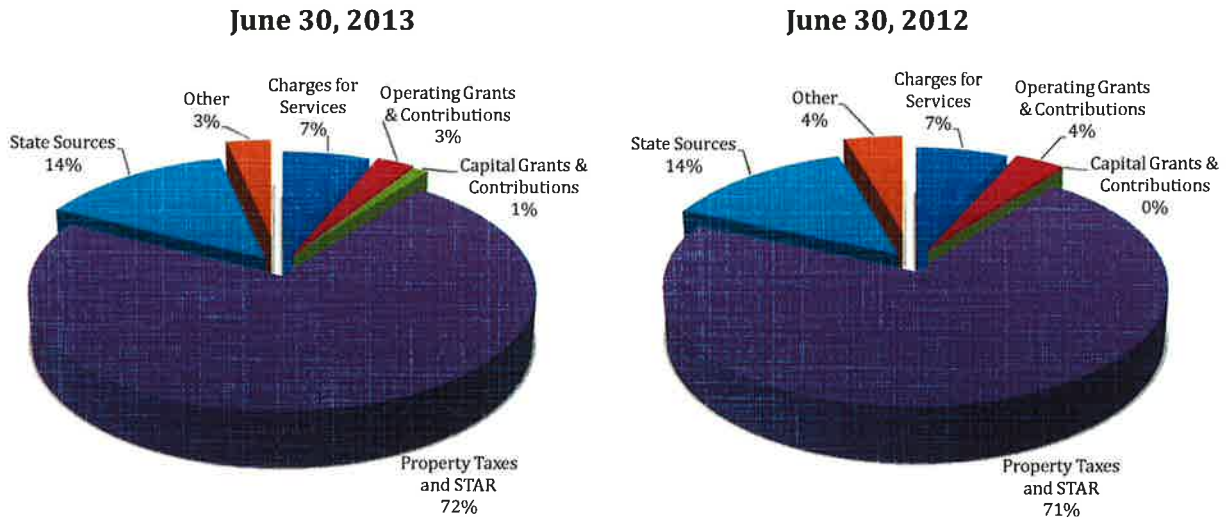
Those increases were offset by:

- Operating grants decreased \$500,305 primarily due to the ending of funding for the federally funded education jobs funds.
- Other revenue decreased \$583,467 primarily due to lower Medicare Part D reimbursements in 2012-13; and one-time LIPA rebates and an excess balance distribution from Nassau BOCES Employee Benefit Accrued Liability Reserve that were recognized in 2011-12.

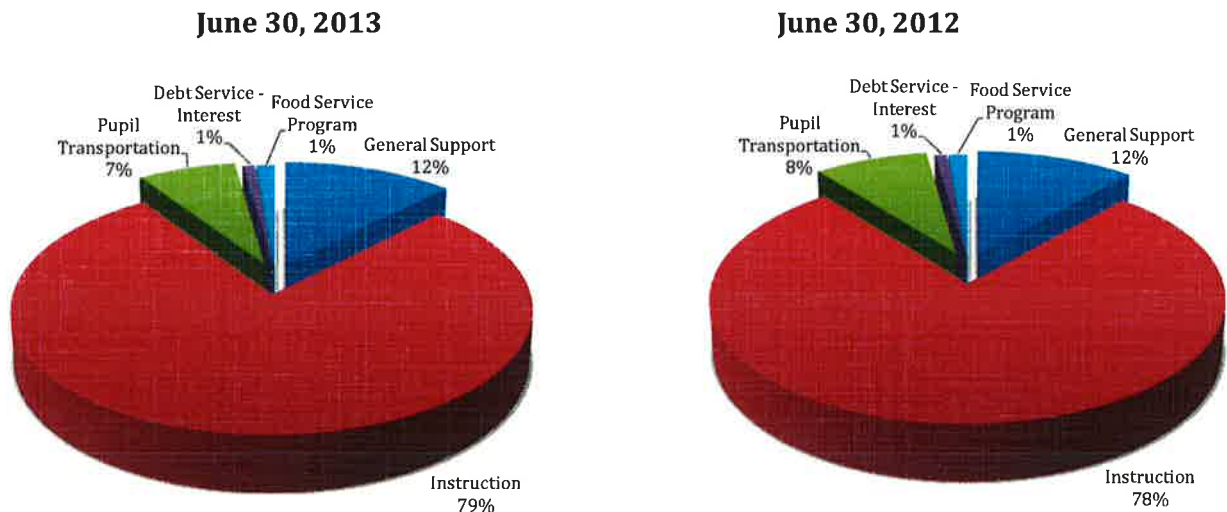
The District's expenses for the year decreased by \$518,196 or 0.92%. The major contributing factor to this decrease was a reduction in pupil transportation costs.

As indicated on the pie charts that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 72% and 71% of the total for the two years for the years 2013 and 2012, respectively). Instructional expenses is the largest category of expenses incurred (i.e., 79% and 78% of the total for the two years for the years 2013 and 2012, respectively).

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



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



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At June 30, 2013, the District's governmental funds reported a combined fund balance of \$8,143,494, which is an increase of \$1,040,950 over the prior year. This increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
<b>General Fund</b>			
Restricted			
Unemployment insurance	\$ 150,680	\$ 182,229	\$ (31,549)
Retirement contribution	2,108,279	2,022,818	85,461
Employee benefit accrued liability	2,297,466	1,532,607	764,859
Assigned:			
Appropriated fund balance	500,000	500,000	-
Unappropriated fund balance	158,132	50,728	107,404
Unassigned: Fund balance	<u>2,727,030</u>	<u>2,207,548</u>	<u>519,482</u>
	<u>7,941,587</u>	<u>6,495,930</u>	<u>1,445,657</u>
<b>School Lunch Fund</b>			
Nonspendable: Inventory	676	105	571
Assigned: Unappropriated fund balance	<u>431,222</u>	<u>259,219</u>	<u>172,003</u>
	<u>431,898</u>	<u>259,324</u>	<u>172,574</u>
<b>Capital Projects Fund</b>			
Assigned: Unappropriated fund balance		347,290	(347,290)
Unassigned: Fund balance (deficit)	<u>(229,991)</u>		<u>(229,991)</u>
	<u>(229,991)</u>	<u>347,290</u>	<u>(577,281)</u>
 Total Fund Balance	 <u>\$ 8,143,494</u>	 <u>\$ 7,102,544</u>	 <u>\$ 1,040,950</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$1,445,657, as revenues exceeded expenditures. The combination of actual revenues higher than budgeted, and lower expenditures, in comparison to appropriated fund balance and appropriated reserves, helped generate this operating surplus.

