

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT

TABLE OF CONTENTS

I. INDEPENDENT AUDITOR'S REPORT, MANAGEMENT'S DISCUSSION AND ANALYSIS AND BASIC FINANCIAL STATEMENTS

Independent Auditor's Report

Exhibit

Number

Management's Discussion and Analysis (Required Supplementary Information) (MD&A)

Page
1 - 15

Statement of Net Position 2

Statement of Activities 3

Balance Sheet – Governmental Funds 4

Reconciliation of Governmental Funds Balance Sheet to Statement of Net Position 5

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds 6

Reconciliation of Governmental Fund Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities 7

Statement of Fiduciary Net Position – Fiduciary Fund 8

Statement of Changes in Fiduciary Net Position 9

Notes to Financial Statements 10

24 - 58

II. REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund

Balance – Budget and Actual – General Fund

59 - 60

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

61

Schedule of District's Proportionate Share of the Net Pension Liability

62

Schedule of District's Contributions

63

III. OTHER SUPPLEMENTARY INFORMATION

Schedule of Change from Adopted Budget to Final Budget – General Fund and

Section 1318 of Real Property Tax Law Limit Calculation

64

Schedule of Project Expenditures - Capital Projects Fund

65

Net Investment in Capital Assets

66

IV. 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



INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Hewlett-Woodmere Union Free School District

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 Hewlett-Woodmere Union Free School District, as of and for the fiscal 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 entity'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 entity'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 Hewlett-Woodmere Union Free School District, as of June 30, 2019, and the respective changes in financial position for the fiscal 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 the management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 1 through 15 and 59 through 63, financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hewlett-Woodmore Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary financial information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019 on our consideration of the Hewlett-Woodmore 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 solely to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the effectiveness of Hewlett-Woodmore 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 Hewlett-Woodmore Union Free School District's internal control over financial reporting and compliance.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP

Islandia, NY

October 2, 2019

The following is a discussion and analysis of the Hewlett-Woodmere Union Free School District's ("District") financial performance for the fiscal year ended June 30, 2019. This section is a summary of the District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-Wide and Fund Financial Statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The District continued to offer all programs, without reduction in services, while maintaining an unassigned fund balance in the general fund of 3.80%, close to the 4% maximum permitted by law and within the guidelines established under Board of Education policy, for the fiscal year ended June 30, 2019.
- On the District-Wide Financial Statements, revenues increased by \$4,836,008 or 4.13%. Most of the increase was in real property taxes and other tax items, use of money and property, and other miscellaneous revenues.
- On the District-Wide Financial Statements, expenses increased by \$11,158,557 or 10.32%, primarily due to increases in instructional and general support expenses.

- The District maintained its Moody's rating of Aaa due to the District's well managed financial operations, marked by healthy reserve levels and a relatively low debt burden.

- On May 15, 2019, voters approved the proposed 2019-20 budget in the amount of \$123,318,721, a 2.95% increase over the prior year. This marked the sixth year of public approval subsequent to passage of legislation capping increases in property taxes. The voters also approved a district-wide capital project proposition authorizing the District to expend \$3,000,000 from the capital reserve for the purpose of funding the completion of the High School Window Project.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-Wide Financial Statements* that provide both *short-term* and *long-term* information about the District's overall financial status.

- The remaining statements are *Fund Financial Statements* that focus on *individual parts* of the District, reporting the operations in *more detail* than the District-Wide Financial Statements.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

- The *Governmental Fund Financial Statements* tell how basic services such as instruction and support functions were financed in the *short term* as well as what remains for future spending.

- *Fiduciary Funds Financial Statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, including the employees of District.

The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Table A-1 shows how the various parts of this annual report are arranged and related to one another.

