



WEST HEMPSTEAD PUBLIC SCHOOLS

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

June 30, 2017

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, 2017, 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, 2017, 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.

Emphasis of Matter

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the District has adopted the provisions of GASB Statement No. 77, *Tax Abatement Disclosures*, as of June 30, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 pension contributions on pages 3 through 14 and 47 through 51, 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 52 through 54 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 December 5, 2017 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

December 5, 2017

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, 2017 in comparison with the year ended June 30, 2016, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

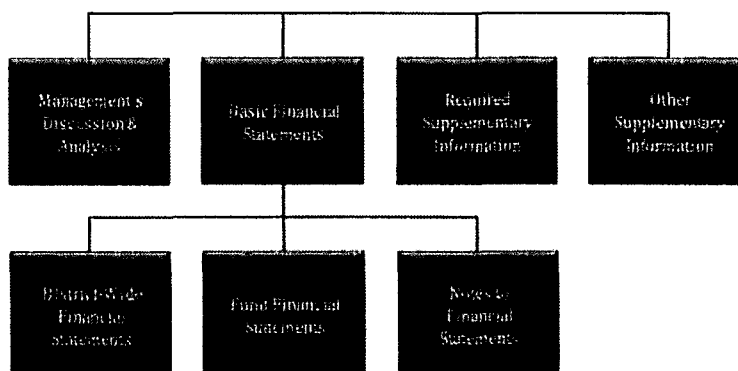
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2017 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$1,315,099 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 \$59,607,414. Of this amount, \$2,288,632 was offset by program charges for services. The District also received \$1,943,683 in operating grants to support instruction and food service programs. General revenues of \$56,690,198 amount to 93.1% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$4,300,848 to \$10,648,426, as revenues exceeded expenditures based on the modified accrual basis of accounting. The unassigned fund balance in the general fund was \$3,278,391.
- The general fund expended \$54,661,462 in 2016-17. This, along with \$28,603 in encumbrances at June 30, 2017, totals \$54,690,065, a decrease of \$2,113,846, or 3.7% from the previous year.
- The District's 2016-17 original property tax levy of \$43,823,899 was a 1.96% increase over the 2016 tax levy and was equal to the District's property tax cap.
- 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, 2017 the District issued \$16,000,000 of bond anticipation notes and began work on the improvement projects.
- The District performed a full inventory appraisal on the capital assets inventory during 2016-17. As a result, the opening accumulated depreciation was restated and increased by \$121,345. The restatement decreased the District's total net position at June 30, 2016 from \$7,933,009 to \$7,811,664. See Note 10 in the accompanying notes for further details.

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)

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 food service 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 \$1,315,099 between fiscal year 2017 and 2016. 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:

	<u>2017</u>	<u>As Restated 2016</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Asset				
Current and Other Assets	\$ 33,020,503	\$ 13,704,652	\$ 19,315,851	140.94 %
Capital Assets, Net	21,122,888	19,998,230	1,124,658	5.62 %
Net Pension Asset - Proportionate Share	<u> </u>	<u>14,947,846</u>	<u>(14,947,846)</u>	<u>(100.00)%</u>
Total Assets	<u>54,143,391</u>	<u>48,650,728</u>	<u>5,492,663</u>	<u>11.29 %</u>
Deferred Outflows of Resources	<u>15,755,774</u>	<u>5,535,191</u>	<u>10,220,583</u>	<u>184.65 %</u>
Liabilities				
Current and Other Liabilities	21,543,266	4,999,110	16,544,156	330.94 %
Long-Term Liabilities	12,452,954	13,129,971	(677,017)	(5.16)%
Net Other Postemployment Benefits Obligation	22,968,784	19,996,282	2,972,502	14.87 %
Net Pension Liability - Proportionate Share	<u>3,070,613</u>	<u>2,710,351</u>	<u>360,262</u>	<u>13.29 %</u>
Total Liabilities	<u>60,035,617</u>	<u>40,835,714</u>	<u>19,199,903</u>	<u>47.02 %</u>

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

	2017	As Restated 2016	Increase (Decrease)	Percentage Change
Deferred Inflows of Resources	\$ 736,785	\$ 5,538,541	\$ (4,801,756)	(86.70)%
Net Position				
Net investment in capital assets	9,897,588	9,983,187	(85,599)	(0.86)%
Restricted	6,741,432	3,443,258	3,298,174	95.79 %
Unrestricted (Deficit)	(7,512,257)	(5,614,781)	(1,897,476)	(33.79)%
Total Net Position	\$ 9,126,763	\$ 7,811,664	\$ 1,315,099	16.84 %

Current and other assets increased by \$19,315,851, as compared to the prior year. The increase is primarily related to increases in cash and taxes receivable, offset by decreases in accounts receivable, due from state and federal and due from other governments.

Capital assets, net increased by \$1,124,658, as compared to the prior year. This increase is due to capital additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 10 "Capital Assets/Prior Period Adjustment" provides additional information.

Net pension asset – proportionate share decreased by \$14,947,846, 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 increased by \$16,544,156, as compared to the prior year. This increase is primarily the result of the bond anticipation note being issued and increases in accounts payable and accrued liabilities, offset by a decrease in due to teachers' retirement system.

Long-term liabilities decreased by \$677,017, 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 \$2,972,502, 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 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability – proportionate share increased by \$360,262 in the current year. This liability represents the District's share of the New York State Teachers' Retirement System and 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.

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

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 decreased by \$85,599.

The restricted amount of \$6,741,432 relates to the District's reserves. This number increased over the prior year by \$3,298,174 due to the funding of the retirement contribution, unemployment insurance and employee benefit accrued liability reserves, net of usage of the reserves.

The unrestricted (deficit) amount of \$(7,512,257) 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 increased over the prior year by \$1,897,476.

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, 2017 and 2016 is as follows:

	2017	2016	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,288,632	\$ 2,894,047	\$ (605,415)	(20.92)%
Operating Grants	1,943,683	1,887,699	55,984	2.97 %
General Revenues				
Property Taxes and STAR	43,842,282	42,980,324	861,958	2.01 %
State Sources	9,885,573	9,242,400	643,173	6.96 %
Other	2,962,343	2,919,004	43,339	1.48 %
Total Revenues	<u>60,922,513</u>	<u>59,923,474</u>	<u>999,039</u>	1.67 %
Expenses				
General Support	7,011,542	6,428,535	583,007	9.07 %
Instruction	47,244,171	43,338,683	3,905,488	9.01 %
Pupil Transportation	4,034,480	3,961,825	72,655	1.83 %
Debt Service - Interest	390,967	416,877	(25,910)	(6.22)%
Food Service Program	926,254	973,165	(46,911)	(4.82)%
Total Expenses	<u>59,607,414</u>	<u>55,119,085</u>	<u>4,488,329</u>	8.14 %
Increase in Net Position	<u>\$ 1,315,099</u>	<u>\$ 4,804,389</u>	<u>\$ (3,489,290)</u>	(72.63)%

The District's net position increased by \$1,315,099 and \$4,804,389 for the years ended June 30, 2017 and 2016, respectively.