The District increased restricted fund balance by \$818,771, as Board-approved transfers from the current year's operating surplus to reserves of \$1,675,560 and interest earned in the reserves of \$5,606 exceeded appropriations from the reserves of \$862,395 to fund current year expenditures.

**B. School Lunch Fund**

The net change in the school lunch fund – fund balance is an increase of \$172,574, which was the operating profit of the food service program. Included in the profit was the receipt of \$84,135. This was the District's share of a legal settlement initiated by the state against a former food service management company.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**C. Capital Projects Fund**

The net change in the capital projects fund – fund balance is a decrease of \$567,281. This is primarily due to funds expended for a high school/middle school masonry project, which were in excess of revenues realized. The District is awaiting reimbursement from the state EXCEL program.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2012-13 Budget**

The District's general fund adopted budget for the year ended June 30, 2013 was \$55,188,693. This amount was increased by encumbrances carried forward from the prior year in the amount of \$50,728 and a budget revision in the amount of \$151,550 for a total final budget of \$55,390,971.

The budget was funded through a combination of revenues and appropriated fund balance. The majority of this funding source was \$40,870,966 in estimated property taxes and STAR.

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

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

Opening, Unassigned Fund Balance	\$ 2,207,548
Revenues Over Budget	580,335
Expenditures and Encumbrances Under Budget	2,189,491
Transfers to Reserves, Net	(1,681,166)
Unused Appropriated Reserve	(69,178)
Appropriated for the June 30, 2014 Budget	<u>(500,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 2,727,030</u></u>

**Opening, Unassigned Fund Balance**

The \$2,207,548 shown in the table is the portion of the District's June 30, 2012 fund balance that was retained as unassigned. This was 4% of the District's 2012-13 approved operating budget of \$55,188,693. It is the maximum unassigned fund balance permitted by law.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Revenues Over Budget

The 2012-13 final budget for revenues was \$53,908,670. Actual revenues received for the year were \$54,489,005. The excess of actual revenue over estimated or budgeted revenue was \$580,335. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2012 to June 30, 2013.

Expenditures and Encumbrances Under Budget

The 2012-13 budget for expenditures, including prior year open encumbrances as of June 30, 2012, were \$55,390,971. Actual expenditures as of June 30, 2013 were \$53,043,348 and outstanding encumbrances were \$158,132. Combined, the expenditures plus encumbrances for 2012-13 were \$53,201,480. The final budget was under expended by \$2,189,491. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2012 to June 30, 2013.

Transfers to Reserves, Net

The net change in monies transferred into reserves was \$1,681,166. This was a result of Board authorized increases to the retirement and employee benefit accrued liability reserve in the amount of \$1,675,560, plus interest earned on the various reserves of \$5,606.

Unused Appropriated Reserve

One of the District's appropriated reserves for 2012-13 was for unemployment insurance. The District budgeted the use of \$101,000 from the unemployment reserve in 2012-13 for unemployment insurance claims. However, the District only incurred \$31,822 in unemployment insurance expenditures, leaving an unused budget reserve appropriation of \$69,178.

Appropriated Fund Balance

The District has chosen to use \$500,000 of its available June 30, 2013 fund balance to partially fund its 2013-14 approved operating budget. As such, the June 30, 2013 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the District will begin the 2013-14 fiscal year with an unassigned fund balance of \$2,727,030. This is an increase of \$519,482 over the unassigned fund balance from the prior year as of June 30, 2013. The unassigned fund balance is 4.9% of the 2013-14 budget and exceeds the permissible 4.0% statutory maximum.

**6. CAPITAL ASSETS, NET AND DEBT ADMINISTRATION**

**A. Capital Assets, Net**

At June 30, 2013, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions less depreciation recorded for the year ended June 30, 2013. A summary of the District's capital assets, net of depreciation at June 30, 2013 and 2012 is as follows:

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

	2013	As Restated 2012	Increase (Decrease)
Land	\$ 3,168,980	\$ 3,168,980	\$ -
Construction in progress	637,281		637,281
Buildings and improvements	15,382,384	15,619,207	(236,823)
Site improvements	299,710	380,657	(80,947)
Furniture and equipment	640,229	215,341	424,888
	<u>\$ 20,128,584</u>	<u>\$ 19,384,185</u>	<u>\$ 744,399</u>
Capital assets, net			

The District's capital assets valuation was completed in 2012-13 and as a result, it was necessary for the District to restate the opening June 30, 2012 balances. See Note 9 "Capital Assets/Prior Period Adjustment" for additional information.

**B. Debt Administration**

At June 30, 2013, the District had total bonds payable of \$8,505,000, an energy performance contract payable of \$2,632,498 and installment purchase debt payables of \$35,694 and \$175,266. A summary of the outstanding debt at June 30, 2013 and 2012 is as follows:

Issue Date	Interest Rate	2013	2012	Increase (Decrease)
9/1/2006	4.25-4.38%	\$ 8,505,000	\$ 8,735,000	\$ (230,000)
12/23/2010	3.24%	2,632,498	2,793,037	(160,539)
8/16/2011	3.91%	35,694	46,707	(11,013)
8/30/2012	3.71%	175,266	-	175,267
		<u>\$ 11,348,458</u>	<u>\$ 11,574,744</u>	<u>\$ (226,285)</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 21, 2013, for the year ending June 30, 2014, is \$55,675,720. This is an increase of \$487,027 or 0.88% over the previous year's budget. The increase is principally in personnel costs and employee benefits.