Table A-1: Organization of the District's Annual Financial Report

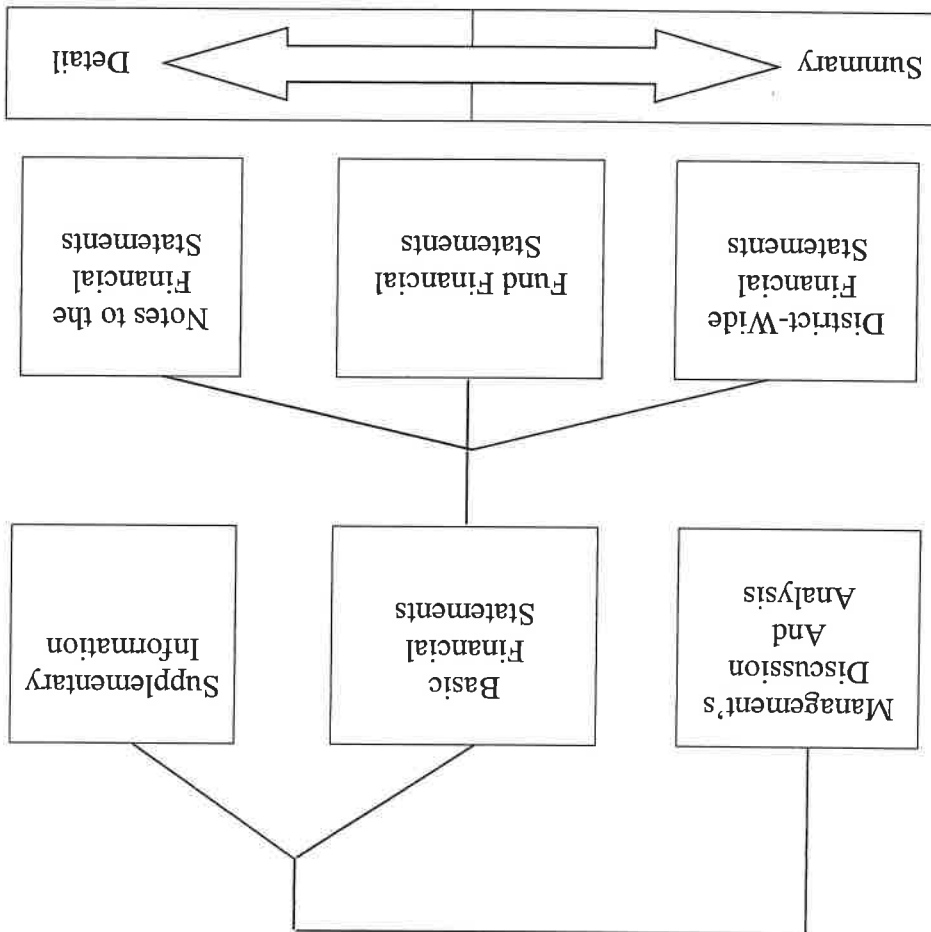


Table A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities that they cover and the types of information that they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-2: Major Features of the District-Wide and Fund Financial Statements

District-Wide Financial Statements	Scope	Required financial statements	Accounting basis and measurement focus	Type of asset/deferred outflows of resources/deferred inflows of resources information	Type of inflow and outflow information
Fund Financial Statements	Entire entity (except fiduciary funds)	• Statement of Net Position • Statement of Activities	Accrual accounting and economic resources measurement focus	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	All revenues and expenses during the year, regardless of when cash is received or paid
Governmental	The day-to-day operating activities of the District, such as special education and instruction	• Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances	Modified accrual and current financial resources measurement focus	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter, no capital assets or long-term liabilities included	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable
Fiduciary	Instances in which the District administrators resources on behalf of others, such as employee benefits	• Statement of Fiduciary Net Position • Statement of Changes in Fiduciary Net Position	Accrual accounting and economic resources focus	All financial assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) short-term and long-term	All additions and deductions during the year, regardless of when cash is received or paid

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

A) District-Wide Financial Statements

The District-Wide Financial Statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-Wide Financial Statements report the District's net position and how it has changed. Net position, the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources is one way to measure the financial health or position of the District.

- Over time, increases and decreases in net position indicate whether the financial position is improving or deteriorating.

- For assessment of the overall health of the District, additional non-financial factors such as changes in the District's property tax base and the condition of buildings and other facilities should be considered.

Net position of the governmental activities differ from the governmental fund balances because governmental fund level statements only report transactions using or providing current financial resources. Also, capital assets are reported as expenditures when financial resources (money) are expended to purchase or build said assets. Likewise, the financial resources that may have been borrowed are considered revenue when they are received. Depreciation is not calculated if it does not provide or reduce current financial resources. Finally, capital assets and long-term debt are both accounted for in account groups and do not affect the fund balances.

District-Wide Financial Statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting that involves the following steps to format the Statement of Net Position:

- Capitalize current outlays for capital assets;
- Report long-term debt as a liability;
- Depreciate capital assets and allocate the depreciation to the proper program/activities;
- Calculate revenue and expense using the economic resources measurement focus and the accrual basis of accounting; and
- Allocate net position balances as follows:
 - *Net investment in capital assets;*
 - *Restricted net position* are those with constraints placed on the use by external sources (creditors, grantors, contributors or laws or regulations of governments) or approved by law through constitutional provisions or enabling legislation;
 - *Unrestricted net position* is net position that does not meet any of the above restrictions.

