



WEST HEMPSTEAD PUBLIC SCHOOLS

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

June 30, 2019

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, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios on pages 3 through 14 and 48 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the West Hempstead Union Free School District's basic financial statements. The other supplementary information on pages 53 through 55 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2019 on our consideration of the West Hempstead Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the West Hempstead Union Free School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the West Hempstead Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

November 1, 2019

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, 2019 in comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

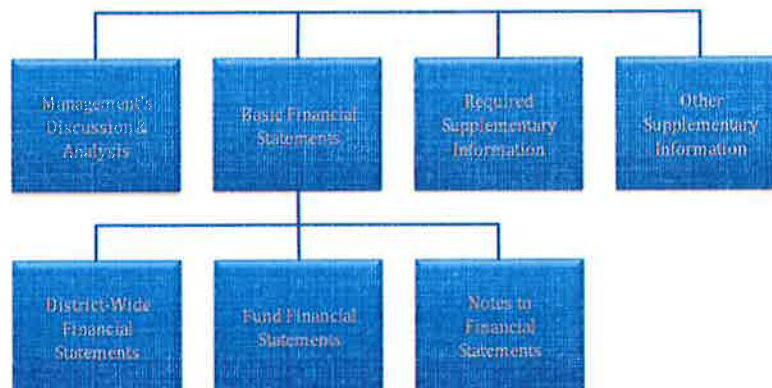
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position (deficit), as reflected in the district-wide financial statements, increased by \$3,615,315 due to expenses exceeding revenues based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$66,145,789. Of this amount, \$3,310,693 was offset by program charges for services, operating grants and capital grants. General revenues of \$59,219,781 amount to 94.7% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$1,510,976 to \$14,746,749, as revenues exceeded expenditures based on the current financial resources measurement focus and the modified accrual basis of accounting. The unassigned fund balance in the general fund was \$2,543,031, which is the statutory limit.
- The District's 2018-2019 original property tax levy of \$45,594,326 was a 2.31% increase over the 2018 tax levy and was equal to the District's property tax cap.
- On March 15, 2016, the District's voters approved the issuance of \$35,570,029 in serial bonds to fund needed district-wide capital improvements. As of June 30, 2019, the District has recognized \$16,000,000 of permanent financing, of which \$14,485,000 was from the issuance of serial bonds, \$1,255,000 was from premiums, and \$260,000 was from general fund appropriations. At June 30, 2019, there were bond anticipation notes outstanding of \$10,245,000. Work is underway and expenditures of \$14,588,301 (41%) are recorded in the capital projects fund.

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 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 economic resources measurement focus and 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 current financial resources measurement focus and 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, workers' compensation claims, 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, the reader 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 five individual governmental funds: general fund, special aid fund, school food service fund, debt 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 economic resources measurement focus and 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-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 (deficit) increased by \$3,615,315 between fiscal year 2019 and 2018. The increase is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	2019	2018	Increase (Decrease)	Percentage Change
Asset				
Current and Other Assets	\$ 37,951,903	\$ 29,596,850	\$ 8,355,053	28.23 %
Capital Assets, Net	33,072,599	27,169,474	5,903,125	21.73 %
Net Pension Asset - Proportionate Share	2,313,620	965,780	1,347,840	139.56 %
Total Assets	73,338,122	57,732,104	15,606,018	27.03 %
Deferred Outflows of Resources	42,919,304	15,395,893	27,523,411	178.77 %
Liabilities				
Current and Other Liabilities	17,519,665	21,040,001	(3,520,336)	(16.73)%
Long-Term Liabilities	27,744,177	11,854,353	15,889,824	134.04 %
Net Pension Liability - Proportionate Share	1,143,462	555,888	587,574	105.70 %
Total OPEB Obligation	160,858,207	126,014,104	34,844,103	27.65 %
Total Liabilities	207,265,511	159,464,346	47,801,165	29.98 %

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

	2019	2018	Increase (Decrease)	Percentage Change
Deferred Inflows of Resources	\$ 4,105,535	\$ 5,161,956	\$ (1,056,421)	(20.47)%
Net Position (Deficit)				
Net investment in capital assets	10,161,345	9,741,128	420,217	4.31 %
Restricted	11,215,290	9,156,938	2,058,352	22.48 %
Unrestricted (Deficit)	<u>(116,490,255)</u>	<u>(110,396,371)</u>	<u>(6,093,884)</u>	(5.52)%
Total Net Position (Deficit)	<u><u>\$ (95,113,620)</u></u>	<u><u>\$ (91,498,305)</u></u>	<u><u>\$ (3,615,315)</u></u>	(3.95)%

Current and other assets increased by \$8,355,053, as compared to the prior year. The increase is primarily related to the increase in cash, offset by decreases in due from state and federal and due from other governments.

Capital assets, net increased by \$5,903,125, 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 9 "Capital Assets" provides additional information.

Net pension asset – proportionate share increased by \$1,347,840, 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. The accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State", provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

Current and other liabilities decreased by \$3,520,336, as compared to the prior year. This decrease is primarily due to decreases in bond anticipation notes payable and due to other governments, offset by increases in accounts payable and due to teachers' retirement system.

Long-term liabilities increased by \$15,889,824, as compared to the prior year. This increase is primarily the result of the issuance of \$14,485,000 of serial bonds, including bond premium of \$1,888,859, which increased the outstanding principal of long-term debt. This was offset by debt principal payments.

Net pension liability – proportionate share increased by \$587,574 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation increased by \$34,844,103, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension plan that will be amortized in future years, and excess property tax levy received in 2018 that will be applied to the 2019-2020 tax levy.

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 increased by \$420,217.

The restricted amount of \$11,215,290 relates to the District's reserves. This number increased by \$2,058,352 compared to the prior year. The increase is primarily due to the funding of the retirement contribution, unemployment insurance and employee benefit accrued liability reserves, offset by planned usage of the reserves.

The unrestricted (deficit) amount of \$(116,490,255) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted, and is directly impacted by such unfunded long-term liabilities as compensated absences payable and total other postemployment benefits obligation (OPEB) that do not require the use of current financial resources, but instead will mature over time. 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 OPEB obligation.

B. Changes in Net Position

The results of 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, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 1,421,795	\$ 2,043,280	\$ (621,485)	(30.42)%
Operating Grants	1,867,558	1,992,286	(124,728)	(6.26)%
Capital Grants	21,340	20,380	960	4.71 %
General Revenues				
Property Taxes and STAR	45,594,388	44,566,967	1,027,421	2.31 %
State Sources	10,458,177	9,964,024	494,153	4.96 %
Other	3,167,216	2,830,426	336,790	11.90 %
Total Revenues	<u>62,530,474</u>	<u>61,417,363</u>	<u>1,113,111</u>	1.81 %
Expenses				
General Support	8,087,530	7,170,279	917,251	12.79 %
Instruction	51,702,961	47,957,536	3,745,425	7.81 %
Pupil Transportation	4,461,241	4,438,987	22,254	0.50 %
Debt Service - Interest	898,358	766,664	131,694	17.18 %
Food Service Program	995,699	977,626	18,073	1.85 %
Total Expenses	<u>66,145,789</u>	<u>61,311,092</u>	<u>4,834,697</u>	7.89 %
Increase / (Decrease) in Net Position	<u>\$ (3,615,315)</u>	<u>\$ 106,271</u>	<u>\$ (3,721,586)</u>	(3501.98)%

The District's net position decreased by \$3,615,315 for the year ended June 30, 2019, and increased by \$106,271 for the year ended June 30, 2018.

