



**WEST HEMPSTEAD PUBLIC SCHOOLS**

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS

June 30, 2016

**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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***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 schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 14 and 48 through 52, 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 53 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016 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 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*

November 9, 2016

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

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, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

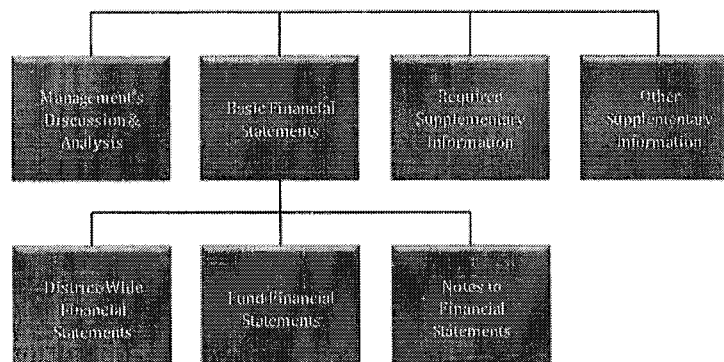
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$4,804,389 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 \$55,119,085. Of this amount, \$2,894,047 was offset by program charges for services. The District also received \$1,891,905 in operating grants to support instructional and food service programs. General revenues of \$55,137,522 amount to 92% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$808,380 to \$6,347,578, as revenues exceeded expenditures based on the modified accrual basis of accounting. The unassigned fund balance in the general fund was \$2,365,631.
- The general fund expended \$56,765,222 in 2015-16. This, along with \$38,689 in encumbrances at June 30, 2016, totals \$56,803,911, a decrease of \$376,845, or 0.66%, from the previous year.
- The District's 2015-16 original property tax levy of \$44,047,044 was a 2.61% increase over the 2015 tax levy. The District's property tax cap was 2.61%. The 2015-16 tax levy was reduced by Nassau County in the amount of \$1,066,720, and billed to the Long Island Power Authority (LIPA) as PILOT (payment in lieu of taxes). As a result, the District's 2015-16 adjusted actual tax levy was \$42,980,324. As of June 30, 2016 the District has recognized \$1,005,206 of the \$1,066,720 LIPA PILOT as revenue, the balance of \$61,514 will be applied by LIPA as credit against its future PILOT payment.
- On March 15, 2016, the voters approved the issuance of \$35,570,029 in serial bonds to fund needed district-wide capital improvements. As of June 30, 2016 the District has not issued any new bond debt.

**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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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.

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.

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, 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 Balances 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 separate statements. 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 \$4,804,389 between fiscal year 2016 and 2015. The increase is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2016	2015	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 13,704,652	\$ 13,195,818	\$ 508,834	3.86 %
Capital Assets, Net	20,119,575	20,424,147	(304,572)	(1.49)%
Net Pension Asset - Proportionate Share	14,947,846	16,078,682	(1,130,836)	(7.03)%
Total Assets	48,772,073	49,698,647	(926,574)	(1.86)%
Deferred Outflows of Resources	5,535,191	4,263,328	1,271,863	29.83 %
Current and Other Liabilities	4,999,110	6,461,174	(1,462,064)	(22.63)%
Long-Term Liabilities	13,129,971	13,842,081	(712,110)	(5.14)%
Net Other Postemployment Benefits Obligation	19,996,282	18,907,345	1,088,937	5.76 %
Net Pension Liability - Proportionate Share	2,710,351	570,550	2,139,801	375.04 %
Total Liabilities	40,835,714	39,781,150	1,054,564	2.65 %

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

	2016	2015	Increase (Decrease)	Percentage Change
Deferred Inflows of Resources	\$ 5,538,541	\$ 11,052,205	\$ (5,513,664)	(49.89)%
Net investment in capital assets	10,104,532	9,795,480	309,052	3.16 %
Restricted	3,443,258	2,486,650	956,608	38.47 %
Unrestricted (Deficit)	(5,614,781)	(9,153,510)	3,538,729	38.66 %
Total Net Position	\$ 7,933,009	\$ 3,128,620	\$ 4,804,389	153.56 %

Current and other assets increased by \$508,834, as compared to the prior year. The increase is primarily related to increases in cash and taxes receivable, offset by decreases in due from state and federal and due from other governments.

Capital assets, net decreased by \$304,572, as compared to the prior year. This decrease is due to depreciation expense in excess of capital additions. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share decreased by \$1,130,836, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

Deferred outflows of resources represents contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities decreased by \$1,462,064, as compared to the prior year. This decrease is primarily a result of a decrease in due to other governments and due to teachers' retirement system, offset by increases in accounts payable and accrued liabilities.

Long-term liabilities decreased by \$712,110, 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 (OPEB) obligation increased by \$1,088,937, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$2,139,801 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources primarily represents actuarial adjustments at the pension plan level that will be amortized in future years.

The net investment in capital assets is 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 \$309,052.



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

The restricted amount of \$3,443,258 relates to the District's reserves. This number increased over the prior year by \$956,608 due to the funding of the retirement contribution, unemployment and employee benefit accrued liability reserves, net of usage of the reserves.

The unrestricted (deficit) amount of \$(5,614,781) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit decreased from the prior year by \$3,538,729, and shows the effect of the inclusion of the proportionate share of the state retirement plans' collective assets, deferred outflows, liabilities and deferred inflows.

The District's total net position increased by \$4,804,389 or 153.56%.

**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 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, 2016 and 2015 is as follows:

	2016	2015	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 2,894,047	\$ 3,914,406	\$ (1,020,359)	(26.07)%
Operating Grants	1,887,699	2,164,096	(276,397)	(12.77)%
Capital Grants		69,599	(69,599)	(100.00)%
General Revenues				
Property Taxes and STAR	42,980,324	42,932,547	47,777	0.11 %
State Sources	9,242,400	8,147,793	1,094,607	13.43 %
Other	2,919,004	1,555,866	1,363,138	87.61 %
Total Revenues	<u>59,923,474</u>	<u>58,784,307</u>	<u>1,139,167</u>	1.94 %
<b>Expenses</b>				
General Support	6,428,535	6,397,420	31,115	0.49 %
Instruction	43,338,683	43,430,672	(91,989)	(0.21)%
Pupil Transportation	3,961,825	4,153,012	(191,187)	(4.60)%
Debt Service - Interest	416,877	398,067	18,810	4.73 %
Food Service Program	973,165	982,676	(9,511)	(0.97)%
Total Expenses	<u>55,119,085</u>	<u>55,361,847</u>	<u>(242,762)</u>	(0.44)%
Increase in Net Position	<u>\$ 4,804,389</u>	<u>\$ 3,422,460</u>	<u>\$ 1,381,929</u>	40.38 %

The District's net position increased by \$4,804,389 and \$3,422,460 for the years ended June 30, 2016 and 2015, respectively.