The District estimated non-tax revenues at a \$1,130,679 decrease from the prior year's estimate. This decrease is primarily due to decreases in state aid, tuition from Island Park, interest income, building rentals and special education services provided to other district's students. A property tax increase of 3.55% or \$1,451,591 was needed to meet the revenue shortfall and cover the increase in projected expenditures. Additionally, the District has assigned \$500,000 of fund balance and expects to appropriate up to \$1,097,688 from the restricted reserves to fund the 2013-14 budget.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**B. Future Budgets**

Future budgets will be affected by rising costs of operations, which includes an increase in the health insurance premium for 2014 estimated at 10%.

The New York State Teachers' Retirement System (NYSTRS) contribution rate has increased substantially. This rate, which is applied to instructional salary expense, has increased from 11.84% in 2012-13 to 16.25% in 2013-14, or an increase of over 37%. The projected rate for 2014-15 will be available in November 2013.

**C. Tax Cap**

Chapter 97 of the 2011 Laws of New York limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation effective for the 2012-13 fiscal year. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap was 3.55%

**D. Tax Certiorari**

A Nassau County Local Law was passed in 2010 whereby the liability for a school district property tax deficiency existing or arising from a decrease in real property assessments or taxes that is due a taxpayer (tax certiorari judgments) will become that of the school district, rather than the County. The legislation was scheduled to take effect during the 2012-13 year; however, the law is being challenged in the courts. In the latest ruling (February 2013), the four-judge Appellate Division panel unanimously ruled against the County. The County has appealed the ruling. However, the ultimate outcome cannot be determined at this time. Consequently, no liability is reflected in the financial statements. If the County prevails, the tax certiorari judgments will create significant liabilities for the District.

**E. Nassau County Sewage Tax**

Nassau County has also passed a law to assess sewage tax to school districts and other educational and health care institutions for the use of county sewage lines. This tax is also being contested through legal challenges from those affected by the legislation, including the District. The ultimate outcome cannot be determined at this time.

**F. Tax Anticipation Note**

The District issued \$4,800,000 in tax anticipation notes on August 29, 2013; maturing on June 20, 2014 with a net yield of 0.34%.

**8. CONTACTING THE DISTRICT**

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

Mr. Richard Cunningham  
Deputy Superintendent  
West Hempstead Union Free School District  
252 Chestnut Street  
West Hempstead, New York 11803

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2013

**ASSETS**

Cash	
Unrestricted	\$ 8,774,449
Restricted	60,000
Receivables	
Accounts receivable	25,041
Taxes receivable	1,212,713
Due from other funds	219,437
Due from state and federal	1,825,526
Due from other governments	1,549,964
Inventory	676
Capital assets:	
Not being depreciated	3,806,261
Being depreciated, net of accumulated depreciation	<u>16,322,323</u>
 Total Assets	 <u>33,796,390</u>

**LIABILITIES**

Payables	
Accounts payable	577,832
Accrued liabilities	172,684
Due to other governments	685,888
Due to teachers' retirement system	2,597,978
Due to employees' retirement system	248,598
Compensated absences payable	29,019
Unearned credits	
Collections in advance	2,804
Long-term liabilities	
Due and payable within one year	
Bonds payable	240,000
Installment purchase debt payable	97,482
Energy performance contract payable	165,782
Compensated absences payable	55,000
Due and payable after one year	
Bonds payable	8,265,000
Installment purchase debt payable	113,478
Energy performance contract payable	2,466,716
Compensated absences payable	3,287,557
Net other postemployment benefits obligation	<u>16,180,240</u>
 Total Liabilities	 <u>35,186,058</u>

**NET POSITION (DEFICIT)**

Net investment in capital assets	8,780,126
Restricted	4,556,425
Unrestricted (deficit)	<u>(14,726,219)</u>
 Total Net Position (Deficit)	 <u>\$ (1,389,668)</u>



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2013

		Program Revenues		Net (Expense)	
		Charges for	Grants & Contributions	Revenue and	
	Expenses	Services	Operating	Capital	Changes in
					Net Position
<b>PROGRAMS/FUNCTIONS</b>					
General support	\$ 6,820,077	\$	\$	\$	\$ (6,820,077)
Instruction	43,996,887	3,103,998	1,143,504	637,281	(39,112,104)
Pupil transportation	4,007,153				(4,007,153)
Debt service - interest	489,746				(489,746)
Food service program	717,716	500,892	389,398		172,574
Total Programs and Functions	\$ 56,031,579	\$ 3,604,890	\$ 1,532,902	\$ 637,281	(50,256,506)
<b>GENERAL REVENUES</b>					
Real property taxes					34,854,083
Other tax items					6,412,675
Use of money and property					622,198
Sale of property and compensation for loss					58,098
Miscellaneous					178,595
Intergovernmental revenue					612,803
State sources					7,997,312
Medicaid reimbursement					33,720
Total General Revenues					50,769,484
Change in Net Position					512,978
Total Net Position (Deficit) - Beginning of Year, as Restated					(1,902,646)
Total Net Position (Deficit) - End of Year					\$ (1,389,668)

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2013

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 7,437,741	\$ 803,295	\$ 533,277	\$ 136	\$ 8,774,449
Restricted				60,000	60,000
Receivables					
Accounts receivable	8,789		16,252		25,041
Taxes receivable	1,212,713				1,212,713
Due from other funds	3,924,696	824,875	24,113	1,156,561	5,930,245
Due from state and federal	612,263	570,608	5,374	637,281	1,825,526
Due from other governments	1,549,964				1,549,964
Inventory			676		676
Total Assets	<u>\$ 14,746,166</u>	<u>\$ 2,198,778</u>	<u>\$ 579,692</u>	<u>\$ 1,853,978</u>	<u>\$ 19,378,614</u>
<b>LIABILITIES</b>					
Payables					
Accounts payable	\$ 490,796	\$ 18,223	\$ 50,813	\$ 18,000	\$ 577,832
Accrued liabilities	40,612				40,612
Due to other funds	2,019,645	2,167,505	94,970	1,428,688	5,710,808
Due to other governments	673,631	11,566	691		685,888
Due to teachers' retirement system	2,597,978				2,597,978
Due to employees' retirement system	248,598				248,598
Compensated absences payable	29,019				29,019
Unearned credits					
Collections in advance		1,484	1,320		2,804
Total Liabilities	<u>6,100,279</u>	<u>2,198,778</u>	<u>147,794</u>	<u>1,446,688</u>	<u>9,893,539</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	704,300	-	-	637,281	1,341,581
Total Deferred Inflows of Resources	<u>704,300</u>	<u>-</u>	<u>-</u>	<u>637,281</u>	<u>1,341,581</u>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable:					
Inventory			676		676
Restricted:					
Unemployment insurance	150,680				150,680
Retirement contribution	2,108,279				2,108,279
Employee benefit accrued liability	2,297,466				2,297,466
Assigned:					
Appropriated fund balance	500,000				500,000
Unappropriated fund balance	158,132		431,222		589,354
Unassigned: Fund balance (deficit)	2,727,030			(229,991)	2,497,039
Total Fund Balances (Deficit)	<u>7,941,587</u>	<u>-</u>	<u>431,898</u>	<u>(229,991)</u>	<u>8,143,494</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,746,166</u>	<u>\$ 2,198,778</u>	<u>\$ 579,692</u>	<u>\$ 1,853,978</u>	<u>\$ 19,378,614</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2013