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

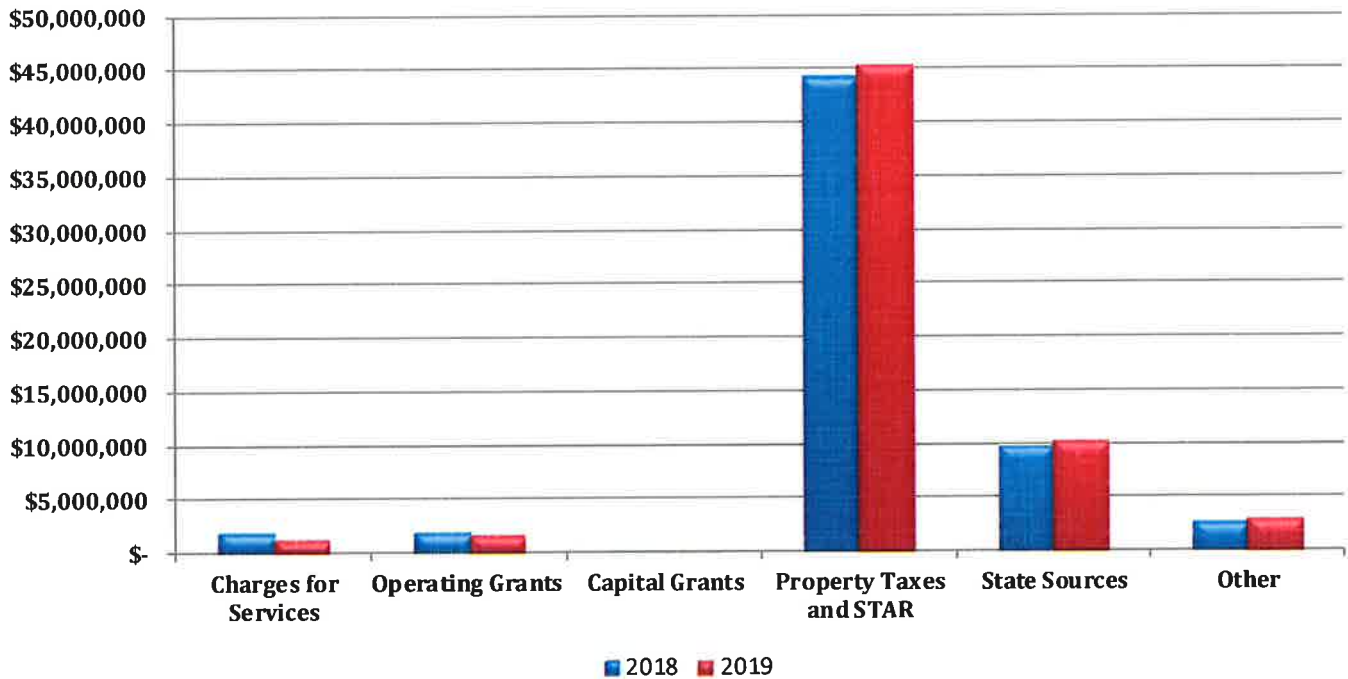
The District's revenues on the accrual basis increased by \$1,113,111 or 1.81%. The major factors that contributed to the increase were:

- Property taxes and STAR increased by \$1,027,421, primarily due to the increase in the voter approved property tax levy.
- State sources increased by \$494,153, primarily due to increases in general and excess cost aid.
- Other revenues increased \$336,790, primarily due to interest earnings on the District's bank accounts, rental of District property to individuals and refunds received.
- The increases were largely offset by a decrease of \$621,485 in charges for services, primarily due to decreases in non-resident tuition billings of students attending the District from Island Park.

The District's expenses for the year increased by \$4,834,697 or 7.89%, primarily due to increases in salaries and employee benefit expenses associated with health insurance and OPEB.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 72.9% and 72.6% of the total for the years 2019 and 2018, respectively). Instruction expense is the largest category of expenses incurred (i.e., 78.2% of the total for both 2019 and 2018).

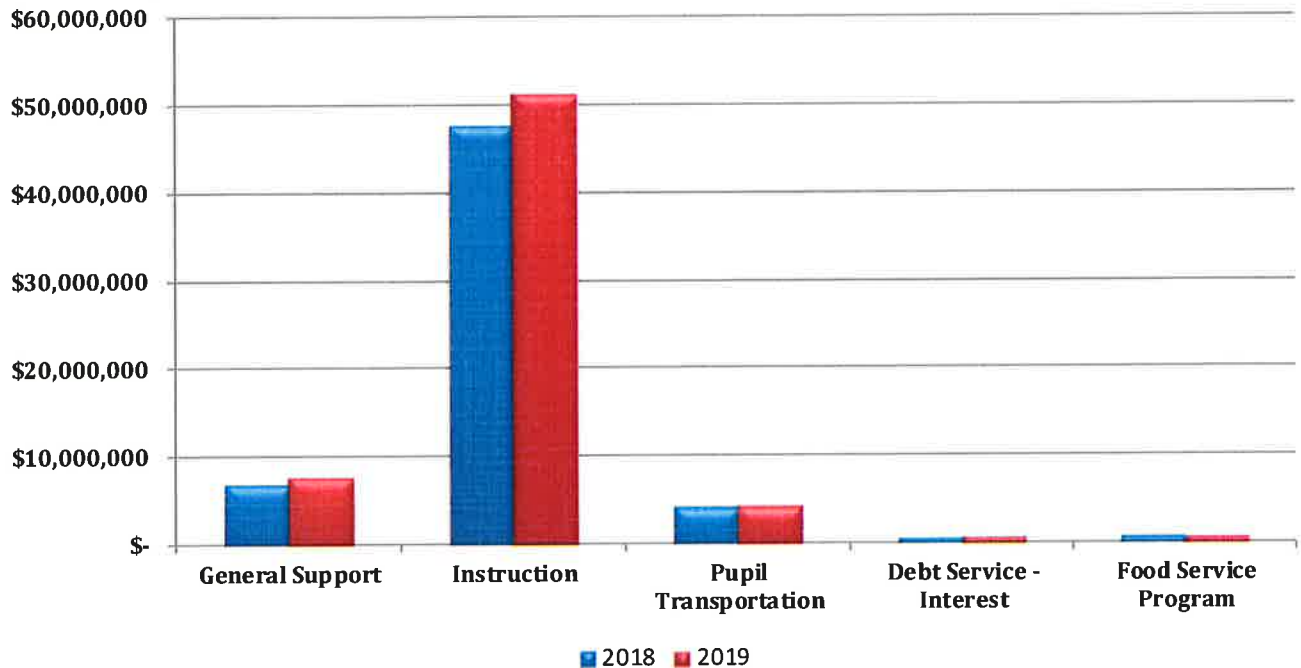
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	Capital Grants	Property Taxes and STAR	State Sources	Other
2018	3.3%	3.2%	0.0%	72.6%	16.2%	4.7%
2019	2.3%	3.0%	0.0%	72.9%	16.7%	5.1%

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:



	General Support	Instruction	Pupil Transportation	Debt Service - Interest	Food Service Program
2018	11.7%	78.2%	7.2%	1.3%	1.6%
2019	12.2%	78.2%	6.7%	1.4%	1.5%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2019, the District's governmental funds reported a combined fund balance of \$19,542,348, which is an increase of \$11,874,703 over the prior year. This increase is due to an excess of revenues over expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2019	2018	Increase (Decrease)
General Fund			
Restricted			
Unemployment insurance	\$ 447,109	\$ 342,283	\$ 104,826
Retirement contribution			
Teachers' retirement system	416,823		416,823
Employees' retirement system	7,317,231	6,019,193	1,298,038
Employee benefit accrued liability	3,034,127	2,795,462	238,665
Assigned:			
Appropriated fund balance	915,000	800,000	115,000
Unappropriated fund balance	73,428	105,496	(32,068)
Unassigned: Fund balance	2,543,031	3,173,339	(630,308)
	<u>14,746,749</u>	<u>13,235,773</u>	<u>1,510,976</u>

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

	2019	2018	Increase (Decrease)
School Food Service Fund			
Nonspendable: Inventories	\$ 10,079	\$ 1,474	\$ 8,605
Assigned: Unappropriated fund balance	140,048	290,874	(150,826)
	<u>150,127</u>	<u>292,348</u>	<u>(142,221)</u>
Debt Service Fund			
Restricted: Debt service	<u>633,859</u>		<u>633,859</u>
Capital Projects Fund			
Assigned: Unappropriated fund balance	4,011,613		4,011,613
Unassigned: Fund balance (deficit)		(5,860,476)	5,860,476
	<u>4,011,613</u>	<u>(5,860,476)</u>	<u>9,872,089</u>
Total Fund Balance	<u>\$ 19,542,348</u>	<u>\$ 7,667,645</u>	<u>\$ 11,874,703</u>

A. General Fund

The net change in the general fund-fund balance is an increase of \$1,510,976 compared to an increase of \$2,587,347 in the prior year, as revenues and other sources of \$60,317,121 exceeded expenditures and other uses of \$58,806,145.