The District's revenues increased by \$1,139,167 or 1.94%. The major factors that contributed to the increase were:

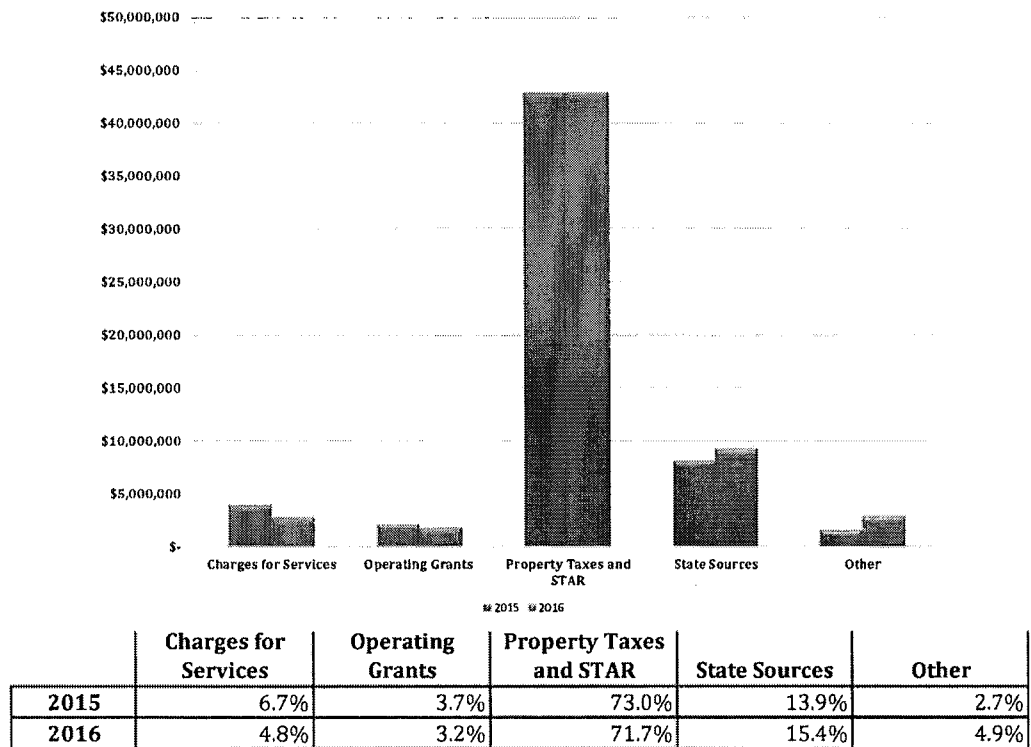
**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

- State sources increased \$1,094,607 primarily due to increases in general and lottery aid.
- Other revenue increased \$1,363,138 primarily due to an increase in payments in lieu of taxes received from LIPA.
- Charges for services decreased by \$1,020,359 primarily due to decreases in non-resident tuition rates as well as enrollment of students attending the District from Island Park.
- Operating grants decreased \$276,397 primarily due to a decrease in federal grants available to the District.

The District's expenses for the year decreased by \$242,762 or 0.44%. The major contributing factor to this decrease was a decrease in pupil transportation related to the overall decrease in enrollment.

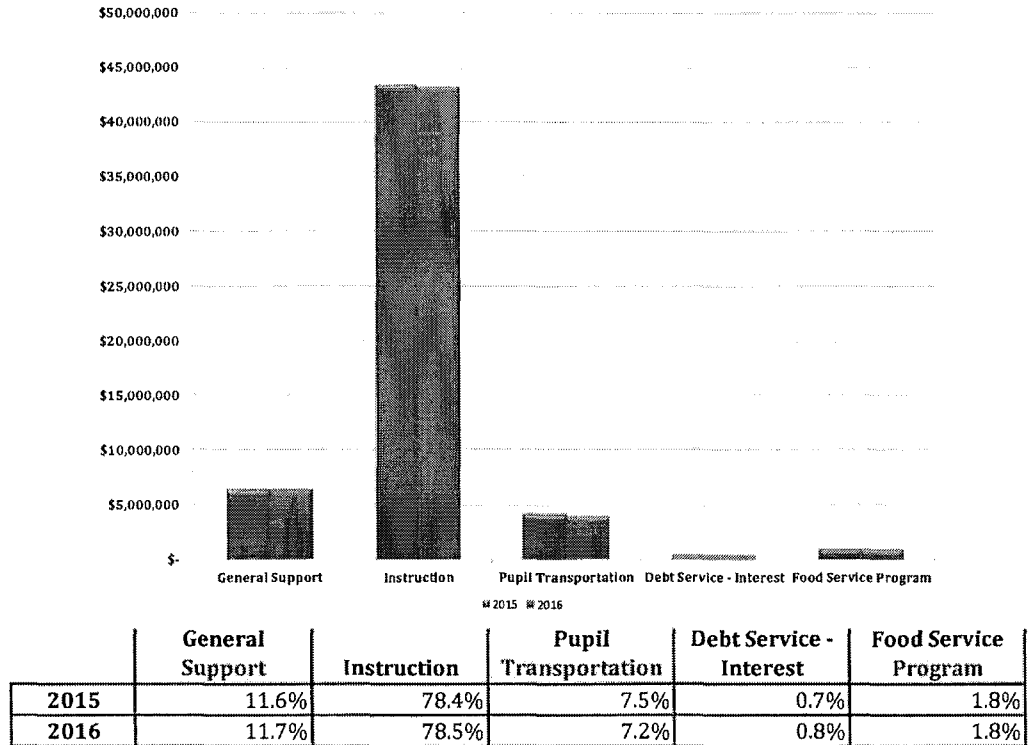
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 72.0% and 73.0% of the total for the years 2016 and 2015, respectively). Instruction expense is the largest category of expenses incurred (i.e., 78.5% and 78.4% of the total for the years 2016 and 2015, respectively).