Total Governmental Funds Balance	\$	8,143,494
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.		1,341,581
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The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the District as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 30,843,919	
Accumulated depreciation	<u>(10,715,335)</u>	
		20,128,584

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

Accrued interest on bonds payable	(132,072)	
Bonds payable	(8,505,000)	
Installment purchase debt payable	(210,960)	
Energy performance contract payable	(2,632,498)	
Compensated absences payable	(3,342,557)	
Net other postemployment benefits obligation	<u>(16,180,240)</u>	
		<u>(31,003,327)</u>

Total Net Position (Deficit)	\$	<u><u>(1,389,668)</u></u>
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**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2013

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 34,854,083	\$	\$	\$	\$ 34,854,083
Other tax items	6,412,675				6,412,675
Charges for services	3,272,556				3,272,556
Use of money and property	622,198		729		622,927
Sale of property and compensation for loss	58,098				58,098
Miscellaneous	587,707		84,013		671,720
Intergovernmental revenue	612,803				612,803
State sources	7,997,312	279,603	16,054		8,292,969
Medicaid reimbursement	33,720				33,720
Federal sources	37,853	826,048	321,317		1,185,218
Surplus food			52,027		52,027
Sales - school lunch			416,150		416,150
Total Revenues	54,489,005	1,105,651	890,290	-	56,484,946
<b>EXPENDITURES</b>					
General support	5,272,638				5,272,638
Instruction	30,335,910	1,102,011			31,437,921
Pupil transportation	3,894,530	84,223			3,978,753
Employee benefits	12,219,827				12,219,827
Debt service					
Principal	503,159				503,159
Interest	486,701				486,701
Cost of sales			717,716		717,716
Capital outlay				1,104,154	1,104,154
Total Expenditures	52,712,765	1,186,234	717,716	1,104,154	55,720,869
Excess (Deficiency) of Revenues Over Expenditures	1,776,240	(80,583)	172,574	(1,104,154)	764,077
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Proceeds from debt				276,873	276,873
Operating transfers in		80,583		250,000	330,583
Operating transfers (out)	(330,583)				(330,583)
Total Other Financing Sources and (Uses)	(330,583)	80,583	-	526,873	276,873
Net Change in Fund Balances	1,445,657	-	172,574	(577,281)	1,040,950
Fund Balances (Deficit) - Beginning of Year	6,495,930		259,324	347,290	7,102,544
End of Year	\$ 7,941,587	\$ -	\$ 431,898	\$ (229,991)	\$ 8,143,494

**WEST 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 Year Ended June 30, 2013

Net Change in Fund Balances \$ 1,040,950

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

Decrease in general fund deferred revenue related to foster tuition and special education billings.	\$	(577,670)
Increase in capital projects fund deferred revenue related to EXCEL Aid from state sources		637,281

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

Decrease in compensated absences	65,474
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Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in net other postemployment benefits obligation	(1,620,695)	
		(1,495,610)

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 expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.

Capital outlays	1,341,977	
Depreciation expense	(597,578)	
		744,399

Long-Term Debt Transactions Differences

Proceeds from the issuance of installment debt is an other funding source in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.	(276,873)
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Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal	230,000
Repayment of installment purchase debt	112,620
Repayment of energy performance contract	160,539

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2012 to June 30, 2013

	(3,047)
	223,239

Change in Net Position of Governmental Activities	\$ 512,978
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**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2013

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS</b>		
Cash	\$ 451,213	\$ 15,095
Total Assets	<u>\$ 451,213</u>	<u>15,095</u>
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 36,411	
Due to other funds	219,437	
Other liabilities	<u>195,365</u>	
Total Liabilities	<u>\$ 451,213</u>	<u>-</u>
 <b>NET POSITION</b>		
Restricted for scholarships		<u>\$ 15,095</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2013

	Private Purpose Trust
<b>ADDITIONS</b>	
Investment earnings	
Interest	\$ 30
Total Additions	<u>30</u>
<b>DEDUCTIONS</b>	
Scholarships and awards	<u>8,000</u>
Change in Net Position	(7,970)
Net Position - Beginning of Year	<u>23,065</u>
Net Position - End of Year	<u>\$ 15,095</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District is governed by the laws of New York State. The District is an independent entity governed by an elected Board of Education consisting of 7 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

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

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

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 by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Fund. Separate audited financial statements 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 Board of Cooperative Educational Services of Nassau (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §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



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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§119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, Section §1950(4)(b)(7). There is no authority or process by which a school district can terminate its status as a BOCES component. In addition, component school districts pay tuition or a service fee for programs in which its students participate.

**C. Basis of Presentation**

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Program specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category, governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds as defined by GASB, each displayed in a separate column. The District's financial statements reflect the following major fund categories:

***Governmental Funds:***

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

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

***School Lunch Fund*** - is used to account for the activities of the food service program.

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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***Fiduciary Funds*** – are used to account for activities 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:

***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.

***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.

**D. Measurement Focus and Basis of Accounting**

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

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

Calendar

Real property taxes are levied annually by the Board no later than August 15<sup>th</sup> and become a lien on October 1st. Taxes are collected by the town of Hempstead and remitted to the District from November to June.

Enforcement

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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 to Financial Statements.