Revenues and other sources increased by \$1,083,794 (1.83%) over fiscal 2018 totals, primarily because of increases in property taxes and STAR of \$1,277,319, state aid of \$494,153, use of money and property of \$224,960, and premium on obligations of \$160,837, offset by decreases in charges for services (\$793,695) and other tax items (\$275,339).

Expenditures and other uses increased \$2,160,165 (3.81%) from fiscal 2018 totals, primarily due to increases in general support (\$261,091), instruction (\$1,274,382), employee benefits (\$288,862) and debt service (\$383,454).

The District elected to appropriate \$915,000 of fund balance and \$385,000 of restricted reserves to partially fund the 2019-2020 budget.

B. School Food Service Fund

The net change in the school food service fund – fund balance is a decrease of \$142,221, which was the operating loss of the food service program.

C. Debt Service Fund

The net change in the debt service fund-fund balance is an increase of \$633,859 related to unspent premium from the \$14,485,000 bond issuance.

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

D. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$9,872,089. This increase is primarily due to the recognition of \$16,000,000 of permanent financing, offset by expenditures for the district-wide bond projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The District's general fund adopted budget for the year ended June 30, 2019 was \$61,122,822. This amount was increased by encumbrances carried forward from the prior year in the amount of \$105,496 and a budget revision of \$15,000 for a total final budget of \$61,243,318.

The budget was funded through a combination of estimated revenues and appropriated fund balance. The majority of this funding source was \$45,594,326 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 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	\$ 3,173,339
Revenues Over Budget	364,299
Expenditures and Encumbrances Under Budget	2,363,745
Interest Allocated to Reserves	(129,099)
Allocation to Reserves	(2,121,242)
Unused Budgeted Reserves	(193,011)
Appropriated for the 2019-2020 Budget	<u>(915,000)</u>
Closing, Unassigned Fund Balance	<u><u>\$ 2,543,031</u></u>

Opening, Unassigned Fund Balance

The \$3,173,339 shown in the table is the portion of the District's June 30, 2018 fund balance that was retained as unassigned. This was 5.19% of the District's 2018-2019 approved operating budget of \$61,122,822.

Revenues Over Budget

The 2018-2019 final budget for revenues was \$59,952,822. Actual revenues recognized for the year were \$60,317,121. The excess of actual revenue over estimated or budgeted revenue was \$364,299, which contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

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

Expenditures and Encumbrances Under Budget

The 2018-2019 final budget for expenditures was \$61,243,318. Actual expenditures as of June 30, 2019 were \$58,806,145 and outstanding encumbrances were \$73,428. Combined, the expenditures plus encumbrances for 2018-2019 were \$58,879,573. The final budget was under expended by \$2,363,745. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Interest Allocated to Reserves

This amount represents the interest earned on the reserves balances.

Allocation to Reserves / Unused Budgeted Reserves

All transfers to and from reserves were approved by either the voters or the Board of Education, and include the transfer of surplus totaling \$2,121,242, as well as the return of unused appropriated reserves totaling \$193,011 to the reserves.

Appropriated Fund Balance

The District has chosen to use \$915,000 of the available June 30, 2019 unassigned fund balance to partially fund the 2019-2020 approved operating budget. As such, the June 30, 2019 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the previous table, the unassigned fund balance at June 30, 2019 was \$2,543,031. This amount equals 4% of the 2019-2020 budget, which is the statutory limit.

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

A. Capital Assets, Net

At June 30, 2019, 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 \$6,939,035 in excess of depreciation of \$1,035,910 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)
Land	\$ 3,168,980	\$ 3,168,980	\$ -
Construction in progress	6,743,827	8,957,613	(2,213,786)
Buildings and improvements	18,826,384	14,306,218	4,520,166
Site improvements	3,852,164	127,111	3,725,053
Furniture and equipment	481,244	609,552	(128,308)
	<u>\$ 33,072,599</u>	<u>\$ 27,169,474</u>	<u>\$ 5,903,125</u>
Capital assets, net			

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

B. Debt Administration

At June 30, 2019, the District had total bonds payable and unamortized premiums of \$23,143,859, and an energy performance contract payable of \$1,552,954. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
Bonds Payable				
6/12/2014	2.0-4.0%	\$ 6,770,000	\$ 7,085,000	\$ (315,000)
6/13/2019	3.0-5.0%	16,373,859		16,373,859
		<u>\$ 23,143,859</u>	<u>\$ 7,085,000</u>	<u>\$ 16,058,859</u>
Energy Performance Contract Payable				
12/23/2010	3.24%	<u>\$ 1,552,954</u>	<u>\$ 1,747,639</u>	<u>\$ (194,685)</u>
Installment Purchase Debt Payable				
10/15/2015	3.12%	<u>\$ -</u>	<u>\$ 11,772</u>	<u>\$ (11,772)</u>

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa3.

C. Other Long-Term Liabilities

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

	2019	2018	Increase (Decrease)
Compensated absences payable	\$ 3,047,364	\$ 3,009,942	\$ 37,422
Net pension liability - proportionate share	1,143,462	555,888	587,574
Total OPEB obligation	<u>160,858,207</u>	<u>126,014,104</u>	<u>34,844,103</u>
	<u>\$ 165,049,033</u>	<u>\$ 129,579,934</u>	<u>\$ 35,469,099</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 21, 2019, for the year ending June 30, 2020, is \$63,575,777. This is an increase of \$2,452,955 or 4.01% over the previous year's budget. The increase is principally in teaching, co-curricular and educational support, special education and related services, pupil transportation, debt service payments and operations and maintenance.

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

The District budgeted revenues other than property taxes and STAR at a \$371,684 increase over the prior year's estimate, which is due to an estimated increase in state aid and payments in lieu of taxes (PILOT), offset by a decrease in estimated Island Park tuition and special education services. The assigned, appropriated fund balance applied to the budget in the amount of \$915,000 is a \$115,000 increase over the previous year. The District has also elected to appropriate \$385,000 of restricted reserves towards next year's budget, which is the same amount appropriated in the previous year. In addition, the District will be utilizing \$742,962 of excess property tax levy reserve from the 2017-2018 fiscal year towards next year's budget. As a result, the District's 2019-2020 property tax levy is \$46,817,635, which is an increase of \$1,223,309, or 2.68%, over the 2018-2019 tax levy of \$45,594,326.