The District's revenues on the accrual basis increased by \$999,039 or 1.67%. The major factors that contributed to the increase were:

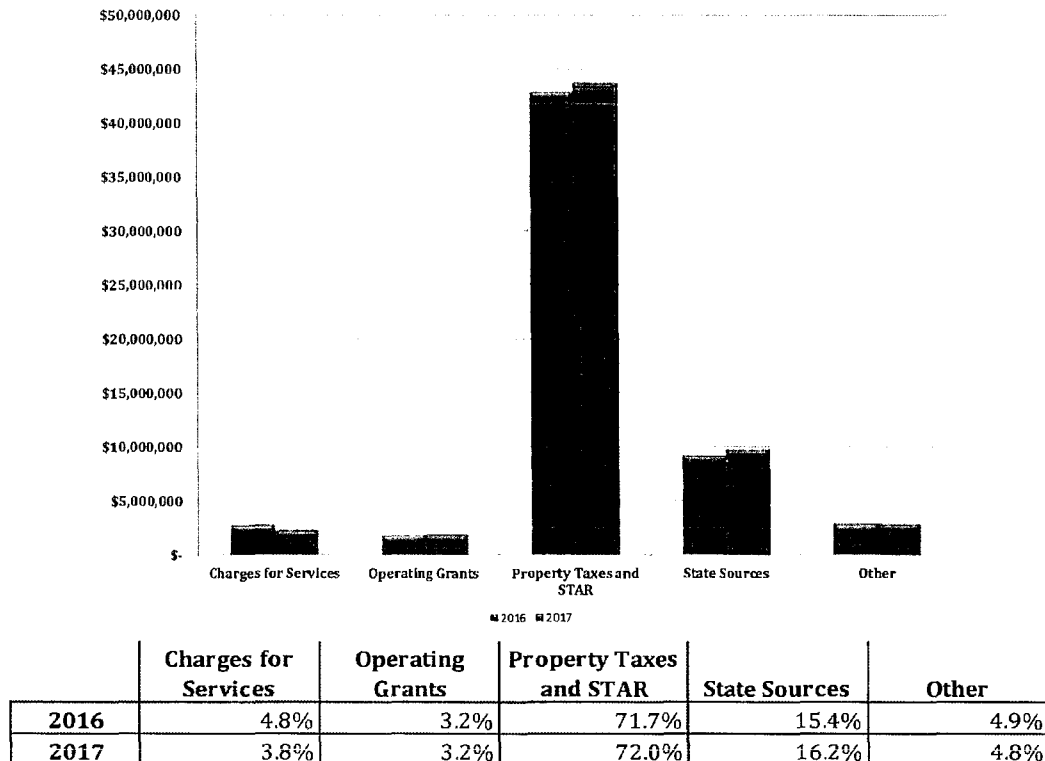
WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

- Property taxes and STAR increased \$861,958, primarily due to the increase in the property tax levy.
- State sources increased \$771,856, primarily due to increases in general aid.
- Charges for services decreased by \$605,415, primarily due to decreases in non-resident tuition rates as well as enrollment of students attending the District from Island Park.

The District's expenses for the year increased by \$4,488,329 or 8.14%, primarily due to higher employee benefit expense allocation of both pension and OPEB expenses.

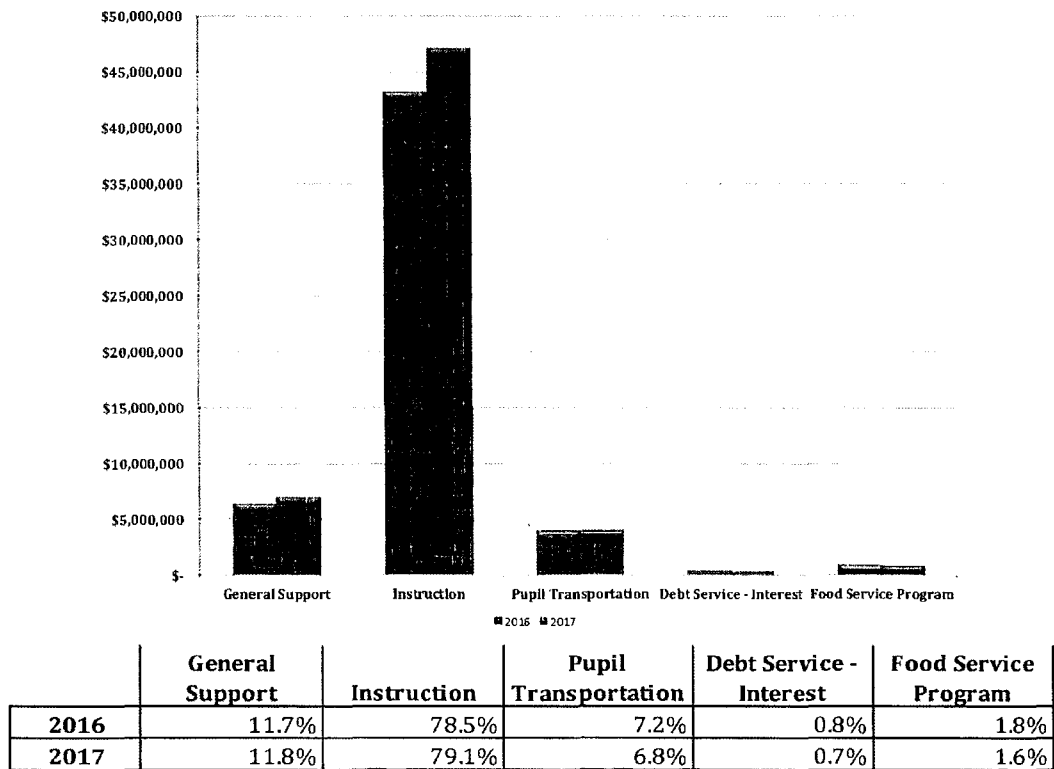
As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 72.0% and 71.7% of the total for the years 2017 and 2016, respectively). Instruction expense is the largest category of expenses incurred (i.e., 79.1% and 78.5% of the total for the years 2017 and 2016, 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, 2017, the District's governmental funds reported a combined fund balance of \$11,182,915, which is an increase of \$3,169,179 over the prior year. This increase is primarily due to an excess of revenues over expenditures in the general fund based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2017	2016	Increase (Decrease)
General Fund			
Restricted			
Unemployment insurance	\$ 241,797	\$ 161,783	\$ 80,014
Retirement contribution	3,621,919	1,250,426	2,371,493
Employee benefit accrued liability	2,877,716	2,031,049	846,667
Assigned:			
Appropriated fund balance	600,000	500,000	100,000
Unappropriated fund balance	28,603	38,689	(10,086)
Unassigned: Fund balance	3,278,391	2,365,631	912,760
	<u>10,648,426</u>	<u>6,347,578</u>	<u>4,300,848</u>
School Food Service Fund			
Nonspendable: Inventories	929	1,703	(774)
Assigned: Unappropriated fund balance	360,680	404,214	(43,534)
	<u>361,609</u>	<u>405,917</u>	<u>(44,308)</u>

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

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>
Capital Projects Fund			
Restricted: Unspent debt proceeds		4,446	(4,446)
Assigned: Unappropriated fund balance	172,880	1,255,795	(1,082,915)
	<u>172,880</u>	<u>1,260,241</u>	<u>(1,087,361)</u>
 Total Fund Balance	 <u>\$ 11,182,915</u>	 <u>\$ 8,013,736</u>	 <u>\$ 3,169,179</u>

A. General Fund

The net change in the general fund fund balance is an increase of \$4,300,848 compared to an \$808,380 increase in the prior year, as revenues and other sources of \$58,962,310 exceeded expenditures and other uses of \$54,661,462. Revenues and other sources increased by \$1,388,708 (2.41%) over fiscal 2016 totals, primarily because of the increase in property taxes and STAR of \$861,958, state aid of \$643,173, offset by lower payments in lieu of taxes (\$182,427) and tuition revenues (\$170,377). The District also received \$184,320 of premium from the issuance of its June 15, 2017 bond anticipation notes (BAN). Expenditures and other uses decreased \$2,103,760 (3.71%) from fiscal 2016 totals, primarily due to decreases in instructional and central administration salaries (\$684,479 and \$187,358), special education contractual and tuition costs (\$734,615), and operating transfers out to the capital projects fund (\$569,000).