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



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

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



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

At June 30, 2016, the District's governmental funds reported a combined fund balance of \$8,013,736, which is an increase of \$1,827,616 over the prior year. This increase is primarily due to an excess of revenues over expenditures in the general fund and capital fund based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2016	2015	Increase (Decrease)
<b>General Fund</b>			
Restricted			
Unemployment insurance	\$ 161,783	\$ 71,362	\$ 90,421
Retirement contribution	1,250,426	948,721	301,705
Employee benefit accrued liability	2,031,049	1,466,567	564,482
Assigned:			
Appropriated fund balance	500,000	960,000	(460,000)
Unappropriated fund balance	38,689	33,118	5,571
Unassigned: Fund balance	2,365,631	2,059,430	306,201
	<u>6,347,578</u>	<u>5,539,198</u>	<u>808,380</u>
<b>School Lunch Fund</b>			
Nonspendable: Inventory	1,703	1,978	(275)
Assigned: Unappropriated fund balance	404,214	441,222	(37,008)
	<u>405,917</u>	<u>443,200</u>	<u>(37,283)</u>

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

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b>Capital Projects Fund</b>			
Restricted: Unspent debt proceeds	\$ 4,446.00	\$ 7,228	\$ (2,782)
Assigned: Unappropriated fund balance	<u>1,255,795</u>	<u>196,494</u>	<u>1,059,301</u>
	<u>1,260,241</u>	<u>203,722</u>	<u>1,056,519</u>
 Total Fund Balance	 <u>\$ 8,013,736</u>	 <u>\$ 6,186,120</u>	 <u>\$ 1,827,616</u>

**A. General Fund**

The net change in the general fund – fund balance is an increase of \$808,380, as revenues exceeded expenditures. Restricted reserves increased by the net amount of \$956,608, as Board-approved funding of reserves of \$1,950,160 and interest earnings of \$1,420 exceeded the budgeted spending from reserves totaling \$994,972.

The District elected to appropriate \$500,000 of the fund balance to partially fund the 2016-17 budget.

**B. School Lunch Fund**

The net change in the school lunch fund – fund balance is a decrease of \$37,283, which was the operating loss of the food service program.

**C. Capital Projects Fund**

The net change in the capital projects fund – fund balance is an increase of \$1,056,519. This increase is primarily due to new projects funded by a general fund transfer that were started by the District in the current year but not yet completed. The projects are the Washington Avenue window replacement, High School and Middle School alarm systems and the garage replacement.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2015-16 Budget**

The District's general fund adopted budget for the year ended June 30, 2016 was \$59,494,067. This amount was increased by encumbrances carried forward from the prior year in the amount of \$33,118 and budget revisions in the amount of \$470,000 for a total final budget of \$59,997,184.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$44,047,044 in estimated property taxes, and STAR and PILOT.

**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, appropriations to fund the subsequent year's budget, encumbrances. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

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

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Opening, Unassigned Fund Balance	\$ 2,059,430
Appropriated Fund Balance for Contingent Expenditures	(395,000)
Revenues Over Budget	309,257
Expenditures and Encumbrances Under Budget	3,193,273
Interest allocated to reserves	(1,420)
Unused Budgeted Appropriated Reserves	(349,749)
Allocation to Reserves	(1,950,160)
Appropriated for the June 30, 2017 Budget	<u>(500,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 2,365,631</u>

Opening, Unassigned Fund Balance

The \$2,059,430 shown in the table is the portion of the District's June 30, 2015 fund balance that was retained as unassigned. This was 3.46% of the District's 2015-16 approved operating budget of \$59,494,066.

Appropriated Fund Balance for Contingent Expenditures

The District identified emergency repairs to the high school and middle school fire alarm systems and the District's maintenance garage in 2015-16. The Board authorized the appropriation of \$395,000 from unassigned fund balance to cover the costs.

Revenues Over Budget

The 2015-16 final budget for revenues was \$57,264,345. Actual revenues received for the year were \$57,573,602. The excess of actual revenue over estimated or budgeted revenue was \$309,257. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

Expenditures and Encumbrances Under Budget

The 2015-16 final budget for expenditures was \$59,997,184. Actual expenditures as of June 30, 2016 were \$56,765,222 and outstanding encumbrances were \$38,689. Combined, the expenditures plus encumbrances for 2015-16 were \$56,803,911. The final budget was under expended by \$3,193,273. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

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

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Interest Allocated to Reserves

This amount represents the interest earned on the reserves balances.

Unused Budgeted Appropriated Reserves

In 2015-16 the District budgeted the use of \$52,500 from the unemployment reserve for unemployment insurance claims, \$948,721 from the retirement contribution reserve for anticipated ERS contributions and \$343,500 from the employee benefit accrued liability reserve for the payment of retirement payouts. However, the District only utilized \$994,972 for those expenditures, leaving an unused budget reserve appropriation of \$349,749 that was returned to the reserves and is available for future use.

Allocation to Reserves

Monies transferred into authorized reserves do not affect the total fund balance unless, and until, these monies are actually expended. The transfers do, however, reduce the District's discretion regarding the use of these transferred monies, and thus, reduce the unassigned fund balance by the amount of the transfers.

The transfer of \$1,950,160 shown above is due to the transfer of \$100,000 to the unemployment reserve, \$1,100,160 to the retirement contribution reserve and \$750,000 to the employee benefit accrued liability reserve.

Appropriated Fund Balance

The District has chosen to use \$500,000 of the available June 30, 2016 unassigned fund balance to partially fund the 2016-17 approved operating budget. As such, the June 30, 2016 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at June 30, 2016 was \$2,365,631. This amount equals 4.0% of the 2016-17 budget and is at the statutory limit.

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

**A. Capital Assets, Net**

At June 30, 2016, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$755,142 in excess of capital asset additions of \$450,570 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

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

	2016	2015	Increase (Decrease)
Land	\$ 3,168,980	\$ 3,168,980	\$ -
Construction in progress	372,976		372,976
Buildings and improvements	15,322,807	15,888,632	(565,825)
Site improvements	181,045	218,776	(37,731)
Furniture and equipment	1,073,767	1,147,759	(73,992)
Capital assets, net	<u>\$ 20,119,575</u>	<u>\$ 20,424,147</u>	<u>\$ (304,572)</u>

**B. Debt Administration**

At June 30, 2016, the District had total bonds payable of \$7,685,000, an energy performance contract payable of \$2,118,728 and installment purchase debt payables of \$43,225, \$138,276 and \$34,260. A summary of the outstanding debt at June 30, 2016 and 2015 is as follows:

Issue Date	Interest Rate	2016	2015	Increase (Decrease)
6/12/2014	2.0-4.0%	\$ 7,685,000	\$ 7,970,000	\$ (285,000)
9/1/2006	3.24%	2,118,728	2,295,518	(176,790)
9/28/2011	3.91%	-	12,357	(12,357)
11/15/2013	2.99%	43,225	85,195	(41,970)
7/16/2014	2.77%	138,276	272,825	(134,549)
10/15/2015	3.12%	34,260	-	34,260
		<u>\$ 10,019,489</u>	<u>\$ 10,635,895</u>	<u>\$ (616,406)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa3. The District's outstanding serial bonds at June 30, 2016 are approximately 4% of the District's debt limit.

**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 17, 2016, for the year ending June 30, 2017, is \$59,140,824. This is a decrease of \$353,242 or 0.59% from the previous year's budget. The decrease is principally in teaching, co-curricular and educational support, debt service payments and interfund transfers for capital project expenditures.