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. 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 2019-2020 property tax levy increase of 2.68% 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 through the 2019-20 school year. 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. The amount of the credit (check) is a function of the basic STAR savings and the taxpayer's income. This program provides an incentive for the District 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. Joel Press
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, 2019

ASSETS

Cash	
Unrestricted	\$ 11,803,993
Restricted	21,990,849
Receivables	
Accounts receivable	135,762
Taxes receivable	1,649,977
Due from state and federal	1,573,441
Due from other governments	787,802
Inventories	10,079
Capital assets:	
Not being depreciated	9,912,807
Being depreciated, net of accumulated depreciation	23,159,792
Net pension asset - proportionate share	<u>2,313,620</u>
 Total Assets	 <u>73,338,122</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	13,821,079
Other postemployment benefits	<u>29,098,225</u>
 Total Deferred Outflows of Resources	 <u>42,919,304</u>

LIABILITIES

Payables	
Accounts payable	3,986,226
Accrued liabilities	398,147
Due to fiduciary funds	67,514
Due to other governments	104,745
Due to teachers' retirement system	2,448,393
Due to employees' retirement system	216,051
Compensated absences payable	35,988
Unearned credits - collections in advance	17,601
Notes payable - bond anticipation notes	10,245,000
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	1,164,919
Energy performance contract payable	201,042
Compensated absences payable	240,000
Due and payable after one year	
Bonds payable, net	21,978,940
Energy performance contract payable	1,351,912
Compensated absences payable	2,807,364
Net pension liability - proportionate share	1,143,462
Total other postemployment benefits obligation	<u>160,858,207</u>
 Total Liabilities	 <u>207,265,511</u>

DEFERRED INFLOWS OF RESOURCES

Reserve for excess property tax levy	742,962
Pensions	<u>3,362,573</u>
 Total Deferred Inflows of Resources	 <u>4,105,535</u>

NET POSITION (DEFICIT)

Net investment in capital assets	<u>10,161,345</u>
 Restricted	
Unemployment insurance	447,109
Retirement contribution	
Teachers' retirement system	416,823
Employees' retirement system	7,317,231
Employee benefit accrued liability	<u>3,034,127</u>
	<u>11,215,290</u>
 Unrestricted (deficit)	 <u>(116,490,255)</u>
 Total Net Position (Deficit)	 <u>\$ (95,113,620)</u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
FUNCTIONS/PROGRAMS					
General support	\$ 8,087,530	\$	\$	\$	\$ (8,087,530)
Instruction	51,702,961	1,096,201	1,334,056	21,340	(49,251,364)
Pupil transportation	4,461,241				(4,461,241)
Debt service - interest	898,358				(898,358)
Food service program	995,699	325,594	533,502		(136,603)
Total Functions and Programs	<u>\$ 66,145,789</u>	<u>\$ 1,421,795</u>	<u>\$ 1,867,558</u>	<u>\$ 21,340</u>	<u>(62,835,096)</u>
GENERAL REVENUES					
Real property taxes					39,993,762
Other tax items					7,006,997
Use of money and property					852,121
Sale of property and compensation for loss					67,947
Miscellaneous					241,916
Intergovernmental revenue					585,906
State sources					10,458,177
Medicaid reimbursement					12,955
Total General Revenues					<u>59,219,781</u>
Change in Net Position					(3,615,315)
Total Net Position (Deficit) - Beginning of Year					<u>(91,498,305)</u>
Total Net Position (Deficit) - End of Year					<u>\$ (95,113,620)</u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 400	\$ 21,336	\$ 66,128	\$	\$ 11,716,129	\$ 11,803,993
Restricted	2,174,225				19,816,624	21,990,849
Receivables						
Accounts receivable	135,717		45			135,762
Taxes receivable	1,649,977					1,649,977
Due from other funds	15,072,007	137,927	104,068	633,859		15,947,861
Due from state and federal	823,762	670,765	37,194		41,720	1,573,441
Due from other governments	787,802					787,802
Inventories			10,079			10,079
Total Assets	<u>\$ 20,643,890</u>	<u>\$ 830,028</u>	<u>\$ 217,514</u>	<u>\$ 633,859</u>	<u>\$ 31,574,473</u>	<u>\$ 53,899,764</u>
LIABILITIES						
Payables						
Accounts payable	\$ 1,553,458	\$ 48,956	\$ 53,301		\$ 2,330,511	\$ 3,986,226
Accrued liabilities	279,316	1,568	4,278			285,162
Due to other funds	306,271	763,459	16		14,945,629	16,015,375
Due to other governments	96,509	8,152	84			104,745
Due to teachers' retirement system	2,448,393					2,448,393
Due to employees' retirement system	216,051					216,051
Compensated absences payable	35,988					35,988
Unearned credits - collections in advance		7,893	9,708			17,601
Notes payable						
Bond anticipation notes					10,245,000	10,245,000
Total Liabilities	<u>4,935,986</u>	<u>830,028</u>	<u>67,387</u>	<u>-</u>	<u>27,521,140</u>	<u>33,354,541</u>
DEFERRED INFLOWS OF RESOURCES						
Reserve for excess property tax levy	742,962					742,962
Unavailable revenue	218,193				41,720	259,913
Deferred Inflows of Resources	<u>961,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,720</u>	<u>1,002,875</u>
FUND BALANCES						
Nonspendable: Inventories			10,079			10,079
Restricted:						
Unemployment insurance	447,109					447,109
Retirement contribution						
Teachers' retirement system	416,823					416,823
Employees' retirement system	7,317,231					7,317,231
Employee benefit accrued liability	3,034,127					3,034,127
Debt service				633,859		633,859
Assigned:						
Appropriated fund balance	915,000					915,000
Unappropriated fund balance	73,428		140,048		4,011,613	4,225,089
Unassigned: Fund balance	<u>2,543,031</u>					<u>2,543,031</u>
Total Fund Balances	<u>14,746,749</u>	<u>-</u>	<u>150,127</u>	<u>633,859</u>	<u>4,011,613</u>	<u>19,542,348</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,643,890</u>	<u>\$ 830,028</u>	<u>\$ 217,514</u>	<u>\$ 633,859</u>	<u>\$ 31,574,473</u>	<u>\$ 53,899,764</u>

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Total Governmental Funds Balance	\$ 19,542,348
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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	\$ 48,547,214	
Accumulated depreciation	<u>(15,474,615)</u>	
		33,072,599

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.

Net pension asset - teachers' retirement system	2,313,620	
Deferred outflows of resources	13,821,079	
Net pension liability - employees' retirement system	(1,143,462)	
Deferred inflows of resources	<u>(3,362,573)</u>	
		11,628,664

Total other postemployment benefits obligation and deferred outflows of resources related to providing benefits in retirement is not a current financial resource or obligation and are not reported in the funds.

Deferred outflows of resources	29,098,225	
Other postemployment benefits obligation	<u>(160,858,207)</u>	
		(131,759,982)

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.

259,913

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	(112,985)	
Bonds payable, net	(23,143,859)	
Energy performance contract payable	(1,552,954)	
Compensated absences payable	<u>(3,047,364)</u>	
		<u>(27,857,162)</u>

Total Net Position (Deficit)	<u>\$ (95,113,620)</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, 2019