The District elected to appropriate \$600,000 of the fund balance and up to \$385,000 of restricted reserves to partially fund the 2017-18 budget.

B. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of \$44,308, 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 a decrease of \$1,087,361. This decrease is primarily due to expenditures for the district-wide improvement bond projects which began in the current year, funded with cash flows from short-term borrowings (BAN).

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2016-17 Budget

The District's general fund adopted budget for the year ended June 30, 2017 was \$59,140,824. This amount was increased by encumbrances carried forward from the prior year in the amount of \$38,689 for a total final budget of \$59,179,513.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$43,823,899 in estimated property taxes and STAR.

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

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, appropriations to fund the

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

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

Opening, Unassigned Fund Balance	\$ 2,365,631
Revenues Over Budget	803,564
Expenditures and Encumbrances Under Budget	4,489,448
Interest allocated to reserves	(4,146)
Unused Budgeted Appropriated Reserves	(206,106)
Allocation to Reserves	(3,570,000)
Appropriated for the June 30, 2018 Budget	<u>(600,000)</u>
Closing, Unassigned Fund Balance	<u>\$ 3,278,391</u>

Opening, Unassigned Fund Balance

The \$2,365,631 shown in the table is the portion of the District's June 30, 2016 fund balance that was retained as unassigned. This was 4.0% of the District's 2016-17 approved operating budget of \$59,140,824.

Revenues Over Budget

The 2016-17 final budget for revenues was \$58,158,746. Actual revenues received for the year were \$58,962,310. The excess of actual revenue over estimated or budgeted revenue was \$803,564, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Expenditures and Encumbrances Under Budget

The 2016-17 final budget for expenditures was \$59,179,513. Actual expenditures as of June 30, 2017 were \$54,661,462 and outstanding encumbrances were \$28,603. Combined, the expenditures plus encumbrances for 2016-17 were \$54,690,065. The final budget was under expended by \$4,489,448. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2016 to June 30, 2017.

Interest Allocated to Reserves

This amount represents the interest earned on the reserves balances.

Unused Budgeted Appropriated Reserves

In 2016-17 the District budgeted the use of \$50,000 from the unemployment reserve for unemployment insurance claims, \$130,000 from the retirement contribution reserve for anticipated ERS contributions and \$302,078 from the employee benefit accrued liability reserve for the payment of retirement payouts. However, the District only utilized \$275,972 for those expenditures, leaving an unused budget reserve appropriation of \$206,106 that was returned to the reserves and is available for future use.

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

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 \$3,570,000 shown above is due to the Board-authorized transfers of \$100,000 to the unemployment insurance reserve, \$2,500,000 to the retirement contribution reserve and \$970,000 to the employee benefit accrued liability reserve.

Appropriated Fund Balance

The District has chosen to use \$600,000 of the available June 30, 2017 unassigned fund balance to partially fund the 2017-18 approved operating budget. As such, the June 30, 2017 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, 2017 was \$3,278,391. This amount equals 5.47% of the 2017-18 budget and exceeds the 4.0% statutory limit. The District will formulate a plan to utilize the fund balance to address future capital needs of the District.

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

A. Capital Assets, Net

At June 30, 2017, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital asset additions of \$1,967,465 in excess of depreciation of \$842,807 recorded for the year ended June 30, 2017. A summary of the District's capital assets, net of depreciation at June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>As Restated 2016</u>	<u>Increase (Decrease)</u>
Land	\$ 3,168,980	\$ 3,168,980	\$ -
Construction in progress	2,114,258	372,976	1,741,282
Buildings and improvements	14,882,379	15,336,765	(454,386)
Site improvements	164,588	181,045	(16,457)
Furniture and equipment	<u>792,683</u>	<u>938,464</u>	<u>(145,781)</u>
Capital assets, net	<u>\$ 21,122,888</u>	<u>\$ 19,998,230</u>	<u>\$ 1,124,658</u>

The District's capital assets inventory report was updated during the year ended June 30, 2017. The 2016 balances have been restated to reflect the updated report.

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

B. Debt Administration

At June 30, 2017, the District had total bonds payable of \$7,390,000, an energy performance contract payable of \$1,936,165 and an installment purchase debt payable of \$23,189. A summary of the outstanding debt at June 30, 2017 and 2016 is as follows:

	Issue Date	Interest Rate	2017	2016	Increase (Decrease)
Bonds Payable					
	6/12/2014	2.0-4.0%	\$ 7,390,000	\$ 7,685,000	\$ (295,000)
Energy Performance Contract Payable					
	9/1/2006	3.24%	1,936,165	2,118,728	(182,563)
Installment Purchase Debt Payable					
	11/15/2013	2.99%	-	43,225	(43,225)
	7/16/2014	2.77%	-	138,276	(138,276)
	10/15/2015	3.12%	23,189	34,260	(11,071)
			<u>\$ 9,349,354</u>	<u>\$ 10,019,489</u>	<u>\$ (670,135)</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, 2017 are approximately 13% of the District's debt limit.

C. Other Long-Term Liabilities

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, net other postemployment benefits obligation and net pension liability - proportionate share. The compensated absences liability is based on employment contracts. The net other postemployment benefits obligation and the net pension liability - proportionate share are based on actuarial valuations.

	2017	2016	Increase (Decrease)
Compensated absences payable	\$ 3,103,600	\$ 3,110,482	\$ (6,882)
Net OPEB obligation	22,968,784	19,996,282	2,972,502
Net pension liability - proportionate share	3,070,613	2,710,351	360,262
	<u>\$ 29,142,997</u>	<u>\$ 25,817,115</u>	<u>\$ 3,325,882</u>

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget as approved by the voters on May 16, 2017, for the year ending June 30, 2018, is \$59,943,330. This is an increase of \$802,506 or 1.36% over the previous year's budget. The increase is principally in teaching, co-curricular and educational support, technology and instructional media and debt service payments.

The District budgeted revenues other than property taxes and STAR at a \$56,156 increase over the prior year's estimate, which is due to an estimated increase in state aid and PILOT payments. The assigned, appropriated fund balance applied to the budget in the amount of \$600,000 is a \$100,000 increase over the

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

previous year. Additionally, the District has elected to appropriate \$385,000 of restricted reserves towards next year's budget, which is a decrease of \$97,078 from the previous year. As a result, the District's 2017-18 property tax levy is \$44,566,967, which is an increase of \$743,068, or 1.70%, over the 2016-17 actual tax levy of \$43,823,899.

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 2017-18 property tax levy increase of 1.70% was equal to the tax levy cap and did not require an override vote.

D. Property Tax Relief Credit

New York State law 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, who 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.