The District budgeted revenues other than property taxes and STAR at a \$125,826 increase over the prior year estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$500,000 is a \$460,000 decrease from the previous year. Additionally, the District has elected to appropriate \$482,078 of restricted reserves towards next year's budget, which is a decrease of \$862,643 from the previous year. As a result, the District's 2016-17 property tax levy is \$43,823,899 which is an increase of \$843,575, or 1.96%, from the 2015-16 adjusted actual tax levy of \$42,980,324 (adjusted for LIPA PILOT by Nassau County).

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

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**B. Future Budgets**

Significant increases in costs of health insurance, the property tax levy cap, decline in enrollment of Island Park students, and uncertainty in state aid and federal funds will continue to impact the District's future budgets.

**C. Property Tax Cap**

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's 2016-17 property tax levy increase of 1.96% was equal to the tax levy cap and did not require an override vote.

**D. Property Tax Freeze Credit and Property Tax Relief Credit**

New York State law provides a "Property Tax Freeze Credit" that effectively "freezes" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners receive a credit, which is distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments, in the second year, to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The program ends for school districts with the 2015-16 school year.

New York State enacted a new law that provides a "Property Tax Relief Credit" to eligible taxpayers for the 2016-17 through 2019-20 school years. To be eligible, a taxpayer, based on income tax return filings for the taxable two years prior, must be a New York State resident, owned and primarily resided in real property receiving the STAR exemption, and had adjusted gross income no greater than \$275,000. A taxpayer is ineligible for the tax credit if the real property is located in a school district that adopted a budget in excess of the tax levy limit. Eligible District taxpayers will receive a tax credit in the form of a check in the amount of \$130 in the first year. In subsequent years, the amount of the credit is a function of the basic STAR savings and the taxpayer's income.

These property tax credit programs provide an incentive for school districts to be tax cap compliant.

**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. Lawrence Blake  
Interim Assistant Superintendent for Business and Operations  
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, 2016

**ASSETS**

Cash	
Unrestricted	\$ 6,061,040
Restricted	3,447,704
Receivables	
Accounts receivable	244,144
Taxes receivable	1,396,498
Due from state and federal	1,471,993
Due from other governments	1,081,570
Inventories	1,703
Capital assets:	
Not being depreciated	3,541,956
Being depreciated, net of accumulated depreciation	16,577,619
Net pension asset - proportionate share	14,947,846
	<hr/>
Total Assets	48,772,073

**DEFERRED OUTFLOWS OF RESOURCES**

Pensions	5,535,191
	<hr/>

**LIABILITIES**

Payables	
Accounts payable	751,228
Accrued liabilities	193,716
Due to fiduciary funds	209,352
Due to other governments	510,642
Due to teachers' retirement system	3,016,588
Due to employees' retirement system	219,586
Compensated absences payable	90,703
Unearned credits	
Collections in advance	7,295
Long-term liabilities	
Due and payable within one year	
Bonds payable	295,000
Installment purchase debt payable	192,572
Energy performance contract payable	182,563
Compensated absences payable	100,000
Due and payable after one year	
Bonds payable	7,390,000
Installment purchase debt payable	23,189
Energy performance contract payable	1,936,165
Compensated absences payable	3,010,482
Net other postemployment benefits obligation	19,996,282
Net pension liability - proportionate share	2,710,351
	<hr/>
Total Liabilities	40,835,714

**DEFERRED INFLOWS OF RESOURCES**

Deferred revenues	61,514
Pensions	5,477,027
	<hr/>
Total Deferred Inflows of Resources	5,538,541

**NET POSITION**

Net investment in capital assets	10,104,532
	<hr/>
Restricted	
Unemployment insurance	161,783
Retirement contribution	1,250,426
Employee benefit accrued liability	2,031,049
	<hr/>
	3,443,258
	<hr/>
Unrestricted (deficit)	(5,614,781)
	<hr/>
Total Net Position	\$ 7,933,009

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Statement of Activities**  
For The Year Ended June 30, 2016

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
<b>FUNCTIONS/PROGRAMS</b>				
General support	\$ 6,428,535	\$	\$	\$ (6,428,535)
Instruction	43,338,683	2,506,052	1,339,812	(39,492,819)
Pupil transportation	3,961,825			(3,961,825)
Debt service - interest	416,877			(416,877)
Food service program	973,165	387,995	547,887	(37,283)
Total Functions and Programs	<u>\$ 55,119,085</u>	<u>\$ 2,894,047</u>	<u>\$ 1,887,699</u>	<u>(50,337,339)</u>
<b>GENERAL REVENUES</b>				
Real property taxes				36,901,155
Other tax items				7,624,100
Use of money and property				493,552
Sale of property and compensation for loss				13,843
Miscellaneous				244,587
Intergovernmental revenue				582,456
State sources				9,242,400
Medicaid reimbursement				<u>39,635</u>
Total General Revenues				<u>55,141,728</u>
Change in Net Position				4,804,389
Total Net Position - Beginning of Year				<u>3,128,620</u>
Total Net Position - End of Year				<u>\$ 7,933,009</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2016

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 5,209,742	\$ 204,434	\$ 440,090	\$ 206,774	\$ 6,061,040
Restricted	3,443,258			4,446	3,447,704
Receivables					
Accounts receivable	242,165		1,979		244,144
Taxes receivable	1,396,498				1,396,498
Due from other funds	153,858	172,021		1,216,851	1,542,730
Due from state and federal	886,973	549,331	35,689		1,471,993
Due from other governments	1,081,570				1,081,570
Inventories			1,703		1,703
Total Assets	<u>\$ 12,414,064</u>	<u>\$ 925,786</u>	<u>\$ 479,461</u>	<u>\$ 1,428,071</u>	<u>\$ 15,247,382</u>
<b>LIABILITIES</b>					
Payables					
Accounts payable	\$ 446,675	\$ 80,458	\$ 56,265	\$ 167,830	\$ 751,228
Accrued liabilities	91,164				91,164
Due to other funds	917,218	819,647	15,217		1,752,082
Due to other governments	490,194	20,365	83		510,642
Due to teachers' retirement system	3,016,588				3,016,588
Due to employees' retirement system	219,586				219,586
Compensated absences payable	90,703				90,703
Unearned credits					
Collections in advance		5,316	1,979		7,295
Total Liabilities	<u>5,272,128</u>	<u>925,786</u>	<u>73,544</u>	<u>167,830</u>	<u>6,439,288</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred revenue	61,514				61,514
Unavailable revenue	732,844				732,844
Total Deferred Inflows of Resources	<u>794,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>794,358</u>
<b>FUND BALANCES</b>					
Nonspendable: Inventories			1,703		1,703
Restricted:					
Unemployment insurance	161,783				161,783
Retirement contribution	1,250,426				1,250,426
Employee benefit accrued liability	2,031,049				2,031,049
Unspent debt proceeds				4,446	4,446
Assigned:					
Appropriated fund balance	500,000				500,000
Unappropriated fund balance	38,689		404,214	1,255,795	1,698,698
Unassigned: Fund balance	2,365,631				2,365,631
Total Fund Balances	<u>6,347,578</u>	<u>-</u>	<u>405,917</u>	<u>1,260,241</u>	<u>8,013,736</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,414,064</u>	<u>\$ 925,786</u>	<u>\$ 479,461</u>	<u>\$ 1,428,071</u>	<u>\$ 15,247,382</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2016