	General	Special Aid	School Food Service	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 39,993,762	\$	\$	\$	\$	\$ 39,993,762
Other tax items	7,006,997					7,006,997
Charges for services	1,078,215					1,078,215
Use of money and property	852,121		521			852,642
Sale of property and compensation for loss	67,947					67,947
Miscellaneous	53,931					53,931
Intergovernmental revenue	585,906					585,906
State sources	10,458,177	357,153	16,073			10,831,403
Medicaid reimbursement	12,955					12,955
Federal sources	19,125	976,903	517,429			1,513,457
Sales			325,073			325,073
Total Revenues	60,129,136	1,334,056	859,096	-	-	62,322,288
EXPENDITURES						
General support	5,525,312					5,525,312
Instruction	32,035,336	1,375,385				33,410,721
Pupil transportation	4,344,799	72,476				4,417,275
Employee benefits	14,375,531					14,375,531
Debt service						
Principal	781,457					781,457
Interest	876,991					876,991
Food service program			1,004,231			1,004,231
Capital outlay					6,877,911	6,877,911
Total Expenditures	57,939,426	1,447,861	1,004,231	-	6,877,911	67,269,429
Excess (Deficiency) of Revenues Over Expenditures	2,189,710	(113,805)	(145,135)	-	(6,877,911)	(4,947,141)
OTHER FINANCING SOURCES AND (USES)						
Proceeds of debt					14,485,000	14,485,000
Premium on obligation	187,985			633,859	1,255,000	2,076,844
BANs redeemed from appropriation					260,000	260,000
Operating transfers in		113,805	2,914		750,000	866,719
Operating transfers (out)	(866,719)					(866,719)
Total Other Financing Sources and (Uses)	(678,734)	113,805	2,914	633,859	16,750,000	16,821,844
Net Change in Fund Balances	1,510,976	-	(142,221)	633,859	9,872,089	11,874,703
Fund Balances (Deficit) - Beginning of Year	13,235,773		292,348		(5,860,476)	7,667,645
End of Year	\$ 14,746,749	\$ -	\$ 150,127	\$ 633,859	\$ 4,011,613	\$ 19,542,348

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, 2019

Net Change in Fund Balances \$ 11,874,703

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 fund, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received).

\$ 20,201

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 compensated absences

(37,422)

(17,221)

Capital Related Differences

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

Capital outlays

6,939,035

Depreciation expense

(1,035,910)

5,903,125

Long-Term Debt Transactions Differences

Proceeds from the issuance of serial bonds and associated premiums are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities:

Serial bond principal

(14,485,000)

Premium on obligation

(1,888,859)

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

315,000

Repayment of installment purchase debt

11,772

Repayment of energy performance contract

194,685

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2018 to June 30, 2019.

(21,367)

(15,873,769)

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Teachers' retirement system

(90,420)

Employees' retirement system

334,145

Other postemployment benefits

(5,745,878)

(5,502,153)

Change in Net Position (Deficit) of Governmental Activities

\$ (3,615,315)

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2019

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash - Unrestricted	\$ 233,098	\$
Due from governmental funds	<u>68,383</u>	<u></u>
Total Assets	<u><u>\$ 301,481</u></u>	<u></u>
 LIABILITIES		
Extraclassroom activity balances	\$ 49,082	\$
Due to governmental funds		869
Other liabilities	<u>252,399</u>	<u></u>
Total Liabilities	<u><u>\$ 301,481</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, 2019

	Private Purpose Trust
ADDITIONS	
	\$ -
DEDUCTIONS	
	-
Changes in Net Position	-
Net Position (Deficit) - Beginning of Year	(869)
Net Position (Deficit) - End of Year	\$ (869)

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.

Debt Service Fund - accounts for the accumulation of resources for the payment of principal and interest on long-term general obligation debt of governmental activities.

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.

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.

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

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, pension costs, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

I. Cash and Cash Equivalents

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

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

J. Receivables

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

K. Inventories

Inventories of food in the school 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 are consumed.

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

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 three 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. The third item is related to OPEB and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

N. Collections in Advance

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

O. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. 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 as well as state and federal aid. 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

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

revenues. The second item is related 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. The third item is the amount set aside for property taxes received in excess of the District's property tax levy for the current fiscal year that will be recognized as revenue and used to reduce the property tax levy in a subsequent year.

P. Employee Benefits – Compensated Absences

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

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

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.

Q. Other Benefits

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for 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 economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

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

R. Short-Term Debt

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

The District may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

S. Equity Classifications

District-Wide Statements

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

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

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

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

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

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

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

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 Teachers' Retirement System and 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. Effective April 1, 2019, a board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of General Municipal Law §6-r. These reserves are accounted for in the general fund.

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 Debt Service

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are recorded in the debt service fund and held until appropriated for debt payments. These restricted amounts are accounted for in the debt service fund.

Restricted for Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, 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.

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

Fund Balance Classification

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

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

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

T. New Accounting Standards

Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, became effective for the year ended June 30, 2019. This statement improves the information that is disclosed in the notes to financial statements related to debt.

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

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

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

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

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 current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and 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.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

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

Appropriations are 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. The following supplemental appropriations occurred during the year:

Program costs funded by state grant	<u>\$ 15,000</u>
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WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

C. 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, 2019. This deficit will be eliminated with future contributions from donors.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2019, the District was billed \$4,964,515 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$672,359. 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)

6. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2019 consisted of:

General Fund	
New York State - excess cost aid	\$ 319,523
BOCES aid	504,239
	<u>823,762</u>
Special Aid Fund	
Federal and state grants	670,765
School Food Service Fund	
Federal and state food service program reimbursements	37,194
Capital Projects Fund	
New York State Smart Schools Bond Act aid	41,720
	<u>\$ 1,573,441</u>

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2019 consisted of:

General Fund	
PILOT Receivable	\$ 153,168
Miscellaneous receivables	100
Other school districts - charges for services	634,534
	<u>\$ 787,802</u>

8. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 15,072,007	\$ 306,271	\$	\$ 866,719
Special Aid Fund	137,927	763,459	113,805	
School Food Service Fund	104,068	16	2,914	
Debt Service Fund	633,859			
Capital Projects Fund		14,945,629	750,000	
Total Governmental Funds	<u>15,947,861</u>	<u>16,015,375</u>	<u>\$ 866,719</u>	<u>\$ 866,719</u>
Fiduciary Funds	<u>68,383</u>	<u>869</u>		
Total	<u>\$ 16,016,244</u>	<u>\$ 16,016,244</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.

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

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2019 were as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,168,980	\$	\$	\$ 3,168,980
Construction in progress	8,957,613	6,677,306	(8,891,092)	6,743,827
Total capital assets not being depreciated	12,126,593	6,677,306	(8,891,092)	9,912,807
Capital assets being depreciated				
Buildings and improvements	26,658,142	5,322,139		31,980,281
Site improvements	909,040	3,783,295		4,692,335
Furniture and equipment	1,936,129	47,387	(21,725)	1,961,791
Total capital assets being depreciated	29,503,311	9,152,821	(21,725)	38,634,407
Less accumulated depreciation for:				
Buildings and improvements	12,351,924	801,973		13,153,897
Site improvements	781,929	58,242		840,171
Furniture and equipment	1,326,577	175,695	(21,725)	1,480,547
Total accumulated depreciation	14,460,430	1,035,910	(21,725)	15,474,615
Total capital assets being depreciated, net	15,042,881	8,116,911	-	23,159,792
Capital assets, net	\$ 27,169,474	\$ 14,794,217	\$ (8,891,092)	\$ 33,072,599

Depreciation expense was charged to governmental functions as follows:

General support	\$ 298,427
Instruction	737,483
Total depreciation expense	\$ 1,035,910

10. SHORT-TERM DEBT

Short-term debt transactions for the year are summarized below:

	Maturity	Stated Interest Rate	Balance June 30, 2018	Issued	Redeemed	Balance June 30, 2019
BAN	6/14/2019	2.75%	\$ 16,000,000	\$	\$ (16,000,000)	\$ -
TAN	9/20/2018	3.00%	-	4,900,000	(4,900,000)	-
BAN	6/12/2020	2.25%	-	10,245,000	-	10,245,000
			\$ 16,000,000	\$ 15,145,000	\$ (20,900,000)	\$ 10,245,000

Interest on short-term debt for the year was \$550,658. The District received issuance premiums of \$35,182 and \$152,803 for the TAN and BAN, respectively, which resulted in effective interest rates of 2.05% and 1.48% on the TAN and BAN, respectively.