**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 transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

In the district-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary funds.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

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

**H. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, potential contingent liabilities and useful lives of long-lived assets.

**I. Cash and Cash Equivalents**

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

**J. Restricted Assets**

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**K. Receivables**

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

**L. Inventories**

Inventories of food in the school lunch fund are recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. These inventories are accounted for on the consumption method.

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

A portion of fund balance has been classified as nonspendable to indicate that inventories do not constitute available resources.

**M. Capital Assets**

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

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

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

**N. Collections in Advance**

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

**O. Deferred Revenues**

Deferred revenues are reported in the governmental funds 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. In the District-wide financial statements, deferred revenues are generally treated as revenues.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**P. Vested Employee Benefits – Compensated Absences**

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

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

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

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.

**Q. Other Benefits**

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

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

In addition to providing pension benefits, the District provides postemployment 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.

**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 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.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**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 and compensated absences that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that 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 and payable within one year or due and payable after one year in the Statement of Net Position.

**T. Equity Classifications**

District-Wide Statements

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

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

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

Unrestricted – reports all other amounts that do not meet the definition of the above two classifications and are deemed to be available for general use by the District.

Fund Statements

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

*Nonspendable* – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventories.

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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*Unemployment Insurance Reserve*

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

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions. 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.

*Employee Benefit Accrued Liability Reserve*

Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the general 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.

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

*Unassigned* – represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Fund Balance Classification

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

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

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

**2. CHANGES IN ACCOUNTING PRINCIPLES**

**A. GASB Statement No. 63**

GASB released GASB Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was implemented by the District during the year ended June 30, 2013. GASB 63 requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. Deferred outflows and inflows relate to service concession agreements and certain derivative transactions. In addition, it amends certain provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, and related pronouncements to report the difference between assets plus deferred outflow and liabilities plus deferred inflows as net position rather than net assets.

**B. GASB Statement No. 65**

GASB released GASB Statement No. 65 (GASB 65), *Items Previously Reported as Assets and Liabilities*, which was implemented by the District during the year ended June 30, 2013. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities.

**3. 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. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheet.



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of three broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

**4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Continued)**

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Repairs funded by insurance recovery proceeds	\$ 47,550
Instructional technology equipment funded by grant	100,000
Educational supplies funded by donation	<u>4,000</u>
	<u>\$ 151,550</u>

Budgets are adopted annually on a basis consistent with GAAP.

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 part of other assigned, unappropriated fund balance, unless classified as restricted or committed, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

**C. General Fund**

The District did not comply with §1318 NYS Real Property Tax Law, in that the general fund unassigned fund balance at June 30, 2013 was greater than 4% of the subsequent year's budget by \$500,001. The excess will be addressed during the 2013-14 school year. The District is evaluating the effect of an unanticipated significant increase in enrollment on the 2013-14 budget and plans to use the excess to fund unanticipated increases in expenditures.

**D. Capital Projects Fund**

The capital projects fund had a deficit fund balance of \$229,991. This will be eliminated when the District obtains EXCEL state aid for its current construction project.

**5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

Custodial credit risk is the risk that in the event of a bank failure, the District'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:

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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.

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

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2013, the District was billed \$5,105,384 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$427,401. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2013 consisted of:

General Fund	
New York State Aid - excess cost aid	\$ 306,636
BOCES aid	<u>305,627</u>
	612,263
Special Aid Fund	
Federal and state grants	570,608
School Lunch Fund	
Federal and state food service program reimbursements	5,374
Capital Projects Fund	
New York State Aid - EXCEL aid	<u>637,281</u>
	<u>\$ 1,825,526</u>

**8. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2013 consisted of:

General Fund	
Nassau County	\$ 75,900
Other districts - charges for services	<u>1,474,064</u>
	<u>\$ 1,549,964</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**9. CAPITAL ASSETS / PRIOR PERIOD ADJUSTMENT**

During the year ended June 30, 2013, the District had a third-party vendor perform a physical inventory and appraisal of the District's capital assets. As a result of the inventory, it was necessary for the District to adjust the June 30, 2012 capital assets and accumulated depreciation balances as follows:

	<u>As Reported</u> <u>June 30, 2012</u>	<u>As Restated</u> <u>June 30, 2012</u>	<u>Increase</u> <u>(Decrease)</u>
Governmental activities			
Capital assets not being depreciated			
Land	\$ 3,168,980	\$ 3,168,980	\$ -
Construction in progress	<u>39,513</u>		<u>(39,513)</u>
Total capital assets not being depreciated	<u>3,208,493</u>	<u>3,168,980</u>	<u>(39,513)</u>
Capital assets being depreciated			
Buildings and improvements	23,433,937	24,801,358	1,367,421
Site improvements	2,662,866	1,481,606	(1,181,260)
Furniture and equipment	<u>531,002</u>	<u>643,837</u>	<u>112,835</u>
Total capital assets being depreciated	<u>26,627,805</u>	<u>26,926,801</u>	<u>298,996</u>
Less accumulated depreciation for:			
Buildings and improvements	8,934,070	9,182,151	248,081
Site improvements	1,320,707	1,100,949	(219,758)
Furniture and equipment	<u>317,864</u>	<u>428,496</u>	<u>110,632</u>
Total accumulated depreciation	<u>10,572,641</u>	<u>10,711,596</u>	<u>138,955</u>
Total capital assets being depreciated, net	<u>16,055,164</u>	<u>16,215,205</u>	<u>160,041</u>
Capital assets, net	<u>\$ 19,263,657</u>	<u>\$ 19,384,185</u>	<u>\$ 120,528</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	As Restated Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,168,980	\$	\$	\$ 3,168,980
Construction in progress	-	1,164,154	(526,873)	637,281
Total capital assets not being depreciated	3,168,980	1,164,154	(526,873)	3,806,261
Capital assets being depreciated				
Buildings and improvements	24,801,358	250,000		25,051,358
Site improvements	1,481,606		(593,839)	887,767
Furniture and equipment	643,837	454,696		1,098,533
Total capital assets being depreciated	26,926,801	704,696	(593,839)	27,037,658
Less accumulated depreciation for:				
Buildings and improvements	9,182,151	486,823		9,668,974
Site improvements	1,100,949	80,947	(593,839)	588,057
Furniture and equipment	428,496	29,808		458,304
Total accumulated depreciation	10,711,596	597,578	(593,839)	10,715,335
Total capital assets being depreciated, net	16,215,205	107,118	-	16,322,323
Capital assets, net	\$ 19,384,185	\$ 1,271,272	\$ (526,873)	\$ 20,128,584