Total Governmental Funds Balance	\$ 8,013,736
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Original cost of capital assets	\$ 32,850,834	
Accumulated depreciation	<u>(12,731,259)</u>	20,119,575

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds, but are not deferred on the statement of Net Position.

Net pension asset - teachers' retirement system	14,947,846	
Deferred outflows of resources	5,535,191	
Net pension liability - employees' retirement system	(2,710,351)	
Deferred inflows of resources	<u>(5,477,027)</u>	12,295,659

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

732,844

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	(102,552)	
Bonds payable	(7,685,000)	
Installment purchase debt payable	(215,761)	
Energy performance contract payable	(2,118,728)	
Compensated absences payable	(3,110,482)	
Net other postemployment benefits obligation	<u>(19,996,282)</u>	(33,228,805)

Total Net Position	\$ <u>7,933,009</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, 2016

	General	Special Aid	School Lunch	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 36,901,155	\$	\$	\$	\$ 36,901,155
Other tax items	7,624,100				7,624,100
Charges for services	2,431,191				2,431,191
Use of money and property	493,552		122		493,674
Sale of property and compensation for loss	13,843				13,843
Miscellaneous	216,707				216,707
Intergovernmental revenue	582,456				582,456
State sources	9,242,400	430,951	18,155		9,691,506
Medicaid reimbursement	39,635				39,635
Federal sources		908,861	463,410		1,372,271
Surplus food			66,322		66,322
Sales - school lunch			387,873		387,873
<b>Total Revenues</b>	<b>57,545,039</b>	<b>1,339,812</b>	<b>935,882</b>	<b>-</b>	<b>59,820,733</b>
<b>EXPENDITURES</b>					
General support	5,078,227				5,078,227
Instruction	31,657,604	1,380,478			33,038,082
Pupil transportation	3,841,740	97,224			3,938,964
Employee benefits	13,577,292				13,577,292
Debt service					
Principal	662,684				662,684
Interest	423,785				423,785
Cost of sales			973,165		973,165
Capital outlay				375,077	375,077
<b>Total Expenditures</b>	<b>55,241,332</b>	<b>1,477,702</b>	<b>973,165</b>	<b>375,077</b>	<b>58,067,276</b>
Excess (Deficiency) of Revenues Over Expenditures	2,303,707	(137,890)	(37,283)	(375,077)	1,753,457
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Proceeds from debt				46,279	46,279
Premium on obligation	27,880				27,880
Operating transfers in	683	137,890		1,386,000	1,524,573
Operating transfers (out)	(1,523,890)			(683)	(1,524,573)
<b>Total Other Financing Sources and (Uses)</b>	<b>(1,495,327)</b>	<b>137,890</b>	<b>-</b>	<b>1,431,596</b>	<b>74,159</b>
<b>Net Change in Fund Balances</b>	<b>808,380</b>	<b>-</b>	<b>(37,283)</b>	<b>1,056,519</b>	<b>1,827,616</b>
<b>Fund Balances -</b>					
Beginning of Year	5,539,198		443,200	203,722	6,186,120
End of Year	\$ 6,347,578	\$ -	\$ 405,917	\$ 1,260,241	\$ 8,013,736

**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, 2016**

Net Change in Fund Balances \$ 1,827,616

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).

Increase general fund deferred revenue related to foster tuition and special education billings. \$ 74,861

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 95,704

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 (1,088,937)  
(918,372)

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 depreciation exceeded capital outlays in the period.

Capital outlays 450,570  
 Depreciation expense (755,142)  
(304,572)

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.

(46,279)

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 285,000  
 Repayment of installment purchase debt 200,894  
 Repayment of energy performance contract 176,790

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2015 to June 30, 2016.

6,908  
 623,313

Pension Differences

The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system 3,819,370  
 Employees' retirement system (242,966)  
3,576,404

Change in Net Position of Governmental Activities \$ 4,804,389

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Funds**  
June 30, 2016

	<u>Agency</u>	<u>Private Purpose Trust</u>
<b>ASSETS</b>		
Cash		
Unrestricted	\$ 61,881	\$
Restricted		7,129
Due from governmental funds	<u>209,352</u>	
Total Assets	<u>\$ 271,233</u>	<u>7,129</u>
 <b>LIABILITIES</b>		
Extraclassroom activity balances	\$ 44,415	
Other liabilities	<u>226,818</u>	
Total Liabilities	<u>\$ 271,233</u>	<u>-</u>
 <b>NET POSITION</b>		
Restricted for scholarships		<u>\$ 7,129</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Statement of Changes in Fiduciary Net Position -**  
**Fiduciary Funds**  
For The Year Ended June 30, 2016

	Private Purpose Trust
<b>ADDITIONS</b>	
Investment earnings	
Interest	\$           4
<b>DEDUCTIONS</b>	
Scholarships and awards	-
Change in Net Position	4
Net Position - Beginning of Year	7,125
Net Position - End of Year	\$       7,129



**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 seven members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. 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 Funds. 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. Operating grants include operating-specific discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

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

Fund Financial Statements

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

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

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

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

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

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

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***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.

***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. The following are the District's 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**

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

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

The governmental 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, compensated absences, other postemployment benefits, and pension costs 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 are reported as other financing sources.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 1<sup>st</sup> and April 1<sup>st</sup>. Taxes are collected by the town of Hempstead and remitted to the District from November to June.

Enforcement

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

**F. 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, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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absences, termination benefits, pension costs, other postemployment benefits, workers' compensation liabilities, 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.

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

**J. 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.

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

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

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

**L. 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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**M. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. First is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems (TRS and ERS Systems) subsequent to the measurement date.