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

11. LONG-TERM LIABILITIES

A. Changes

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

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Within One Year
<u>Long-term debt:</u>					
Bonds payable	\$ 7,085,000	\$ 14,485,000	\$ (315,000)	\$ 21,255,000	\$ 1,030,000
Add: Premium on obligation		1,888,859		1,888,859	134,919
Installment purchase debt	11,772		(11,772)		
Energy performance contract	1,747,639		(194,685)	1,552,954	201,042
	8,844,411	16,373,859	(521,457)	24,696,813	1,365,961
<u>Other long-term liabilities</u>					
Compensated absences	3,009,942	37,422		3,047,364	240,000
	<u>\$ 11,854,353</u>	<u>\$ 16,411,281</u>	<u>\$ (521,457)</u>	<u>\$ 27,744,177</u>	<u>\$ 1,605,961</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Library bond - refunding	6/12/2014	3/1/2034	2.0-4.0%	\$ 6,770,000
Serial bond	6/13/2019	6/1/2034	3.0-5.0%	14,485,000
				<u>\$ 21,255,000</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 2018-2019 the District received \$585,906 from the Library, which is recorded as intergovernmental revenue.

The following is a summary of debt service requirements:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,030,000	\$ 835,793	\$ 1,865,793
2021	1,060,000	807,456	1,867,456
2022	1,115,000	757,856	1,872,856
2023	1,170,000	705,706	1,875,706
2024	1,225,000	650,956	1,875,956
2025 - 2029	7,055,000	2,355,782	9,410,782
2030 - 2034	8,600,000	867,744	9,467,744
Total	<u>\$ 21,255,000</u>	<u>\$ 6,981,293</u>	<u>\$ 28,236,293</u>

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

In the district-wide financial statements, the District is amortizing deferred bond premiums (resulting from the issuance of serial bonds) as a component of interest expense on a straight-line basis as follows:

Year Ending June 30,	Deferred Premium
2020	\$ 134,919
2021	134,919
2022	134,919
2023	134,919
2024	134,919
2025 - 2029	674,595
2030 - 2034	539,669
Total	<u>\$ 1,888,859</u>

C. Energy Performance Contract

Energy performance contract is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2019
Energy performance contract	12/23/2010	6/23/2026	3.24%	<u>\$ 1,552,954</u>

The following is a summary of debt service requirements for energy performance contract and installment purchase debt payable:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 201,042	\$ 48,700	\$ 249,742
2021	207,609	42,134	249,743
2022	214,391	35,353	249,744
2023	221,393	28,350	249,743
2024	228,624	21,119	249,743
2025 - 2026	479,895	19,592	499,487
Total	<u>\$ 1,552,954</u>	<u>\$ 195,248</u>	<u>\$ 1,748,202</u>

D. Interest Expense

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

Interest paid	\$ 326,333
Less interest accrued in the prior year	(91,618)
Plus interest accrued in the current year	<u>112,985</u>
Total interest expense on long-term debt	<u>\$ 347,700</u>

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

E. Unissued Debt

On March 15, 2016, the District's voters approved a bond issue not to exceed \$35,570,029 to fund needed district-wide capital improvements. As of June 30, 2019, the District has recognized \$16,000,000 of permanent financing, of which \$14,485,000 was from the issuance of serial bonds, \$1,255,000 was from premiums, and \$260,000 was from general fund appropriations. At June 30, 2019, there were also bond anticipation notes outstanding of \$10,245,000. The District has \$9,325,029 in authorized but unissued debt.

12. PENSION PLANS – NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

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

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 9.8% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 15.8% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll for the District's year ended June 30, 2019, was \$2,281,331 for TRS and \$737,422 for ERS.

D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the systems. The net pension asset/(liability) was measured as of June 30, 2018, for TRS and March 31, 2019 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and the ERS in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2018	March 31, 2019
District's proportionate share of the net pension asset/(liability)	\$ 2,313,620	\$ (1,143,462)
District's portion of the Plan's total net pension asset/(liability)	0.1279470%	0.0161385%
Change in proportion since the prior measurement date	0.0008870	(0.0010853)

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

For the year ended June 30, 2019, the District recognized pension expense of \$1,949,354 for TRS and \$830,473 for ERS. At June 30, 2019, 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	\$ 1,728,950	\$ 225,172	\$ 313,180	\$ 76,758
Changes of assumptions	8,087,621	287,420		
Net difference between projected and actual earnings on pension plan investments			2,568,295	293,476
Changes in proportion and differences between the District's contributions and proportionate share of contributions	804,239	190,295	63,509	47,355
District's contributions subsequent to the measurement date	2,281,331	216,051		
Total	<u>\$ 12,902,141</u>	<u>\$ 918,938</u>	<u>\$ 2,944,984</u>	<u>\$ 417,589</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, 2020. 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 June 30,	TRS	ERS
2020	\$ 2,472,781	\$ 297,445
2021	1,728,241	(181,255)
2022	319,807	5,771
2023	1,722,790	163,337
2024	1,179,630	
Thereafter	252,577	
	<u>\$ 7,675,826</u>	<u>\$ 285,298</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, 2018	March 31, 2019
Actuarial valuation date	June 30, 2017	April 1, 2018
Inflation	2.25%	2.50%
Salary increases	1.90-4.72%	4.20%
Investment rate of return (net of investment expense, including inflation)	7.25%	7.00%
Inflation rate	1.50%	1.30%

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.

For TRS, 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.

For ERS, the long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The 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, 2018		March 31, 2019
Asset type				
Domestic equity	33.0%	5.80%	36.0%	4.55%
International equity	16.0%	7.30%	14.0%	6.35%
Global equity	4.0%	6.70%		
Real estate	11.0%	4.90%	10.0%	5.55%
Private equities	8.0%	8.90%	10.0%	7.50%
Alternative investments			8.0%	3.75-5.68%
Domestic fixed income securities	16.0%	1.30%		
Global fixed income securities	2.0%	0.90%		
High-yield fixed income securities	1.0%	3.50%		
Bonds and mortgages	8.0%	2.80-6.80%	17.0%	1.31%
Short-term	1.0%	0.30%		
Cash			1.0%	(0.25)%
Inflation indexed bonds			4.0%	1.25%
	100.0%		100.0%	

Real rates of return are net of a long-term inflation assumption of 2.3% for TRS and 2.5% for ERS.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for TRS and 7.0% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% 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 (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

	1% Decrease (6.25)%	Current Assumption (7.25)%	1% Increase (8.25)%
TRS			
District's proportionate share of the net pension asset (liability)	<u>\$ (15,894,950)</u>	<u>\$ 2,313,620</u>	<u>\$ 17,567,342</u>
	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
ERS			
District's proportionate share of the net pension asset (liability)	<u>\$ (4,999,400)</u>	<u>\$ (1,143,462)</u>	<u>\$ 2,095,799</u>

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2018	March 31, 2019
Employers' total pension liability	\$ (118,107,254)	\$ (189,803,429)
Plan fiduciary net position	<u>119,915,518</u>	<u>182,718,124</u>
Employers' net pension asset/(liability)	<u>\$ 1,808,264</u>	<u>\$ (7,085,305)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	101.53%	96.27%

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

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, 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, 2019 amounted to \$2,281,331 of employer contributions and \$167,062 of employee contributions.

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, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$216,051 of employer contributions. Employee contributions are remitted monthly.

13. PENSION PLANS – OTHER

Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled \$98,426 and \$1,546,309, respectively.

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description – The District's defined benefit OPEB plan, provides OPEB for full-time employees of the District. The plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

Benefits Provided – The District provides healthcare benefits for retirees and their dependents. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Inactive employees or beneficiaries currently receiving benefit payments	260
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	285
	<u>545</u>

B. Total OPEB Liability

The District's total OPEB liability of \$160,858,207 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2018. Update procedures were used to roll forward the total OPEB liability to the measurement date.

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

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3% average, including inflation
Discount rate	3.10%
Healthcare cost trend rates	8% for 2019, decreasing to an ultimate rate of 5% by 2026
Retirees' share of benefit-related costs	10-20% of projected health insurance premiums for retirees

The discount rate was based on an average of three 20-year bond indices (Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, and Fidelity GA AA 20 years) as of June 30, 2019.