This program provides 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. Emmanuel Glasu
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, 2017

ASSETS

Cash	
Unrestricted	\$ 8,595,517
Restricted	20,865,486
Receivables	
Accounts receivable	21,786
Taxes receivable	1,494,729
Due from fiduciary funds	869
Due from state and federal	1,345,170
Due from other governments	696,017
Inventories	929
Capital assets:	
Not being depreciated	5,283,238
Being depreciated, net of accumulated depreciation	<u>15,839,650</u>
 Total Assets	 <u>54,143,391</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>15,755,774</u>
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LIABILITIES

Payables	
Accounts payable	1,407,768
Accrued liabilities	218,551
Due to fiduciary funds	188,766
Due to other governments	953,549
Due to teachers' retirement system	2,515,916
Due to employees' retirement system	228,642
Compensated absences payable	30,074
Notes payable	
Bond anticipation notes	16,000,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	305,000
Installment purchase debt payable	11,416
Energy performance contract payable	188,526
Compensated absences payable	50,000
Due and payable after one year	
Bonds payable	7,085,000
Installment purchase debt payable	11,773
Energy performance contract payable	1,747,639
Compensated absences payable	3,053,600
Net other postemployment benefits obligation	22,968,784
Net pension liability - proportionate share	<u>3,070,613</u>
 Total Liabilities	 <u>60,035,617</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>736,785</u>
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NET POSITION

Net investment in capital assets	<u>9,897,588</u>
Restricted	
Unemployment insurance	241,797
Retirement contribution	3,621,919
Employee benefit accrued liability	<u>2,877,716</u>
	<u>6,741,432</u>
Unrestricted (deficit)	<u>(7,512,257)</u>
 Total Net Position	 <u>\$ 9,126,763</u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 7,011,542	\$	\$	\$ (7,011,542)
Instruction	47,244,171	1,924,152	1,426,217	(43,893,802)
Pupil transportation	4,034,480			(4,034,480)
Debt service - interest	390,967			(390,967)
Food service program	926,254	364,480	517,466	(44,308)
Total Functions and Programs	<u>\$ 59,607,414</u>	<u>\$ 2,288,632</u>	<u>\$ 1,943,683</u>	<u>(55,375,099)</u>
GENERAL REVENUES				
Real property taxes				37,948,115
Other tax items				7,208,269
Use of money and property				562,018
Sale of property and compensation for loss				15,330
Miscellaneous				458,914
Intergovernmental revenue				583,906
State sources				9,885,573
Medicaid reimbursement				<u>28,073</u>
Total General Revenues				<u>56,690,198</u>
Change in Net Position				1,315,099
Total Net Position - Beginning of Year, as Restated				<u>7,811,664</u>
Total Net Position - End of Year				<u>\$ 9,126,763</u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2017

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 6,427,454	\$ 147,227	\$ 59,500	\$ 1,961,336	\$ 8,595,517
Restricted	6,741,432			14,124,054	20,865,486
Receivables					
Accounts receivable	21,786				21,786
Taxes receivable	1,494,729				1,494,729
Due from other funds	941,817	57,189	312,716	859,141	2,170,863
Due from state and federal	532,198	780,428	32,544		1,345,170
Due from other governments	696,017				696,017
Inventories			929		929
Total Assets	<u>\$ 16,855,433</u>	<u>\$ 984,844</u>	<u>\$ 405,689</u>	<u>\$ 16,944,531</u>	<u>\$ 35,190,497</u>
LIABILITIES					
Payables					
Accounts payable	\$ 555,882	\$ 36,179	\$ 44,056	\$ 771,651	\$ 1,407,768
Accrued liabilities	123,544				123,544
Due to other funds	1,417,811	940,949			2,358,760
Due to other governments	945,809	7,716	24		953,549
Due to teachers' retirement system	2,515,916				2,515,916
Due to employees' retirement system	228,642				228,642
Compensated absences payable	30,074				30,074
Notes payable					
Bond anticipation notes				16,000,000	16,000,000
Total Liabilities	<u>5,817,678</u>	<u>984,844</u>	<u>44,080</u>	<u>16,771,651</u>	<u>23,618,253</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>389,329</u>				<u>389,329</u>
FUND BALANCES					
Nonspendable: Inventories			929		929
Restricted:					
Unemployment insurance	241,797				241,797
Retirement contribution	3,621,919				3,621,919
Employee benefit accrued liability	2,877,716				2,877,716
Assigned:					
Appropriated fund balance	600,000				600,000
Unappropriated fund balance	28,603		360,680	172,880	562,163
Unassigned: Fund balance	<u>3,278,391</u>				<u>3,278,391</u>
Total Fund Balances	<u>10,648,426</u>	<u>-</u>	<u>361,609</u>	<u>172,880</u>	<u>11,182,915</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,855,433</u>	<u>\$ 984,844</u>	<u>\$ 405,689</u>	<u>\$ 16,944,531</u>	<u>\$ 35,190,497</u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total Governmental Funds Balance	\$ 11,182,915
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Amounts reported for governmental activities in the Statement of Net Position are different because:

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

Original cost of capital assets	\$ 34,780,387	
Accumulated depreciation	<u>(13,657,499)</u>	
		21,122,888

Proportionate share of long-term 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 reported on the Statement of Net Position.

Deferred outflows of resources	15,755,774	
Net pension liability - teachers' retirement system	(1,481,265)	
Net pension liability - employees' retirement system	(1,589,348)	
Deferred inflows of resources	<u>(736,785)</u>	
		11,948,376

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.

389,329

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	(95,007)	
Bonds payable	(7,390,000)	
Installment purchase debt payable	(23,189)	
Energy performance contract payable	(1,936,165)	
Compensated absences payable	(3,103,600)	
Net other postemployment benefits obligation	<u>(22,968,784)</u>	
		<u>(35,516,745)</u>

Total Net Position	\$ <u>9,126,763</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, 2017

	General	Special Aid	School Food Service	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 37,948,115	\$	\$	\$	\$ 37,948,115
Other tax items	7,208,269				7,208,269
Charges for services	2,267,667				2,267,667
Use of money and property	562,018		153		562,171
Sale of property and compensation for loss	15,330				15,330
Miscellaneous	274,594				274,594
Intergovernmental revenue	583,906				583,906
State sources	9,885,573	404,823	17,766		10,308,162
Medicaid reimbursement	28,073				28,073
Federal sources		1,021,394	499,700		1,521,094
Sales			364,327		364,327
Total Revenues	58,773,545	1,426,217	881,946	-	61,081,708
EXPENDITURES					
General support	5,038,089				5,038,089
Instruction	30,236,035	1,483,390			31,719,425
Pupil transportation	3,924,125	73,216			3,997,341
Employee benefits	13,447,177				13,447,177
Debt service					
Principal	670,135				670,135
Interest	398,512				398,512
Food service program			926,254		926,254
Capital outlay				1,899,916	1,899,916
Total Expenditures	53,714,073	1,556,606	926,254	1,899,916	58,096,849
Excess (Deficiency) of Revenues Over Expenditures	5,059,472	(130,389)	(44,308)	(1,899,916)	2,984,859
OTHER FINANCING SOURCES AND (USES)					
Premium on obligation	184,320				184,320
Operating transfers in	4,445	130,389		817,000	951,834
Operating transfers (out)	(947,389)			(4,445)	(951,834)
Total Other Financing Sources and (Uses)	(758,624)	130,389	-	812,555	184,320
Net Change in Fund Balances	4,300,848	-	(44,308)	(1,087,361)	3,169,179
Fund Balances - Beginning of Year	6,347,578		405,917	1,260,241	8,013,736
End of Year	\$ 10,648,426	\$ -	\$ 361,609	\$ 172,880	\$ 11,182,915

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, 2017

Net Change in Fund Balances \$ 3,169,179

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).