**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 grant 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 Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes amounts due from other governments for tuition charges. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is PILOT monies recognized before the period for which the resources apply. The amounts will be recognized as revenue in the period they apply. The third item is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

**P. 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. Employees are compensated for unused accumulated vacation leave through paid time off or cash payment upon retirement, termination or death.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The liability for compensated absences 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, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

**Q. Other Benefits**

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

**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**  
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**S. 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 the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

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

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

*Unemployment Insurance Reserve*

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

*Retirement Contribution Reserve*

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

*Employee Benefit Accrued Liability Reserve*

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

*Restricted – Unspent Debt Proceeds*

Unspent debt proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

*Restricted for Scholarships*

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, including earnings and net of awards. These restricted funds are accounted for in the 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 encumbrances not classified as restricted at the end of the fiscal year.

*Unassigned* – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending 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.

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.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENTS AND THE DISTRICT-WIDE STATEMENTS**

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

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.

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

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

**3. 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:

Emergency repairs of the high school and middle school fire alarms	\$ 265,000
Emergency renovation of the maintenance garage	130,000
Video surveillance project district-wide funded by bullet aid	<u>75,000</u>
	<u>\$ 470,000</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

**B. Encumbrances**

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

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**4. 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.

Custodial credit risk is the risk that in the event of a bank failure, the District may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

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

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

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

**5. PARTICIPATION IN BOCES**

During the year ended June 30, 2016, the District was billed \$4,588,668 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$631,523. 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.

**6. DUE FROM STATE AND FEDERAL**

Due from state and federal at June 30, 2016 consisted of:

General Fund	
New York State - general aid	\$ 226,106
New York State - excess cost aid	312,082
BOCES aid	<u>348,785</u>
	886,973
Special Aid Fund	
Federal and state grants	549,331
School Lunch Fund	
Federal and state food service program reimbursements	<u>35,689</u>
	<u>\$ 1,471,993</u>

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

**7. DUE FROM OTHER GOVERNMENTS**

Due from other governments at June 30, 2016 consisted of:

General Fund	
Payments in lieu of taxes (Nassau County)	\$ 61,514
Other school districts - charges for services	<u>1,020,056</u>
	<u>\$ 1,081,570</u>

**8. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,168,980	\$	\$	\$ 3,168,980
Construction in progress	-	372,976		372,976
Total capital assets not being depreciated	<u>3,168,980</u>	<u>372,976</u>	<u>-</u>	<u>3,541,956</u>
Capital assets being depreciated				
Buildings and improvements	26,551,845			26,551,845
Site improvements	887,767			887,767
Furniture and equipment	1,819,505	77,594	(27,833)	1,869,266
Total capital assets being depreciated	<u>29,259,117</u>	<u>77,594</u>	<u>(27,833)</u>	<u>29,308,878</u>
Less accumulated depreciation for:				
Buildings and improvements	10,663,213	565,825		11,229,038
Site improvements	668,991	37,731		706,722
Furniture and equipment	671,746	151,586	(27,833)	795,499
Total accumulated depreciation	<u>12,003,950</u>	<u>755,142</u>	<u>(27,833)</u>	<u>12,731,259</u>
Total capital assets being depreciated, net	<u>17,255,167</u>	<u>(677,548)</u>	<u>-</u>	<u>16,577,619</u>
Capital assets, net	<u>\$ 20,424,147</u>	<u>\$ (304,572)</u>	<u>\$ -</u>	<u>\$ 20,119,575</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 86,728
Instruction	<u>668,414</u>
Total depreciation expense	<u>\$ 755,142</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. INTERFUND TRANSACTIONS**

Interfund balances and activities at June 30, 2016, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 153,858	\$ 917,218	\$ 683	\$ 1,523,890
Special Aid Fund	172,021	819,647	137,890	
School Lunch Fund		15,217		
Capital Projects Fund	1,216,851		1,386,000	683
Total Governmental Funds	1,542,730	1,752,082	1,524,573	1,524,573
Fiduciary Funds	209,352			
Total	\$ 1,752,082	\$ 1,752,082	\$ 1,524,573	\$ 1,524,573

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, and the capital projects fund in accordance with the general fund budget. The transfer from the capital projects fund to the general fund was to return unused funds from completed capital projects.

**10. SHORT-TERM DEBT**

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

	Maturity	Stated Interest Rate	Balance June 30, 2015	Issued	Redeemed	Balance June 30, 2016
TAN	6/26/2016	1.5%	\$ -	\$ 4,000,000	\$ (4,000,000)	\$ -

Interest on short-term debt for the year was \$42,667. The District received a borrowing premium of \$27,880, which resulted in a 0.37% effective interest rate.

**11. LONG-TERM LIABILITIES**

**A. Changes**

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
<u>Long-term debt:</u>					
Bonds payable	\$ 7,970,000	\$	\$ (285,000)	\$ 7,685,000	\$ 295,000
Installment purchase debt	370,377	46,278	(200,894)	215,761	192,572
Energy performance contract	2,295,518		(176,790)	2,118,728	182,563
	10,635,895	46,278	(662,684)	10,019,489	670,135
<u>Other long-term liabilities</u>					
Compensated absences	3,206,186		(95,704)	3,110,482	100,000
	\$ 13,842,081	\$ 46,278	\$ (758,388)	\$ 13,129,971	\$ 770,135

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The general fund has typically been used to liquidate other long-term liabilities.

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Library bond - refunding	6/12/2014	3/1/2034	2.0-4.0%	<u>\$ 7,685,000</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 2015-16 the District received \$582,456 from the Library, which is recorded as intergovernmental revenue.

The following is a summary of debt service requirements:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 295,000	\$ 288,906	\$ 583,906
2018	305,000	280,056	585,056
2019	315,000	270,906	585,906
2020	325,000	258,306	583,306
2021	340,000	245,306	585,306
2022 - 2026	1,970,000	1,007,931	2,977,931
2027 - 2031	2,435,000	598,681	3,033,681
2032 - 2034	1,700,000	132,931	1,832,931
Total	<u>\$ 7,685,000</u>	<u>\$ 3,083,023</u>	<u>\$ 10,768,023</u>

**C. Energy Performance Contract and Installment Purchase Debt**

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

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2016
Energy performance contract	9/1/2006	6/23/2026	3.24%	\$ 2,118,728
Installment purchase:				
Computer equipment	11/15/2013	11/15/2015	2.99%	43,225
Technology equipment	7/16/2014	8/1/2016	2.77%	138,276
Pick-up truck	10/15/2015	11/15/2018	3.12%	34,260
				<u>\$ 2,334,489</u>

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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The following is a summary of debt service requirements for energy performance contract and installment purchase debt payable:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 375,135	\$ 73,372	\$ 448,507
2018	199,943	61,940	261,883
2019	206,457	55,427	261,884
2020	201,043	48,700	249,743
2021	207,610	42,134	249,744
2022 - 2026	<u>1,144,301</u>	<u>104,414</u>	<u>1,248,715</u>
Total	<u>\$ 2,334,489</u>	<u>\$ 385,987</u>	<u>\$ 2,720,476</u>

**D. Interest Expense**

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

Interest paid	\$ 381,118
Less interest accrued in the prior year	(109,460)
Plus interest accrued in the current year	<u>102,552</u>
Total interest expense on long-term debt	<u>\$ 374,210</u>

**E. Unissued Debt**

On March 15, 2016, the voters approved a bond issue not to exceed \$35,570,029 to fund needed district-wide capital improvements. As of June 30, 2016, no debt has been issued but the District has started awarding bids for work to be started in 2016-17.