Depreciation expense was charged to governmental functions as follows:

General support	\$ 65,327
Instruction	532,251
Total depreciation expense	\$ 597,578

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2013, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 3,924,696	\$ 2,019,645	\$	\$ 330,583
Special Aid Fund	824,875	2,167,505	80,583	
School Lunch Fund	24,113	94,970		
Capital Projects Fund	1,156,561	1,428,688	250,000	
Total Governmental Funds	5,930,245	5,710,808	330,583	330,583
Fiduciary Funds		219,437		
Total	\$ 5,930,245	\$ 5,930,245	\$ 330,583	\$ 330,583

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The District typically transfers from the general fund to the special aid fund and the capital projects fund in accordance with the general fund budget.

**11. SHORT-TERM DEBT**

Transactions in short-term debt for the year are summarized below:

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2012</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2013</u>
TAN	6/21/2013	1.0%	<u>\$ -</u>	<u>\$ 4,800,000</u>	<u>\$ (4,800,000)</u>	<u>\$ -</u>

Interest on short-term debt for the year was \$13,867. This includes a borrowing premium of \$25,200, which resulted in a 0.35% effective interest rate.

**12. LONG-TERM LIABILITIES**

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

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Amounts Due Within One Year</u>
<u>Long-term debt:</u>					
Bonds payable	\$ 8,735,000	\$	\$ (230,000)	\$ 8,505,000	\$ 240,000
Installment purchase debt	46,707	276,873	(112,620)	210,960	97,482
Energy performance contract	<u>2,793,037</u>		<u>(160,539)</u>	<u>2,632,498</u>	<u>165,782</u>
	11,574,744	276,873	(503,159)	11,348,458	503,264
 <u>Other long-term liabilities</u>					
Compensated absences	<u>3,408,031</u>		<u>(65,474)</u>	<u>3,342,557</u>	<u>55,000</u>
	<u>\$ 14,982,775</u>	<u>\$ 276,873</u>	<u>\$ (568,633)</u>	<u>\$ 14,691,015</u>	<u>\$ 558,264</u>

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

Bonds payable are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2013</u>
Library bond	9/1/2006	3/1/2034	4.30-4.375%	<u>\$ 8,505,000</u>

The Library bond issue is the legal obligation of the District; however, the Library Board has committed to raise sufficient funds through the Library's annual budgeted tax levy to transfer to the District for the debt service payments. During 2012-13 the District received \$612,803 from the Library.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The following is a summary of debt service requirements:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 240,000	\$ 371,912	\$ 611,912
2015	255,000	361,594	616,594
2016	265,000	350,438	615,438
2017	280,000	338,844	618,844
2018	295,000	326,594	621,594
2019 - 2023	1,685,000	1,428,219	3,113,219
2024 - 2028	2,150,000	1,020,469	3,170,469
2029 - 2033	2,715,000	502,250	3,217,250
2034	620,000	27,125	647,125
Total	<u>\$ 8,505,000</u>	<u>\$ 4,727,445</u>	<u>\$ 13,232,445</u>

Energy performance contract and installment purchase debt are comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2013</u>
Energy performance contract	9/1/2006	6/23/2026	3.24%	\$ 2,632,498
Installment purchase (equipment)	9/28/2011	10/7/2015	3.91%	35,694
Installment purchase (wireless network)	8/30/2012	8/30/2014	3.71%	175,266
				<u>\$ 2,843,458</u>

The following is a summary of energy performance contract and installment purchases debt service requirements:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 263,264	\$ 91,859	\$ 355,123
2015	272,319	82,805	355,124
2016	189,146	73,437	262,583
2017	182,563	67,180	249,743
2018	188,526	61,217	249,743
2019 - 2023	1,039,120	209,596	1,248,716
2024 - 2026	708,520	40,711	749,231
Total	<u>\$ 2,843,458</u>	<u>\$ 626,805</u>	<u>\$ 3,470,263</u>

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

Interest paid	\$ 472,834
Less interest accrued in the prior year	(129,027)
Plus interest accrued in the current year	<u>132,072</u>
Total interest expense on long-term debt	<u>\$ 475,879</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**13. PENSION PLANS**

**A. General Information**

The District participates in the New York State Teachers' Retirement System (NYSTRS) and the New York State and Local Employees' Retirement System (NYSERS). These are cost-sharing multiple employer, public employee retirement systems. The Systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

**B. Provisions and Administration**

Teachers' Retirement System

The NYSTRS is administered by the New York State Teachers' Retirement Board. The NYSTRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the state of New York. The NYSTRS issues a publicly available financial report that contains financial statements and required supplementary information. The report may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

The NYSERS provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law. The NYSERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Employees' Retirement System, Office of the State Comptroller, 110 State Street, Albany, NY 12244.

**C. Funding Policies**

Plan members who joined the Systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to NYSERS or 3.5% of their salary to NYSTRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. For the NYSERS, the Comptroller shall certify annually the rates expressed as proportions of members' payroll annually, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund. Pursuant to Article 11 of the Education Law, rates are established annually for NYSTRS by the New York State Teachers' Retirement Board.

The District is required to contribute at an actuarially determined rate. The District contributions made to the Systems were equal to 100% of the contributions required for each year. The District's share of the required contributions for the current year and two preceding years were:



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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<u>Year</u>	<u>NYSTRS</u>	<u>NYSERS</u>
2013	\$ 2,418,034	\$ 827,792
2012	2,254,904	670,052
2011	1,800,444	588,574

**D. Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2013, totaled \$78,897 and \$1,286,327, respectively.

**14. POSTEMPLOYMENT BENEFITS**

**A. Plan Description**

The District provides health insurance coverage (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The Plan does not issue a stand-alone financial report.