Change in general fund deferred revenue related to foster tuition and special education billings. \$ (343,515)

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 6,882

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 (2,972,502) (3,309,135)

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expenses in the Statement of Activities. This is the amount by which capital outlays exceeded depreciation in the period.

Capital outlays 1,967,465
Depreciation expense (842,807) 1,124,658

Long-Term Debt Transactions Differences

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 295,000
Repayment of installment purchase debt 192,572
Repayment of energy performance contract 182,563

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, 2016 to June 30, 2017.

7,545 677,680

Pension Differences

The change 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 (142,281)
Employees' retirement system (205,002) (347,283)

Change in Net Position of Governmental Activities \$ 1,315,099

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2017

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash - Unrestricted	\$ 115,474	\$
Due from governmental funds	<u>188,766</u>	<u></u>
Total Assets	<u><u>\$ 304,240</u></u>	<u>-</u>
 LIABILITIES		
Extraclassroom activity balances	\$ 48,249	\$
Due to governmental funds		869
Other liabilities	<u>255,991</u>	<u></u>
Total Liabilities	<u><u>\$ 304,240</u></u>	<u>869</u>
 NET POSITION (DEFICIT)		
Restricted for scholarships		<u><u>\$ (869)</u></u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2017

	Private Purpose Trust
	<u> </u>
ADDITIONS	
Contributions	\$ 4,000
Investment earnings - interest	<u>2</u>
Total Additions	4,002
 DEDUCTIONS	
Scholarships and awards	<u>12,000</u>
Change in Net Position	(7,998)
Net Position - Beginning of Year	<u>7,129</u>
Net Position (Deficit) - End of Year	<u><u>\$ (869)</u></u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 §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.

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

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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 to finance District operations. The following are the District's fiduciary funds:

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

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. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

E. Real Property Taxes

Calendar

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

Enforcement

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

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

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 contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated 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.

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

K. Inventories

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

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

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

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 acquisition value at the date of donation.

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 5,000	15-50 years
Site improvements	5,000	15-30 years
Furniture, equipment and vehicles	5,000	5-20 years

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 consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date.

N. 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 two items that qualify for reporting in this category. The 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 related

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

to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense.

O. Employee Benefits – Compensated Absences

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

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

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

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

The liability for compensated absences has been calculated using the 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 30th.

P. 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.

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

Q. 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.

R. 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, which are recorded in the school food service fund.

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

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

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

after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The 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 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 of available resources. NYS Real Property Tax Law §1318 restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

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

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

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the District implemented GASB Statement No. 77, *Tax Abatement Disclosures*, which requires the District to disclose information about tax abatement agreements impacting real property tax revenue.

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

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

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

Total fund balances of the District's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the 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.

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

Long-Term Debt Transaction Differences

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

Pension Differences

Pension differences occur as a result of recognizing pension costs under the modified accrual basis of accounting (whereby an expenditure is recognized based on the contractually required contributions as calculated by the plan) versus the accrual basis of accounting (whereby an expense is recognized related to the District's proportionate share of the collective pension expense of the plan).

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are established by the adoption of the budget, are recorded at the program line item level, and constitute a limitation on expenditures (and encumbrances) that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriation of fund balances. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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
(Continued)

C. Unassigned Fund Balance

The District's general fund unassigned fund balance was in excess of the New York State Real Property Tax Law §1318 limit, which restricts it to an amount not greater than 4% of the District's budget for the upcoming school year. The District is in the process of formulating a plan to reduce the unassigned fund balance to be within the permissible limit which would include asking voters for authorization to establish a capital reserve to address the capital needs of the District, and utilizing fund balance as one of the funding sources for the capital reserve.

D. Private Purpose Trust Fund Deficit

The scholarship funds accounted for in the fiduciary private purpose trust fund had a deficit net position of \$869 at June 30, 2017. This deficit will be eliminated with future contributions from donors.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2017, the District was billed \$4,214,886 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$555,619. 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.

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

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2017 consisted of:

General Fund		
New York State - excess cost aid	\$	281,528
BOCES aid		<u>250,670</u>
		532,198
Special Aid Fund		
Federal and state grants		780,428
School Food Service Fund		
Federal and state food service program reimbursements		<u>32,544</u>
	\$	<u><u>1,345,170</u></u>

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2017 consisted of:

General Fund		
Other school districts - charges for services	\$	<u><u>696,017</u></u>

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2017, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 941,817	\$ 1,417,811	\$ 4,445	\$ 947,389
Special Aid Fund	57,189	940,949	130,389	
School Food Service Fund	312,716			
Capital Projects Fund	<u>859,141</u>		<u>817,000</u>	<u>4,445</u>
Total Governmental Funds	<u>2,170,863</u>	<u>2,358,760</u>	<u>\$ 951,834</u>	<u>\$ 951,834</u>
Fiduciary Funds	<u>188,766</u>	<u>869</u>		
Total	<u><u>\$ 2,359,629</u></u>	<u><u>\$ 2,359,629</u></u>		

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. CAPITAL ASSETS / PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2017, the District had a third-party vendor perform a physical inventory and appraisal of the District's capital assets. As a result of the inventory, it was necessary for the District to adjust the June 30, 2016 accumulated depreciation balances as follows:

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

	As Reported June 30, 2016	As Restated June 30, 2016	Increase (Decrease)
Total capital assets not being depreciated	\$ 3,541,956	\$ 3,541,956	\$ -
Total capital assets being depreciated	29,308,878	29,308,878	-
Less accumulated depreciation for:			
Buildings and improvements	11,229,038	11,215,080	(13,958)
Site improvements	706,722	706,722	
Furniture and equipment	795,499	930,802	135,303
Total accumulated depreciation	12,731,259	12,852,604	121,345
Total capital assets, being depreciated, net	16,577,619	16,456,274	(121,345)
Capital assets, net	<u>\$ 20,119,575</u>	<u>\$ 19,998,230</u>	(121,345)
Total Net Position - Beginning of Year			
As originally stated			7,933,009
As restated			<u>\$ 7,811,664</u>

Capital asset balances and activity for the year ended June 30, 2017 were as follows:

	As Restated Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,168,980	\$	\$	\$ 3,168,980
Construction in progress	372,976	1,899,915	(158,633)	2,114,258
Total capital assets not being depreciated	3,541,956	1,899,915	(158,633)	5,283,238
Capital assets being depreciated				
Buildings and improvements	26,551,845	123,154	(16,857)	26,658,142
Site improvements	887,767	21,273		909,040
Furniture and equipment	1,869,266	81,756	(21,055)	1,929,967
Total capital assets being depreciated	29,308,878	226,183	(37,912)	29,497,149
Less accumulated depreciation for:				
Buildings and improvements	11,215,080	577,540	(16,857)	11,775,763
Site improvements	706,722	37,730		744,452
Furniture and equipment	930,802	227,537	(21,055)	1,137,284
Total accumulated depreciation	12,852,604	842,807	(37,912)	13,657,499
Total capital assets being depreciated, net	16,456,274	(616,624)	-	15,839,650
Capital assets, net	<u>\$ 19,998,230</u>	<u>\$ 1,283,291</u>	<u>\$ (158,633)</u>	<u>\$ 21,122,888</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 79,032
Instruction	<u>763,775</u>
Total depreciation expense	<u>\$ 842,807</u>

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

11. SHORT-TERM DEBT

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

	<u>Maturity</u>	<u>Stated Interest Rate</u>	<u>Balance June 30, 2016</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance June 30, 2017</u>
BAN	6/15/2018	2.25%	\$ -	\$ 16,000,000	\$ -	\$ 16,000,000
TAN	6/23/2017	1.00%	-	1,000,000	(1,000,000)	-
TAN	6/23/2017	1.12%	-	3,900,000	(3,900,000)	-
			<u>\$ -</u>	<u>\$ 20,900,000</u>	<u>\$ (4,900,000)</u>	<u>\$ 16,000,000</u>

Interest on short-term debt for the year was \$36,234. The District received a borrowing premium of \$184,320, which will result in a 1.1% effective interest rate on the BAN.