Mortality rates were based on the RP 2014 Employee and Healthy Annuitant Tables for both pre and post retirement as appropriate, with adjustments for mortality improvement Scale MP-2018.

C. Changes in the Total OPEB Liability

Balance at June 30, 2018	<u>\$ 126,014,104</u>
Changes for the year	
Service cost	1,832,774
Interest	4,839,230
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	32,008,048
Benefit payments	<u>(3,835,949)</u>
	<u>34,844,103</u>
Balance at June 30, 2019	<u><u>\$ 160,858,207</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2018 to 3.10% in 2019. Additionally, the report included changes in mortality improvement from Scale AA in 2018 to improvement Scale MP-2018 in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.10%) or 1 percentage point higher (4.10%) than the current discount rate:

OPEB	1% Decrease (2.10%)	Discount Rate (3.10%)	1% Increase (4.10%)
Total OPEB liability	<u>\$ (207,563,434)</u>	<u>\$ (160,858,207)</u>	<u>\$ (128,707,684)</u>

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (7.0%) or 1 percentage point higher (9.0%) than the current healthcare cost trend rate:

OPEB	1% Decrease (7.0% decreasing to 4.0%)	Healthcare Cost Trend Rates (8.0% decreasing to 5.0%)	1% Increase (9.0% decreasing to 6.0%)
Total OPEB liability	\$ (126,143,237)	\$ (160,858,207)	\$ (214,276,687)

D. OPEB Expense

For the year ended June 30, 2019, the District recognized OPEB expense of \$9,581,827. At June 30, 2019, the district reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$
Changes of assumptions	29,098,225
District's contributions subsequent to the measurement date	
Total	<u>\$ 29,098,225</u>

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

Year Ending June 30,	Amount
2020	\$ 2,909,823
2021	2,909,823
2022	2,909,823
2023	2,909,823
2024	2,909,823
Thereafter	<u>14,549,110</u>
	<u>\$ 29,098,225</u>

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

15. RISK MANAGEMENT

A. General Information

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

B. Public Entity Risk Pool

Effective July, 2012, the District participates in the New York State Municipal Workers' Compensation Alliance Plan (the Plan), a risk sharing pool, to insure workers' compensation claims. This is a public school entity risk pool created under Article 5 of the Workers' Compensation Law, to finance liability and risks related to workers' compensation claims through self-insurance. The Plan, through its plan administrator, provides participating members with risk management services as well as workers compensation and employers liability coverage. Participating members agree to make contributions as determined by the Plan. The Plan is allowed to make additional pro-rated assessment to its members if the assets of the Plan are insufficient to enable the Plan to discharge its legal liabilities and other obligations or to maintain required reserves. According to the Plan's June 30, 2018 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 \$99,028,730. The Plan had assets of \$140,185,352 at June 30, 2018 to pay these liabilities.

16. RESTRICTED FUND BALANCE – APPROPRIATED RESERVES

The District expects to appropriate the following amounts from reserves, which are reported in the June 30, 2019 restricted fund balances, to fund the budget and reduce taxes for the year ending June 30, 2020:

Retirement contribution - Employees' Retirement System	\$ 110,000
Employee benefit accrued liability	<u>275,000</u>
	<u>\$ 385,000</u>

17. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$915,000 has been appropriated to help fund the general fund budget for the year ending June 30, 2020.

18. 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 \$854,643. The District received payment in lieu of taxes (PILOT) payments totaling \$283,257.

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 \$1,087,018.

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

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2019, the District encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital projects	<u>\$ 11,849,281</u>
Assigned: Unappropriated Fund Balance:	
General Fund	
General Support	45,640
Instruction	<u>27,788</u>
	<u>73,428</u>
Capital Projects Fund	
Capital projects	<u>128,097</u>
	<u>\$ 12,050,806</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.

20. 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 11, 2019, the District issued tax anticipation notes totaling \$4,900,000. The notes bear interest at a stated rate of 2.00% and an effective interest rate of 1.59% (net of premium at issuance of \$20,139) and are due June 25, 2020.

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 39,594,326	\$ 39,993,700	\$ 39,993,762	\$ 62
Other tax items	7,302,613	6,903,239	7,006,997	103,758
Charges for services	886,390	886,390	1,078,215	191,825
Use of money and property	534,850	534,850	852,121	317,271
Sale of property and compensation for loss			67,947	67,947
Miscellaneous	265,000	265,000	53,931	(211,069)
Intergovernmental revenue	585,907	585,907	585,906	(1)
Total Local Sources	49,169,086	49,169,086	49,638,879	469,793
State Sources	10,753,736	10,768,736	10,458,177	(310,559)
Medicaid Reimbursement	15,000	15,000	12,955	(2,045)
Federal Sources			19,125	19,125
Total Revenues	59,937,822	59,952,822	60,129,136	176,314
OTHER FINANCING SOURCES				
Premium on Obligation			187,985	187,985
Total Revenues and Other Financing Sources	59,937,822	59,952,822	60,317,121	\$ 364,299
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	800,000	800,000		
Prior Year's Encumbrances	105,496	105,496		
Appropriated Reserves	385,000	385,000		
Total Appropriated Fund Balance	1,290,496	1,290,496		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 61,228,318	\$ 61,243,318		

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, 2019

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 124,602	\$ 125,018	\$ 115,124	\$	\$ 9,894
Central administration	343,674	358,258	337,019		21,239
Finance	815,516	840,596	740,403	44,640	55,553
Staff	345,615	404,671	379,800	1,000	23,871
Central services	3,709,726	3,737,003	3,418,068		318,935
Special items	571,700	539,946	534,898		5,048
Total General Support	5,910,833	6,005,492	5,525,312	45,640	434,540
Instruction					
Administration & improvement	2,134,542	2,109,383	1,925,169	149	184,065
Teaching - regular schools	16,122,771	16,090,749	15,437,529	10,650	642,570
Programs for students with disabilities	9,074,969	9,966,360	9,649,705		316,655
Occupational education	522,000	483,531	481,437		2,094
Teaching - special school	17,850	17,854	17,544		310
Instructional media	1,222,946	1,200,153	1,107,975	13,911	78,267
Pupil services	3,724,463	3,756,731	3,415,977	3,078	337,676
Total Instruction	32,819,541	33,624,761	32,035,336	27,788	1,561,637
Pupil Transportation	4,552,683	4,359,660	4,344,799		14,861
Employee Benefits	15,435,597	14,654,827	14,375,531		279,296
Debt Service					
Principal	326,773	781,458	781,457		1
Interest	1,246,020	877,335	876,991		344
Total Debt Service	1,572,793	1,658,793	1,658,448	-	345
Total Expenditures	60,291,447	60,303,533	57,939,426	73,428	2,290,679
OTHER FINANCING USES					
Operating Transfers Out	936,871	939,785	866,719	-	73,066
Total Expenditures and Other Uses	\$ 61,228,318	\$ 61,243,318	58,806,145	\$ 73,428	\$ 2,363,745
Net Change in Fund Balance			1,510,976		
Fund Balance - Beginning of Year			13,235,773		
Fund Balance - End of Year			\$ 14,746,749		

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 the District's Proportionate Share of the Net Pension Asset/(Liability)
Last Five Fiscal Years

Teachers' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension asset/(liability)	0.1279470%	0.1270600%	0.1383010%	0.1439120%	0.1443410%
District's proportionate share of the net pension asset/(liability)	\$ 2,313,620	\$ 965,780	\$ (1,481,265)	\$ 14,947,846	\$ 16,078,682
District's covered payroll	\$ 21,161,915	\$ 20,722,275	\$ 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	10.93 %	4.66 %	(6.90)%	68.68 %	74.59 %
Plan fiduciary net position as a percentage of the total pension asset	101.53%	100.66%	99.01%	110.46%	111.48%