**12. PENSION PLANS – NEW YORK STATE**

**A. General Information**

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

**B. Provisions and Administration**

Teachers' Retirement System

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



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

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

**C. Funding Policies**

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

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30<sup>th</sup>, for the current year and two preceding years was:

Year	TRS	ERS
2016	\$ 2,829,854	\$ 762,481
2015	3,798,537	924,899
2014	3,464,729	912,940

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. Pension Assets/Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2015, for TRS and March 31, 2016 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	\$ 14,947,846	\$ (2,710,351)
District's portion of the Plan's total net pension asset/(liability)	0.1439120%	0.0168866%
Change in proportion since the prior measurement date	(0.0004290)	(0.0000023)

For the year ended June 30, 2016, the District recognized pension expense (credit) of \$(988,397) for TRS and \$1,005,447 for ERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$	\$ 13,696	\$ 414,269	\$ 321,267
Changes of assumptions		722,769		
Net difference between projected and actual earnings on pension plan investments		1,607,929	4,725,092	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	13,405	127,952	16,349	50
District's contributions subsequent to the measurement date	2,829,854	219,586		
Total	<u>\$ 2,843,259</u>	<u>\$ 2,691,932</u>	<u>\$ 5,155,710</u>	<u>\$ 321,317</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended	TRS	ERS
2017	\$ (1,906,647)	\$ 550,299
2018	(1,906,647)	550,299
2019	(1,906,647)	550,299
2020	784,972	500,132
2021	(52,469)	
Thereafter	(154,867)	
	<u>\$ (5,142,305)</u>	<u>\$ 2,151,029</u>

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

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

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2015		March 31, 2016
Asset type				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2015, was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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TRS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	<u>\$ (1,019,636)</u>	<u>\$ 14,947,846</u>	<u>\$ 28,564,754</u>
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	<u>\$ (6,111,645)</u>	<u>\$ (2,710,351)</u>	<u>\$ 163,597</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2015	March 31, 2016
Employers' total pension liability	\$ (99,332,104)	\$ (172,303,544)
Plan fiduciary net position	<u>109,718,917</u>	<u>156,253,265</u>
Employers' net pension asset/(liability)	<u>\$ 10,386,813</u>	<u>\$ (16,050,279)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016, are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$2,829,854 of employer contributions and \$186,734 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2016, represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$219,586 of employer contributions. Employee contributions are remitted monthly.

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**13. PENSION PLANS – OTHER**

**Tax Sheltered Annuities**

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. 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, 2016, totaled \$153,598 and \$1,349,868, respectively.

**14. POSTEMPLOYMENT HEALTHCARE 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 its cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2016, the District recognized a general fund expenditure of \$2,565,373 for insurance premiums for 264 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.

Annual required contribution (ARC)	\$ 4,241,157
Interest on net OPEB obligation	850,831
Adjustment to ARC	<u>(1,437,678)</u>
Annual OPEB cost (expense)	3,654,310
Contributions made	<u>(2,565,373)</u>
 Increase in net OPEB obligation	 1,088,937
Net OPEB obligation - beginning of year	<u>18,907,345</u>
 Net OPEB obligation - end of year	 <u>\$ 19,996,282</u>

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

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, 2016 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, 2016	\$ 3,654,310	70.2%	\$ 19,996,282
June 30, 2015	3,528,275	72.1%	18,907,345
June 30, 2014	4,190,610	58.4%	17,924,317

**D. Funded Status and Funding Progress**

As of July 1, 2015 the most recent actuarial valuation date (which is an updated valuation), the plan was 0% funded. The actuarial accrued liability for benefits was \$67,099,309 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$67,099,309. The covered payroll (annual payroll of active employees covered by the plan) was \$26,640,573, and the ratio of the UAAL to the covered payroll was 251.9%.

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**

The valuation of July 1, 2015, is an update derived from estimates from the previous valuation dated July 1, 2014, based on the fact that there were no material changes to any of the benefit packages, the cost sharing structures or the census.

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.

In the July 1, 2015, 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 over thirty years.

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

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**15. RISK MANAGEMENT**

**A. General Information**

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

**B. Public Entity Risk Pool**

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, 2015 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 \$73,781,221. The Plan had assets of \$88,040,740 at June 30, 2015 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, 2016 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2017:

Unemployment insurance	\$ 50,000
Retirement contributions	130,000
Employee benefit accrued liability	<u>302,078</u>
	<u>\$ 482,078</u>

**17. ASSIGNED: APPROPRIATED FUND BALANCE**

The amount of \$500,000 has been appropriated to help fund the general fund budget for the year ending June 30, 2017.

**18. COMMITMENTS AND CONTINGENCIES**

**A. Encumbrances**

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2016, the District encumbered the following amounts:



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

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Assigned: Unappropriated Fund Balance:

General Fund	
General Support	\$ 35,450
Instruction	3,239
	<u>38,689</u>
School Lunch Fund	
Food Service Program	1,994
Capital Projects Fund	
Capital projects	<u>52,725</u>
	<u>\$ 93,408</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, would be immaterial.

**C. Litigation**

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.

**19. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 9, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

**Issuance of TANs**

On October 20, 2016, the District issued tax anticipation notes totaling \$4,900,000. The notes bear interest at 1% and 1.12% and are due June 23, 2017.