12. LONG-TERM LIABILITIES

A. Changes

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

	<u>Balance June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due Within One Year</u>
<u>Long-term debt:</u>					
Bonds payable	\$ 7,685,000	\$ -	\$ (295,000)	\$ 7,390,000	\$ 305,000
Installment purchase debt	215,761	-	(192,572)	23,189	11,416
Energy performance contract	2,118,728	-	(182,563)	1,936,165	188,526
	<u>10,019,489</u>		<u>(670,135)</u>	<u>9,349,354</u>	<u>504,942</u>
<u>Other long-term liabilities</u>					
Compensated absences	3,110,482	-	(6,882)	3,103,600	50,000
	<u>\$ 13,129,971</u>	<u>\$ -</u>	<u>\$ (677,017)</u>	<u>\$ 12,452,954</u>	<u>\$ 554,942</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2017</u>
Library bond - refunding	6/12/2014	3/1/2034	2.0-4.0%	<u>\$ 7,390,000</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 2016-17 the District received \$583,906 from the Library, which is recorded as intergovernmental revenue.

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

The following is a summary of debt service requirements:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	360,000	231,706	591,706
2023 - 2027	2,060,000	929,131	2,989,131
2028 - 2032	2,530,000	510,319	3,040,319
2033 - 2034	<u>1,155,000</u>	<u>68,388</u>	<u>1,223,388</u>
Total	<u>\$ 7,390,000</u>	<u>\$ 2,794,118</u>	<u>\$ 10,184,118</u>

C. Energy Performance Contract and Installment Purchase Debt

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

<u>Description</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at June 30, 2017</u>
Energy performance contract	9/1/2006	6/23/2026	3.24%	\$ 1,936,165
Installment purchase:				
Pick-up truck	10/15/2015	11/15/2018	3.12%	<u>23,189</u>
				<u>\$ 1,959,354</u>

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>
2018	\$ 199,942	\$ 61,940	\$ 261,882
2019	206,457	55,427	261,884
2020	201,043	48,700	249,743
2021	207,610	42,134	249,744
2022	214,391	35,353	249,744
2023 - 2026	<u>929,911</u>	<u>69,061</u>	<u>998,972</u>
Total	<u>\$ 1,959,354</u>	<u>\$ 312,615</u>	<u>\$ 2,271,969</u>

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

D. Interest Expense

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

Interest paid	\$ 362,278
Less interest accrued in the prior year	(102,552)
Plus interest accrued in the current year	<u>95,007</u>
Total interest expense on long-term debt	<u><u>\$ 354,733</u></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, 2017, the District has not issued bonds yet, but has issued \$16,000,000 in bond anticipation notes and work has begun on the improvement projects.

13. 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 found on the TRS website at www.nystrs.org or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

Employees' Retirement System

Obligations of employers and employees to contribute and benefits to employees are governed by the NYSRSSL. The net position of the ERS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the ERS. As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the Fund and is the administrative head of the ERS. Once a public employer elects to participate in the ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees'

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

Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The ERS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30th, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31st, and employer contributions are either paid by the prior December 15th less a 1% discount or by the prior February 1st. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 13.26% of covered payroll for the TRS' fiscal year ended June 30, 2016. The District's average contribution rate was 14.62% of covered payroll for the ERS' fiscal year ended March 31, 2017.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2017, was \$2,359,797 for TRS and \$749,858 for ERS.

D. Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported the following liability for its proportionate share of the net pension liability for each of the systems. The net pension liability was measured as of June 30, 2016, for TRS and March 31, 2017 for ERS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The District's proportion of the net pension 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 in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2016	March 31, 2017
District's proportionate share of the net pension liability	\$ (1,481,265)	\$ (1,589,348)
District's portion of the Plan's total net pension liability	0.1383010%	0.0169148%
Change in proportion since the prior measurement date	(0.0056110)	0.0000282

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

For the year ended June 30, 2017, the District recognized pension expense of \$2,502,645 for TRS and \$963,918 for ERS. At June 30, 2017, 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	\$	\$ 39,828	\$ 481,198	\$ 241,352
Changes of assumptions	8,438,226	542,980		
Net difference between projected and actual earnings on pension plan investments	3,330,662	317,457		
Changes in proportion and differences between the District's contributions and proportionate share of contributions	341,090	157,092	14,198	37
District's contributions subsequent to the measurement date	2,359,797	228,642		
Total	<u>\$ 14,469,775</u>	<u>\$ 1,285,999</u>	<u>\$ 495,396</u>	<u>\$ 241,389</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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	TRS	ERS
2018	\$ 1,082,744	\$ 354,334
2019	1,082,744	354,334
2020	3,669,428	304,119
2021	2,864,635	(196,819)
2022	1,342,222	
Thereafter	1,572,809	
	<u>\$ 11,614,582</u>	<u>\$ 815,968</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, 2016	March 31, 2017
Actuarial valuation date	June 30, 2015	April 1, 2016
Inflation	2.5%	2.5%
Salary increases	1.90-4.72%	3.8%
Investment rate of return (net of investment expense, including inflation)	7.5%	7.0%
Inflation rate	1.5%	1.3%

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

For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis. Active member mortality rates are based on plan member experience. For ERS, annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

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

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, 2016		March 31, 2017	
Asset type				
Domestic equity	37.0%	6.10%	36.0%	4.55%
International equity	18.0%	7.30%	14.0%	6.35%
Real estate	10.0%	5.40%	10.0%	5.80%
Alternative investments	7.0%	9.20%	18.0%	4.00-7.75%
Domestic fixed income securities	17.0%	1.00%		
Global fixed income securities	2.0%	0.80%		
Bonds and mortgages	8.0%	3.10%	17.0%	1.31%
Short-term	1.0%	0.10%		
Cash			1.0%	-0.25%
Inflation indexed bonds			4.0%	1.50%
	100.0%		100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for TRS and 7.0% for ERS (the discount rate used by the TRS at the prior year's measurement date of June 30, 2015, was 8.0%). 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.