Employees' Retirement System

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0161385%	0.0172238%	0.0169148%	0.0168866%	0.0168889%
District's proportionate share of the net pension liability	\$ (1,143,462)	\$ (555,888)	\$ (1,589,348)	\$ (2,710,351)	\$ (570,550)
District's covered payroll	\$ 4,945,819	\$ 5,075,903	\$ 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	(23.12)%	(10.95)%	(31.26)%	(54.15)%	(12.00)%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

Teachers' Retirement System

The discount rate decreased from 8.0% to 7.5% to 7.25% as reflected in 2016, 2017 and 2018 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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 2,281,331	\$ 2,041,324	\$ 2,359,797	\$ 2,829,854	\$ 3,798,537	\$ 3,464,729	\$ 2,418,034	\$ 2,254,904	\$ 1,800,444	\$ 1,321,410
Contributions in relation to the contractually required contribution	<u>2,281,331</u>	<u>2,041,324</u>	<u>2,359,797</u>	<u>2,829,854</u>	<u>3,798,537</u>	<u>3,464,729</u>	<u>2,418,034</u>	<u>2,254,904</u>	<u>1,800,444</u>	<u>1,321,410</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 21,588,485	\$ 21,161,915	\$ 20,722,275	\$ 21,472,733	\$ 21,765,279	\$ 21,556,444	\$ 20,853,690	\$ 20,507,445	\$ 21,125,939	\$ 22,149,501
Contributions as a percentage of covered payroll	11%	10%	11%	13%	17%	16%	12%	11%	9%	6%

Employees' Retirement System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 737,422	\$ 740,176	\$ 749,858	\$ 762,481	\$ 924,899	\$ 912,940	\$ 827,792	\$ 670,052	\$ 588,574	\$ 416,910
Contributions in relation to the contractually required contribution	<u>737,422</u>	<u>740,176</u>	<u>749,858</u>	<u>762,481</u>	<u>924,899</u>	<u>912,940</u>	<u>827,792</u>	<u>670,052</u>	<u>588,574</u>	<u>416,910</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 4,996,718	\$ 5,006,630	\$ 5,128,759	\$ 4,954,115	\$ 4,918,071	\$ 4,798,120	\$ 4,705,923	\$ 4,467,863	\$ 4,733,387	\$ 4,614,045
Contributions as a percentage of covered payroll	15%	15%	15%	15%	19%	19%	18%	15%	12%	9%

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Two Fiscal Years

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 1,832,774	\$ 1,360,624
Interest	4,839,230	4,271,438
Changes in benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	32,008,048	-
Benefit payments	<u>(3,835,949)</u>	<u>(3,318,081)</u>
Net change in total OPEB liability	34,844,103	2,313,981
Total OPEB liability, beginning	<u>126,014,104</u>	<u>123,700,123</u>
Total OPEB liability, ending	<u><u>\$ 160,858,207</u></u>	<u><u>\$ 126,014,104</u></u>
Covered employee payroll	\$ 23,098,081	\$ 20,487,577
Total OPEB liability as a percentage of covered employee payroll	696.41%	615.08%

An additional year of historical information will be added each year, subsequent to the year of implementation until 10 years of historical data is available.

Note to Required Supplementary Information

The discount rate decreased from 3.50% to 3.10% as reflected in 2018 and 2019 above.

The mortality improvement scale was adjusted from improvement Scale AA to improvement Scale MP-2018 as reflected in 2018 and 2019 above.

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, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 61,122,822
Additions:	
Prior year's encumbrances	<u>105,496</u>
Original Budget	61,228,318
Budget revisions	<u>15,000</u>
Final Budget	<u><u>\$ 61,243,318</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2019-2020 voter-approved expenditure budget	<u><u>\$ 63,575,777</u></u>
Maximum allowed (4% of 2019-2020 budget)	<u><u>\$ 2,543,031</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 988,428
Unassigned fund balance	<u>2,543,031</u>
	\$ 3,531,459
Less:	
Appropriated fund balance	915,000
Encumbrances	<u>73,428</u>
Total adjustments	<u>988,428</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 2,543,031</u></u>
Actual Percentage	4.00%

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures and Financing Resources - Capital Projects Fund
For The Year Ended June 30, 2019

PROJECT TITLE	Budget	Budget	Expenditures			Unexpended	Methods of Financing				Fund
	June 30, 2018	June 30, 2019	Prior Years	Current Year	Total	Balance	Proceeds of Obligations	State Aid	Local Sources	Total	Balance June 30, 2019
2013/2014 General Fund Appropriations											
High School Roof Masonry Arch	\$ 30,000	\$ 30,000	\$ 22,047	\$	22,047	\$ 7,953	\$		\$ 30,000	\$ 30,000	\$ 7,953
High School Roof Masonry Gen Con	370,000	370,000	313,000		313,000	57,000			370,000	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	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	522,372	120,546
2015/2016 General Fund Appropriations											
George Washington Window Replacement	991,000	991,000	53,392	832,736	886,128	104,872			991,000	991,000	104,872
HS/MS Alarm System	265,000	265,000	248,766		248,766	16,234			265,000	265,000	16,234
Garage Replacement	130,000	130,000	132,354		132,354	(2,354)			130,000	130,000	(2,354)
2016/2017 General Fund Appropriations											
Cornwell Ave Elementary Cafeteria Renov.	266,000	266,000	5,962		5,962	260,038			266,000	266,000	260,038
George Washington Cafeteria Renovations	260,000	260,000	5,962		5,962	254,038			260,000	260,000	254,038
High School Auditorium Renovations	291,000	291,000	19,218		19,218	271,782			291,000	291,000	271,782
2017/2018 General Fund Appropriations											
High School Projection Room Renovations	810,000	810,000			-	810,000			810,000	810,000	810,000
2018/2019 General Fund Appropriations											
George Washington Windows		55,000		19,469	19,469	35,531			55,000	55,000	35,531
Middle School HVAC		165,000			-	165,000			165,000	165,000	165,000
High School Cafeteria Renovations		298,000			-	298,000			298,000	298,000	298,000
George Washington HVAC		132,000			-	132,000			132,000	132,000	132,000
George Washington Re-Painting		100,000			-	100,000			100,000	100,000	100,000
Smart Schools Bond Act Project	20,380	41,720	20,380	21,340	41,720			41,720		41,720	
District Wide Capital Bond Project	35,570,029	35,570,029	8,583,935	6,004,366	14,588,301	20,981,728	35,310,029		260,000	35,570,029	20,981,728
Totals	\$ 39,560,941	\$ 40,332,281	\$ 9,831,008	\$ 6,877,911	\$ 16,708,919	\$ 23,623,362	\$ 35,310,029	\$ 199,252	\$ 4,823,000	\$ 40,332,281	23,623,362
									Unissued long-term debt		(19,570,029)
									State aid not yet received		(41,720)
									Total Fund Balance	\$	4,011,613

WEST HEMPSTEAD UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2019

Capital assets, net	<u>\$ 33,072,599</u>
Deduct:	
Bond anticipation notes payable	(10,245,000)
Less: Unspent BAN proceeds	10,141,700
Short-term portion of bonds payable	(1,030,000)
Long-term portion of bonds payable	(20,225,000)
Short-term portion of energy performance contract	(201,042)
Long-term portion of energy performance contract	<u>(1,351,912)</u>
	<u>(22,911,254)</u>
Net Investment in Capital Assets	<u><u>\$ 10,161,345</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary funds of the West Hempstead Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2019.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the West Hempstead Union Free School District in a separate letter dated November 1, 2019.

Purpose of this Report

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

Cullen & Danowski, LLP

November 1, 2019