**B. Funding Policy**

The District recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are made. For the year ended June 30, 2013, the District recognized a general fund expenditure of \$2,400,003 for insurance premiums for 556 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

**C. Annual OPEB Cost and Net OPEB Obligation**

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Annual required contribution (ARC)	\$ 4,496,761
Interest on net OPEB obligation	655,180
Adjustment to ARC	<u>(1,131,243)</u>
Annual OPEB cost (expense)	4,020,698
Contributions made	<u>(2,400,003)</u>
 Increase in net OPEB obligation	 1,620,695
Net OPEB obligation - beginning of year	<u>14,559,545</u>
 Net OPEB obligation - end of year	 <u>\$ 16,180,240</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	\$ 4,020,698	59.7%	\$ 16,180,240
June 30, 2012	4,509,931	51.4%	14,559,545
June 30, 2011	4,310,395	50.8%	12,367,761

**D. Funded Status and Funding Progress**

As of July 1, 2012 the most recent actuarial valuation date, which was dated June 21, 2013, the plan was 0% funded. The actuarial accrued liability for benefits was \$66,800,815 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$66,800,815. The covered payroll (annual payroll of active employees covered by the plan) was \$25,847,252, and the ratio of the UAAL to the covered payroll was 258.4%.

Actuarial valuations of an ongoing plan involved estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The required schedule of funding progress following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**E. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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In the July 1, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 5% after 5 years. The UAAL is being amortized using the level dollar method. The remaining amortization period at June 30, 2013, was 25 years.

**15. RISK MANAGEMENT**

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

Effective July, 2012, the District participates in the New York State Municipal Workers Compensation Alliance Plan (the Plan), a risk sharing pool, to insure workers' compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to workers' compensation claims through self-insurance. The Plan, through its plan administrator, provides participating members with risk management services as well as workers compensation and employers liability coverage. Participating members agree to make contributions as determined by the Plan. The Plan is allowed to make additional pro-rated assessment to its members if the assets of the Plan are insufficient to enable the Plan to discharge its legal liabilities and other obligations or to maintain required reserves. According to the Plan's June 30, 2012 financial statements, which are the most recent financial statements available, the Plan's total liability for unbilled and opened claims including an estimate for incurred but not reported liability (IBNR) was \$67,064,506. The Plan has assets of \$60,862,425 at June 30, 2012 to pay these liabilities.

**16. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES**

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2013 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2014:

Unemployment insurance	\$ 101,000
Retirement contributions	<u>996,688</u>
	<u>\$ 1,097,688</u>

**17. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$500,000 has been appropriated to reduce taxes for the year ending June 30, 2014.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**18. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2013, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	\$ 64,526
Instruction	<u>93,606</u>
	<u>158,132</u>
 School Lunch Fund	
Food service program	<u>23,159</u>
	<u>\$ 181,291</u>

**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. Litigation**

General

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

Tax Certiorari

A Nassau County Local Law was passed in 2010 whereby the liability for a school district property tax deficiency existing or arising from a decrease in real property assessments or taxes that is due a taxpayer (tax certiorari judgments) will become that of the school district, rather than the County. The legislation was scheduled to take effect during the 2012-13 year; however, the law is being challenged in the courts. In the latest ruling (February 2013), the four-judge Appellate Division panel unanimously ruled against the County. The County has appealed the ruling. However, the ultimate outcome cannot be determined at this time. Consequently, no liability is reflected in the financial statements. If the County prevails, the tax certiorari judgments will create significant liabilities for the District.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**D. Operating Leases**

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$99,830. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 99,830
2015	41,254
2016	<u>35,012</u>
	<u>\$ 176,096</u>

**19. SUBSEQUENT EVENTS**

On August 29, 2013, the District issued a tax anticipation note in the amount of \$4,800,000, which is due June 20, 2014 and bears interest at an effective rate of 0.34%

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 34,852,966	\$ 34,852,966	\$ 34,854,083	\$ 1,117
Other tax items	6,266,027	6,266,027	6,412,675	146,648
Charges for services	3,130,000	3,130,000	3,272,556	142,556
Use of money and property	692,283	692,283	622,198	(70,085)
Sale of property and compensation for loss		47,550	58,098	10,548
Miscellaneous	195,600	199,600	587,707	388,107
Intergovernmental revenue	611,804	611,804	612,803	999
Total Local Sources	45,748,680	45,800,230	46,420,120	619,890
State Sources	8,008,440	8,108,440	7,997,312	(111,128)
Medicaid Reimbursement			33,720	33,720
Federal Sources			37,853	37,853
Total Revenues	53,757,120	53,908,670	54,489,005	\$ 580,335
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	500,000	500,000		
Prior Year's Encumbrances	50,728	50,728		
Appropriated Reserves	931,573	931,573		
Total Appropriated Fund Balance	1,482,301	1,482,301		
Total Revenues and Appropriated Fund Balance	\$ 55,239,421	\$ 55,390,971		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2013

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 118,766	\$ 118,766	\$ 96,777	\$	\$ 21,989
Central administration	316,541	317,188	315,468		1,720
Finance	707,109	711,470	656,998	25,850	28,622
Staff	329,757	259,681	248,693	1,341	9,647
Central services	3,583,378	3,608,952	3,459,831	37,335	111,786
Special items	635,000	494,871	494,871		-
Total General Support	5,690,551	5,510,928	5,272,638	64,526	173,764
Instruction					
Instruction, administration & improvement	1,964,134	2,014,909	1,960,305	60	54,544
Teaching - regular school	16,167,132	15,881,546	15,671,931	264	209,351
Programs for children with handicapping conditions	8,005,421	8,408,852	8,266,451		142,401
Occupational education	517,860	402,446	402,446		-
Teaching - special school	16,000	41,480	39,657		1,823
Instructional media	1,027,869	1,151,339	963,343	87,210	100,786
Pupil services	3,126,016	3,120,723	3,031,777	6,072	82,874
Total Instruction	30,824,432	31,021,295	30,335,910	93,606	591,779
Pupil Transportation	4,429,512	4,572,291	3,894,530		677,761
Employee Benefits	12,928,932	12,919,880	12,219,827		700,053
Debt Service					
Principal	273,159	503,159	503,159		-
Interest	762,835	532,835	486,701		46,134
Total Debt Service	1,035,994	1,035,994	989,860	-	46,134
Total Expenditures	54,909,421	55,060,388	52,712,765	158,132	2,189,491
<b>OTHER USES</b>					
Operating transfers out	330,000	330,583	330,583		-
Total Expenditures and Other Uses	\$ 55,239,421	\$ 55,390,971	53,043,348	\$ 158,132	\$ 2,189,491
Net Change in Fund Balance			1,445,657		
Fund Balances - Beginning of Year			6,495,930		
Fund Balances - End of Year			\$ 7,941,587		