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.5% 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 (6.5% for TRS and 6.0% for ERS) or 1 percentage point higher (8.5% for TRS and 8.0% for ERS) than the current rate:

	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
<u>TRS</u>			
District's proportionate share of the net pension asset (liability)	<u>\$ (19,326,463)</u>	<u>\$ (1,481,265)</u>	<u>\$ 13,486,353</u>
	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
<u>ERS</u>			
District's proportionate share of the net pension asset (liability)	<u>\$ (5,076,064)</u>	<u>\$ (1,589,348)</u>	<u>\$ 1,353,663</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2016	March 31, 2017
Employers' total pension liability	\$ (108,577,184)	\$ (177,400,586)
Plan fiduciary net position	<u>107,506,142</u>	<u>168,004,363</u>
Employers' net pension liability	<u>\$ (1,071,042)</u>	<u>\$ (9,396,223)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	99.01%	94.70%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2017, are paid to the system in September, October and November 2017 through a state aid intercept. Accrued retirement contributions as of June 30, 2017, represent employer and employee contributions for the fiscal year ended June 30, 2017, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2017 amounted to \$2,359,797 of employer contributions and \$156,119 of employee contributions.

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

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2017, represent the projected employer contribution for the period of April 1, 2017 through June 30, 2017 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2017 amounted to \$228,642 of employer contributions. Employee contributions are remitted monthly.

14. 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 compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2017, totaled \$96,000 and \$1,381,215, respectively.

15. 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, 2017, the District recognized a general fund expenditure of \$2,923,179 for insurance premiums for 259 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)	\$ 5,046,970
Interest on net OPEB obligation	799,851
Adjustment to ARC	<u>48,860</u>
Annual OPEB cost (expense)	5,895,681
Contributions made	<u>(2,923,179)</u>
 Increase in net OPEB obligation	 2,972,502
Net OPEB obligation - beginning of year	<u>19,996,282</u>
 Net OPEB obligation - end of year	 <u><u>\$ 22,968,784</u></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, 2017 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2017	\$ 5,895,681	49.6%	\$ 22,968,784
June 30, 2016	3,654,310	70.2%	19,996,282
June 30, 2015	3,528,275	72.1%	18,907,345

D. Funded Status and Funding Progress

As of July 1, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$95,095,912 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$95,095,912. The covered payroll (annual payroll of active employees covered by the plan) was \$25,913,427, and the ratio of the UAAL to the covered payroll was 367.0%.

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

E. Actuarial Methods and Assumptions

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

In the July 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% discount rate and an annual healthcare cost trend rate of 8% initially, reduced by decrements of 0.5% to an ultimate rate of 5% after 6 years. The UAAL is being amortized using the level dollar closed basis method over thirty years.

In the prior 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 of 1% to an ultimate rate of 5% after 4 years. The UAAL was being amortized using the level dollar method over thirty years.

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

16. 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, 2016 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 \$81,948,445. The Plan had assets of \$104,855,369 at June 30, 2016 to pay these liabilities.

17. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2017 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2018:

Retirement contributions	\$ 110,000
Employee benefit accrued liability	<u>275,000</u>
	<u>\$ 385,000</u>

18. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$600,000 has been appropriated to help fund the general fund budget for the year ending June 30, 2018.

19. TAX ABATEMENTS

The Town of Hempstead Industrial Development Agency (TOHIDA) enters into various property tax abatement programs for the purpose of economic development. The District's property tax revenue abated was \$818,901. The District received payment in lieu of taxes (PILOT) payments totaling \$280,340.

The District also receives PILOT revenues, remitted by Nassau County, which are from the Long Island Power Authority (LIPA). These LIPA PILOT payments are not the result of tax abatement agreements as defined by GASB Statement No. 77, *Tax Abatement Disclosures*, under which an entity receiving a reduction in tax revenues promises to take specific action that contributes to the economic development or otherwise benefits the governments or residents of the governments. The total amount of PILOT revenue recorded by the District related to LIPA for the year was \$1,033,762.

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

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2017, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	\$ 25,181
Instruction	<u>3,422</u>
	28,603
Capital Projects Fund	
Capital projects	<u>8,440,973</u>
	<u><u>\$ 8,469,576</u></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. The District believes that the outcome of any matters will not have a material effect on these financial statements.

21. SUBSEQUENT EVENTS

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

Issuance of TANs

On October 12, 2017, the District issued tax anticipation notes totaling \$4,900,000. The notes bear interest at a stated rate of 2.0% and an effective interest rate of 1.45% (net of premium at issuance of \$27,148) and are due June 22, 2018.

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, 2017

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 43,823,899	\$ 37,823,899	\$ 37,948,115	\$ 124,216
Other tax items	1,202,908	7,202,908	7,208,269	5,361
Charges for services	1,731,599	1,731,599	2,267,667	536,068
Use of money and property	475,000	475,000	562,018	87,018
Sale of property and compensation for loss			15,330	15,330
Miscellaneous	100,000	100,000	274,594	174,594
Intergovernmental revenue	583,907	583,907	583,906	(1)
Total Local Sources	47,917,313	47,917,313	48,859,899	942,586
State Sources	10,226,433	10,226,433	9,885,573	(340,860)
Medicaid Reimbursement	15,000	15,000	28,073	13,073
Total Revenues	58,158,746	58,158,746	58,773,545	614,799
OTHER FINANCING SOURCES				
Operating Transfers In			4,445	4,445
Premium on Obligation			184,320	184,320
Total Other Financing Sources	-	-	188,765	188,765
Total Revenues and Other Financing Sources	58,158,746	58,158,746	58,962,310	\$ 803,564
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	500,000	500,000		
Prior Year's Encumbrances	38,689	38,689		
Appropriated Reserves	482,078	482,078		
Total Appropriated Fund Balance	1,020,767	1,020,767		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 59,179,513	\$ 59,179,513		

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, 2017

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 117,501	\$ 117,501	\$ 107,371	\$	\$ 10,130
Central administration	329,619	329,017	149,608		179,409
Finance	784,658	790,536	744,920	23,651	21,965
Staff	355,177	355,092	285,505		69,587
Central services	3,686,836	3,687,044	3,209,285	1,530	476,229
Special items	558,125	558,125	541,400		16,725
Total General Support	5,831,916	5,837,315	5,038,089	25,181	774,045
Instruction					
Administration & improvement	2,108,248	2,119,020	1,982,825		136,195
Teaching - regular schools	15,043,700	15,153,032	14,794,286	2,800	355,946
Programs for students with disabilities	10,108,787	10,008,760	8,799,319		1,209,441
Occupational education	575,316	575,316	380,144		195,172
Teaching - special school	17,700	19,538	18,489		1,049
Instructional media	1,091,023	1,084,838	921,290		163,548
Pupil services	3,622,905	3,621,642	3,339,682	622	281,338
Total Instruction	32,567,679	32,582,146	30,236,035	3,422	2,342,689
Pupil Transportation	4,490,224	4,491,858	3,924,125		567,733
Employee Benefits	14,207,243	14,185,743	13,447,177		738,566
Debt Service					
Principal	670,140	670,140	670,135		5
Interest	407,280	407,280	398,512		8,768
Total Debt Service	1,077,420	1,077,420	1,068,647	-	8,773
Total Expenditures	58,174,482	58,174,482	53,714,073	28,603	4,431,806
OTHER FINANCING USES					
Operating Transfers Out	1,005,031	1,005,031	947,389		57,642
Total Expenditures and Other Uses	\$ 59,179,513	\$ 59,179,513	54,661,462	\$ 28,603	\$ 4,489,448
Net Change in Fund Balance			4,300,848		
Fund Balance - Beginning of Year			6,347,578		
Fund Balance - End of Year			\$ 10,648,426		