**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, 2016**

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Local Sources				
Real property taxes	\$ 36,901,155	\$ 36,901,155	\$ 36,901,155	\$ -
Other tax items	7,665,874	7,665,874	7,624,100	(41,774)
Charges for services	2,335,000	2,335,000	2,431,191	96,191
Use of money and property	290,000	290,000	493,552	203,552
Sale of property and compensation for loss			13,843	13,843
Miscellaneous	100,000	100,000	216,707	116,707
Intergovernmental revenue	582,456	582,456	582,456	-
Total Local Sources	47,874,485	47,874,485	48,263,004	388,519
State Sources	9,304,860	9,379,860	9,242,400	(137,460)
Medicaid Reimbursement	10,000	10,000	39,635	29,635
Federal Sources				-
Total Revenues	57,189,345	57,264,345	57,545,039	280,694
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in			683	683
Premium on obligation			27,880	27,880
Total Other Sources	-	-	28,563	28,563
Total Revenues and Other Sources	57,189,345	57,264,345	57,573,602	\$ 309,257
<b>APPROPRIATED FUND BALANCE</b>				
Prior Years' Surplus	960,000	1,355,000		
Prior Year's Encumbrances	33,118	33,118		
Appropriated Reserves	1,344,721	1,344,721		
Total Appropriated Fund Balance	2,337,839	2,732,839		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 59,527,184	\$ 59,997,184		

**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, 2016

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
<b>EXPENDITURES</b>					
General Support					
Board of education	\$ 123,722	\$ 123,916	\$ 123,138	\$	\$ 778
Central administration	318,412	322,718	322,024		694
Finance	732,371	748,173	711,521	23,650	13,002
Staff	359,726	347,279	295,270		52,009
Central services	3,548,094	3,588,002	3,080,421	11,800	495,781
Special items	558,601	548,638	545,853		2,785
Total General Support	5,640,926	5,678,726	5,078,227	35,450	565,049
Instruction					
Administration & improvement	2,090,209	2,105,891	2,034,466		71,425
Teaching - regular schools	15,870,566	15,678,482	15,327,539		350,943
Programs for students with disabilities	10,215,633	10,184,956	9,446,095		738,861
Occupational education	565,705	565,705	442,932		122,773
Teaching - special school	18,400	19,152	15,970		3,182
Instructional media	945,140	1,007,889	928,736	57	79,096
Pupil services	3,382,473	3,619,189	3,461,866	3,182	154,141
Total Instruction	33,088,126	33,181,264	31,657,604	3,239	1,520,421
Pupil Transportation	4,171,472	4,171,472	3,841,740		329,732
Employee Benefits	14,260,870	14,236,861	13,577,292		659,569
Debt Service					
Principal	750,667	718,615	662,684		55,931
Interest	426,002	426,125	423,785		2,340
Total Debt Service	1,176,669	1,144,740	1,086,469	-	58,271
Total Expenditures	58,338,063	58,413,063	55,241,332	38,689	3,133,042
<b>OTHER USES</b>					
Operating transfers out	1,189,121	1,584,121	1,523,890		60,231
Total Expenditures and Other Uses	\$ 59,527,184	\$ 59,997,184	56,765,222	\$ 38,689	\$ 3,193,273
Net Change in Fund Balance			808,380		
Fund Balance - Beginning of Year			5,539,198		
Fund Balance - End of Year			\$ 6,347,578		

**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 Funding Progress - Other Postemployment Benefits**  
June 30, 2016

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued 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, 2012	-	66,800,815	66,800,815	0%	25,847,252	258.4%
July 1, 2014	-	64,960,860	64,960,860	0%	26,892,719	241.6%

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/Liability**  
June 30, 2016

***Teachers' Retirement System***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension asset	0.1439120%	0.1443410%
District's proportionate share of the net pension asset	\$ 14,947,846	\$ 16,078,682
District's covered payroll	\$ 21,822,882	\$ 21,616,160
District's proportionate share of the net pension asset as a percentage of its covered payroll	68.50 %	74.38 %
Plan fiduciary net position as a percentage of the total pension asset	110.46%	111.48%

***Employees' Retirement System***

	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.0168866%	0.0168889%
District's proportionate share of the net pension liability	\$ 2,710,351	\$ 570,550
District's covered payroll	\$ 5,129,772	\$ 4,936,106
District's proportionate share of the net pension liability as a percentage of its covered payroll	52.84 %	11.56 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT  
Schedule of District Contributions  
June 30, 2016

*Teachers' Retirement System*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 2,829,854	\$ 3,798,537	\$ 3,464,729	\$ 2,418,034	\$ 2,254,904	\$ 1,800,444	\$ 1,321,410	\$ 1,736,479	\$ 1,883,887	\$ 1,778,047
Contributions in relation to the contractually required contribution	2,829,854	3,798,537	3,464,729	2,418,034	2,254,904	1,800,444	1,321,410	1,736,479	1,883,887	1,778,047
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$21,531,460	\$21,822,882	\$21,616,160	\$20,978,906	\$20,553,033	\$21,170,439	\$22,170,516	\$22,692,076	\$21,516,055	\$20,845,102
Contributions as a percentage of covered payroll	13%	17%	16%	12%	11%	9%	6%	8%	9%	9%

*Employees' Retirement System*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 762,481	\$ 924,899	\$ 912,940	\$ 827,792	\$ 670,052	\$ 588,574	\$ 416,910	\$ 288,798	\$ 357,356	\$ 350,062
Contributions in relation to the contractually required contribution	762,481	924,899	912,940	827,792	670,052	588,574	416,910	288,798	357,356	350,062
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,997,442	\$ 5,022,831	\$ 4,959,926	\$ 4,784,965	\$ 4,497,171	\$ 4,785,408	\$ 4,673,229	\$ 4,484,422	\$ 4,090,923	\$ 3,671,897
Contributions as a percentage of covered payroll	15%	18%	18%	17%	15%	12%	9%	6%	9%	10%

**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, 2016

**CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET**

Adopted Budget	\$ 59,494,066
Additions:	
Prior year's encumbrances	<u>33,118</u>
Original Budget	59,527,184
Budget revisions	<u>470,000</u>
Final Budget	<u><u>\$ 59,997,184</u></u>

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

2016-17 voter-approved expenditure budget	<u><u>\$ 59,140,824</u></u>
Maximum allowed (4% of 2016-17 budget)	<u><u>\$ 2,365,633</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 538,689
Unassigned fund balance	<u>2,365,631</u>
	\$ 2,904,320
Less:	
Appropriated fund balance	500,000
Encumbrances	<u>38,689</u>
Total adjustments	<u>538,689</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 2,365,631</u></u>
Actual Percentage	4.00%

## PROJECT TITLE

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



**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2016

Capital assets, net	<u>\$ 20,119,575</u>
Deduct:	
Short-term portion of bonds payable	(295,000)
Long-term portion of bonds payable	(7,390,000)
Short-term portion of installment purchase debt	(192,572)
Long-term portion of installment purchase debt	(23,189)
Less: Unspent installment purchase debt proceeds	4,446
Short-term portion of energy performance contract	(182,563)
Long-term portion of energy performance contract	<u>(1,936,165)</u>
	<u>(10,015,043)</u>
Net Investment in Capital Assets	<u><u>\$ 10,104,532</u></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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 9, 2016.

**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 item 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 November 9, 2016.

## **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*

November 9, 2016

**WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Year Ended June 30, 2016**

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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. Some 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, including reviewing its staffing needs for the treasury and accountant functions.

*Management's Response:* The District will review its business office staffing needs and continue to provide training to the staff to ensure that all year end journal entries are recorded.