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Schedule of Funding Progress - Other Postemployment Benefits**  
For The Year Ended June 30, 2013

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrual Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 66,095,197	\$ 66,095,197	0%	\$ 25,890,370	255.3%
July 1, 2011	-	69,115,171	69,115,171	0%	25,372,797	272.4%
July 1, 2012	-	66,800,815	66,800,815	0%	25,847,252	258.4%



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Schedules of Change from Adopted Budget to Final Budget**  
**and the Real Property Tax Limit - General Fund**  
For The Year Ended June 30, 2013

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 55,188,693
Additions:	
Prior year's encumbrances	<u>50,728</u>
Original Budget	55,239,421
Budget revision	<u>151,550</u>
Final Budget	<u><u>\$ 55,390,971</u></u>

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

2013-14 voter-approved expenditure budget	<u><u>\$ 55,675,720</u></u>
Maximum allowed (4% of 2013-14 budget)	<u><u>\$ 2,227,029</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 658,132
Unassigned fund balance	<u>2,727,030</u>
	\$ 3,385,162
Less:	
Appropriated fund balance	500,000
Encumbrances	<u>158,132</u>
Total adjustments	<u>658,132</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 2,727,030</u></u>
Actual Percentage	4.90%

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Schedule of Project Expenditures -**  
**Capital Projects Fund**  
For The Year Ended June 30, 2013

PROJECT TITLE	Budget June 30, 2012	Budget June 30, 2013	Expenditures		Unexpended Balance	Methods of Financing			Fund Balance June 30, 2013
			Prior Years	Current Year		Proceeds of Obligations	State Aid	Local Sources	
					Total			Total	
Chestnut Street Boiler Chestnut Street Expansion	\$ 150,000 1,500,000	\$ 150,000 1,500,000	\$ 8,532 1,437,668	\$ -	\$ 8,532 1,437,668	\$ -	\$ -	\$ 150,000 1,500,000	\$ 141,468 62,332
2002/03 General Fund Appropriations District Renovations/Insurance Mandates Cornwell Avenue Renovations High School/Middle School Renovations	109,000 10,500 198,000	109,000 10,500 198,000	146,136 10,228 200,061		146,136 10,228 200,061	(37,136) 272 (2,061)		109,000 10,500 198,000	(37,136) 272 (2,061)
2003/04 General Fund Appropriations District Renovations/Insurance Mandates	95,000	95,000	54,470		54,470	40,530		95,000	40,530
2006/2007 General Fund Appropriations George Washington Renovations	45,392	45,392	42,092		42,092	3,300		45,392	3,300
2008/2009 General Fund Appropriations Eagle Avenue Renovations Technology Upgrades	20,000 75,000	20,000 75,000				20,000 2,309		20,000 75,000	20,000 2,309
2009/2010 General Fund Appropriations Middle School/High School Renovations Security Systems	6,867 7,000	6,867 7,000	6,403 6,963		6,403 6,963	464 37		6,867 7,000	464 37
2010/2011 General Fund Appropriations Cornwell Avenue Renovations George Washington Renovations Middle School/High School Renovations Middle School/High School Masonry Repairs	20,000 5,000 40,000 145,934	20,000 5,000 40,000 145,934	12,595 - 39,725 63,481		12,595 - 39,725 63,481	7,405 5,000 275 82,453		20,000 5,000 40,000 145,934	7,405 5,000 275 82,453
2011/2012 General Fund Appropriations George Washington Renovations	50,000	50,000	29,358		29,358	20,642		50,000	20,642
2012/2013 General Fund Appropriations High School Roof Repair		250,000		250,000	250,000	-		250,000	-
District Wide Wireless Network		276,873		216,873	216,873	60,000		276,873	60,000
High School/Middle School Masonry EXCEL		652,027		637,281	637,281	14,746		652,027	14,746
Totals	\$ 2,477,693	\$ 3,656,593	\$ 2,130,403	\$ 1,104,154	\$ 3,234,557	\$ 422,036	\$ 706,880	\$ 2,672,840	\$ 422,036
									(652,027)
									Total Fund Balance (Deficit)
									\$ (229,991)

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**

**Net Investment in Capital Assets**

For The Year Ended June 30, 2013

Capital assets, net	\$ 20,128,584
Deduct:	
Short-term portion of bonds payable	(240,000)
Long-term portion of bonds payable	(8,265,000)
Short-term portion of installment purchase debt	(97,482)
Long-term portion of installment purchase debt	(113,478)
Short-term portion of energy performance contract	(165,782)
Long-term portion of energy performance contract	(2,466,716)
	<u>(11,348,458)</u>
Net Investment in Capital Assets	<u>\$ 8,780,126</u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the West Hempstead Union Free School District (District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 4, 2013.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as items 2012-001 to be a material weakness.

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the West Hempstead Union Free School District in a separate letter dated October 4, 2013.

## **District's Response to Findings**

West Hempstead Union Free School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. West Hempstead Union Free School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

October 4, 2013

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
For the Year Ended June 30, 2013

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**FINANCIAL STATEMENTS FINDING**

**Material Weakness**

2012-001. Year End Closing Adjustments

*Condition:* The District did not prepare all of the adjusting journal entries to close the books at year end.

*Criteria:* The District's internal control over financial reporting must include controls over the year end accounting close process.

*Effect:* The District's books and records required a number of audit adjustments to correct misstatements during the annual audit. A few of the audit adjustments were material in dollar amounts to the respective funds.

*Recommendation:* The District should develop a plan for recording all required entries needed to close the books at year end.

*Management's Response:* The District will continue to provide training to the staff to ensure that all year end journal entries are recorded.