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, 2017

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, 2012	\$ -	\$ 66,800,815	\$ 66,800,815	0%	\$ 25,847,252	258.4%
July 1, 2014	-	67,099,309	67,099,309	0%	26,892,719	249.5%
July 1, 2016	-	95,095,912	95,095,912	0%	25,913,427	367.0%

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
Last Three Fiscal Years

Teachers' Retirement System

	2017	2016	2015
District's proportion of the net pension asset (liability)	0.1383010%	0.1439120%	0.1443410%
District's proportionate share of the net pension asset (liability)	\$ (1,481,265)	\$ 14,947,846	\$ 16,078,682
District's covered payroll	\$ 21,472,733	\$ 21,765,279	\$ 21,556,444
District's proportionate share of the net pension asset (liability) as a percentage of its covered payroll	(6.90)%	68.68 %	74.59 %
Plan fiduciary net position as a percentage of the total pension asset	99.01%	110.46%	111.48%

Employees' Retirement System

	2017	2016	2015
District's proportion of the net pension liability	0.0169148%	0.0168866%	0.0168889%
District's proportionate share of the net pension liability	\$ (1,589,348)	\$ (2,710,351)	\$ (570,550)
District's covered payroll	\$ 5,083,943	\$ 5,005,021	\$ 4,756,245
District's proportionate share of the net pension liability as a percentage of its covered payroll	(31.26)%	(54.15)%	(12.00)%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.68%	97.95%

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% as reflected in 2016 and 2017 above.

Employees' Retirement System

The discount rate decreased from 7.5% to 7.0% as reflected in 2015 and 2016 above.

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

Teachers' Retirement System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 2,359,797	\$ 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
Contributions in relation to the contractually required contribution	2,359,797	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
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 20,722,275	\$ 21,472,733	\$ 21,765,279	\$ 21,556,444	\$ 20,853,690	\$ 20,507,445	\$ 21,125,939	\$ 22,149,501	\$ 22,678,859	\$ 21,490,365
Contributions as a percentage of covered payroll	11%	13%	17%	16%	12%	11%	9%	6%	8%	9%

Employees' Retirement System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually required contribution	\$ 749,858	\$ 762,481	\$ 924,899	\$ 912,940	\$ 827,792	\$ 670,052	\$ 588,574	\$ 416,910	\$ 288,798	\$ 357,356
Contributions in relation to the contractually required contribution	749,858	762,481	924,899	912,940	827,792	670,052	588,574	416,910	288,798	357,356
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,128,759	\$ 4,954,115	\$ 4,918,071	\$ 4,798,120	\$ 4,705,923	\$ 4,467,863	\$ 4,733,387	\$ 4,614,045	\$ 4,410,522	\$ 3,977,288
Contributions as a percentage of covered payroll	15%	15%	19%	19%	18%	15%	12%	9%	7%	9%

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, 2017

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 59,140,824
Additions:	
Prior year's encumbrances	<u>38,689</u>
Original Budget	59,179,513
Budget revisions	<u>-</u>
Final Budget	<u><u>\$ 59,179,513</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2017-18 voter-approved expenditure budget	<u><u>\$ 59,943,330</u></u>
Maximum allowed (4% of 2017-18 budget)	<u><u>\$ 2,397,733</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 628,603
Unassigned fund balance	<u>3,278,391</u>
	\$ 3,906,994
Less:	
Appropriated fund balance	600,000
Encumbrances	<u>28,603</u>
Total adjustments	<u>628,603</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 3,278,391</u></u>
Actual Percentage	5.47%

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2017

PROJECT TITLE	Budget		Expenditures		Total		Unexpended Balance		Proceeds of Obligations		Methods of Financing		Fund Balance June 30, 2017
	June 30, 2016	June 30, 2017	Prior Years	Current Year							State Aid	Local Sources	
2013/2014 General Fund Appropriations													
High School Roof Masonry Arch	\$ 30,000	\$ 30,000	\$ 22,047	\$	\$ 22,047	\$	7,953	\$	\$	\$	\$	\$ 30,000	\$ 7,953
High School Roof Masonry Gen Con	370,000	370,000	313,000		313,000		57,000					370,000	57,000
2014/2015 General Fund Appropriations & EXCEL													
High School Roof Masonry Arch	35,160	35,160	24,166		24,166		10,994					35,160	10,994
High School Roof Masonry Gen Con & EXCEL	522,372	522,372	401,826		401,826		120,546				157,532	364,840	120,546
District Wide Technology Equipment	393,525	393,525	389,080		389,080		4,445		393,525				4,445
2015/2016 General Fund Appropriations													
George Washington Window Replacement	991,000	991,000	38,392		38,392		952,608					991,000	952,608
HS/MS Alarm System	265,000	265,000	184,645	902	185,547		79,453					265,000	79,453
Garage Replacement	130,000	130,000	103,660	8,694	112,354		17,646					130,000	17,646
2016/2017 General Fund Appropriations													
Cornwell Ave Elementary Cafeteria Renov.		266,000		4,312	4,312		261,688					266,000	261,688
George Washington Cafeteria Renovations		260,000		4,312	4,312		255,688					260,000	255,688
High School Auditorium Renovations		291,000		5,749	5,749		285,251					291,000	285,251
District Wide Capital Bond Project	35,570,029	35,570,029		1,875,947	1,875,947		33,694,082		35,570,029				33,694,082
Totals	<u>\$ 38,307,086</u>	<u>\$ 39,124,086</u>	<u>\$ 1,476,816</u>	<u>\$ 1,895,916</u>	<u>\$ 3,376,732</u>	<u>\$ 35,747,354</u>			<u>\$ 35,963,554</u>		<u>\$ 157,532</u>	<u>\$ 3,003,000</u>	<u>\$ 35,747,354</u>
											Completed projects transferred to general fund		(35,570,029)
													(4,445)
											Total Fund Balance		<u>\$ 172,880</u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2017

Capital assets, net	<u>\$ 21,122,888</u>
Deduct:	
Bond anticipation notes payable	(16,000,000)
Less: Unspent BAN proceeds	14,124,054
Short-term portion of bonds payable	(305,000)
Long-term portion of bonds payable	(7,085,000)
Short-term portion of installment purchase debt	(11,416)
Long-term portion of installment purchase debt	(11,773)
Short-term portion of energy performance contract	(188,526)
Long-term portion of energy performance contract	<u>(1,747,639)</u>
	<u>(11,225,300)</u>
Net Investment in Capital Assets	<u><u>\$ 9,897,588</u></u>

VINCENT D. CULLEN, CPA
(1950 - 2013)

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

**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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2017.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2017-001 that we consider 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 December 5, 2017.

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

December 5, 2017

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2017

FINANCIAL STATEMENTS FINDING

Material Weakness

2017-001. Year End Closing Adjustments

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

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

Cause: Inadequate time allotted to the accounting function during the year, as well as the year end closing process, and the lack of timely supervisory review of the books by management before the start of the annual audit.

Effect: The District's books and records required a number of audit adjustments to correct misstatements during the annual audit. Without these audit adjustments, the District's financial statements would have been materially misstated.

Recommendation: The District should review its staffing needs for the treasury and accountant functions, and develop a plan and procedures to ensure its books are maintained accurately during the year, and that all journal entries needed to close the books at year end are done before the external audit begins.

Management's Response: The District will review its Business Office staffing needs and continue to provide training to the staff, as well as implement procedures to ensure the books are maintained timely and accurately during the year, and that all significant year end journal entries are recorded prior to the audit.