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

B) Fund Financial Statements

The Fund Financial Statements provide more detailed information about the District's funds. Funds are accounting devices that the District uses to keep track of specific revenue sources and spending on particular programs. The funds have been established by the laws of the State of New York. The District has two kinds of funds:

- *Governmental funds:* Most of the basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the District. Because this information does not encompass the additional long-term focus of the District-Wide Financial Statements, additional information in a separate reconciliation schedule explains the relationship (or differences) between them. In summary, the Fund Financial Statements focus primarily on sources, uses, and balances of current financial resources and often have a budgetary orientation. Included are the general fund, special aid fund, school lunch fund, debt service fund and capital projects fund. Required statements are the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.
- *Fiduciary funds:* The District is the trustee or *fiduciary* for assets that belong to others, such as scholarship funds and student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-Wide Financial Statements because it cannot use these assets to finance its operations. Fiduciary fund reporting focuses on net position and changes in net position.

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A) Net Position

The District's total net position increased by \$2,715,519 in the fiscal year ended June 30, 2019, as detailed in Table A-3.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Total	Percentage Change	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)
Current assets and other assets	-0.52%	\$111,857,508	\$112,437,684	(\$580,176)
Capital assets	12.43%	78,468,283	69,794,057	8,674,226
Net pension asset-proportionate share	142.31%	5,187,769	2,140,965	3,046,804
Total Assets	6.04%	195,513,560	184,372,706	11,140,854
Deferred outflows of resources	-8.04%	30,050,035	32,678,046	(2,628,011)
Total assets and deferred outflows of resources	3.92%	225,563,595	217,050,752	8,512,843
Other liabilities	43.16%	\$14,395,933	\$10,056,167	\$4,339,766
Long-term liabilities	2.21%	171,064,391	167,372,933	3,691,458
Total Liabilities	4.53%	185,460,324	177,429,100	8,031,224
Deferred inflows of resources	-19.01%	9,517,973	11,751,873	(2,233,900)
Total liabilities and deferred inflows of resources	3.06%	194,978,297	189,180,973	5,797,324
Net Position				
Net investment in capital assets	25.42%	62,009,852	49,443,032	12,566,820
Restricted	-6.08%	78,073,487	83,130,558	(5,057,071)
Unrestricted (deficit)	4.58%	(109,498,041)	(104,703,811)	(4,794,230)
Total Net Position	9.74%	\$30,585,298	\$27,869,779	\$2,715,519

Current assets and other assets decreased \$580,176 from 2018 to 2019. This was attributable to decreases in taxes receivable and due from other governments, partially offset by increase in cash and cash equivalents, and state and federal aid receivables.

Capital assets (net of depreciation) increased by \$8,674,226. This was due to current year additions and capital outlay exceeding current year depreciation expense and disposals.

The District reported a net pension asset - proportionate share for the teachers' retirement system in the amount of \$5,187,769 as a result of the actuarial valuation provided by the state.

The change in deferred outflows of resources represents amortization of the pension related items and the change in the District's contributions subsequent to the measurement date, as discussed in Note 13. Deferred outflows of resources also includes deferred charges on bond refunding that are amortized over the life of the bond, as discussed in Note 11.

Other liabilities increased by \$4,339,766. This is primarily attributable to increases in accounts payable due to other governments, and due to teachers' retirement system.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Exhibit 1

Long-term liabilities increased from the prior year by \$3,691,458. This is primarily due to increases in claims payable, total other post-employment benefit obligation liability, and the net pension liability related to the employees' retirement system. These increases were partially offset by current year principal payments on debt. The change in deferred inflows represent amortization of pension related items, as discussed in Note 13. Deferred inflows of resources also includes premiums on bonds that are amortized over the life of the bond, as discussed in Note 12.

Net investment in capital assets, relates to the investment in capital assets at cost such as land, construction in progress, buildings & improvements, and furniture & equipment, net of depreciation, related debt and deferred outflows and inflows relating to debt. This number increased from the prior year by \$12,566,820 primarily due to a reduction in bonds payable in addition to current year additions and capital outlay, partially offset by current year depreciation and loss on disposals.

The restricted net position at June 30, 2019 of \$78,073,487 relates to the District's reserves and amounts restricted in the debt service fund. Restricted net position is comprised of amounts with constraints placed on the use either externally imposed by creditors, grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. Note 1 to the Financial Statements provides for further descriptions and detailed balances. The unrestricted net position (deficit) at June 30, 2019 of (\$109,498,041) relates to the balance of the District's net position. The unrestricted net deficit increased by \$4,794,230.

Overall, net position increased by \$2,715,519.

B) Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities. A summary of this statement for the years ended June 30, 2019 and 2018 are as follows:

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Revenues	Fiscal Year 2019	Fiscal Year 2018	Increase (Decrease)	Total Percentage Change
Program Revenues				
Charges for services	\$2,920,750	\$2,736,376	\$184,374	6.74%
Operating grants	2,253,828	2,172,562	81,266	3.74%
General Revenues				
Real property taxes and other tax items	103,611,510	100,510,516	3,100,994	3.09%
Use of money and property	1,063,640	643,360	420,280	65.33%
State sources	10,734,571	10,451,299	283,272	2.71%
Other	1,453,124	687,302	765,822	111.42%
Total Revenues	<u>\$122,037,423</u>	<u>\$117,201,415</u>	<u>\$4,836,008</u>	4.13%
Expenses				
General support	\$17,424,416	\$16,100,434	\$1,323,982	8.22%
Instruction	92,764,226	83,834,993	8,929,233	10.65%
Pupil transportation	6,454,881	6,029,860	425,021	7.05%
Community service	949,178	446,527	502,651	112.57%
Debt service - interest	445,656	515,518	(69,862)	-13.55%
Food service program	1,283,547	1,236,015	47,532	3.85%
Total Expenses	<u>119,321,904</u>	<u>108,163,347</u>	<u>11,158,557</u>	10.32%
Change in Net Position	<u>\$2,715,519</u>	<u>\$9,038,068</u>	<u>(\$6,322,549)</u>	-69.95%

The District's fiscal year 2019 revenues totaled \$122,037,423 (See Table A-4). Real property taxes and other tax items and state sources accounted for most of the District's revenue by contributing 84.90% and 8.80%, respectively of total revenue (See Table A-5). The remainder came from fees charged for services, operating grants and other miscellaneous sources.

The cost of all programs and services totaled \$119,321,904 for fiscal year 2019 (See Table A-4). These expenses are predominantly related to general instruction, caring for (pupil services) and transporting students, which account for 83.15% of District expenses (See Table A-6). The District's general support activities accounted for 14.60% of total costs.

Users of the District's programs financed \$2,920,750 of the cost, reflecting an increase of \$184,374 due to greater participation in summer recreation programs (Statement of Activities, Charges for Services column – see Exhibit 3).

Federal and state governments subsidized certain programs with operating grants of \$2,253,828 (Statement of Activities, Operating Grants column – see Exhibit 3).

Most of the District's net costs of \$114,147,326 were financed by District taxpayers and state and federal sources (Statements of Activities Net (Expenses) Revenue and Changes in Net Position column – see Exhibit 3). Capital outlays were financed through proceeds from debt, voter supported

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

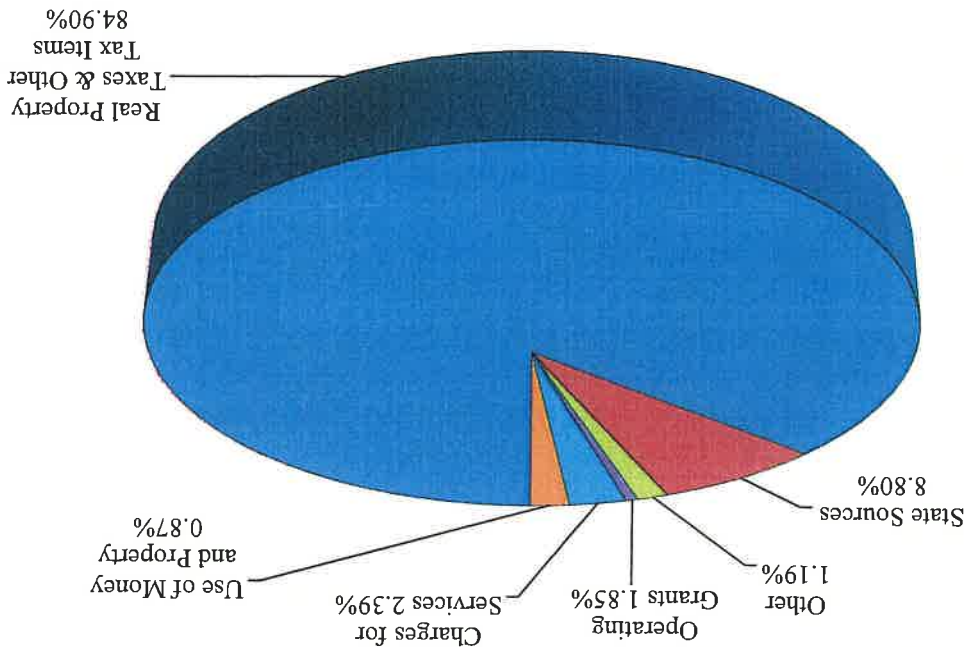
annual transfers from general fund and transfers from the capital reserves. Transfers from reserves are expected to play an increasing role over time.

C) Governmental Activities

The continuation of the overall good financial condition of the District, as a whole, can be credited to:

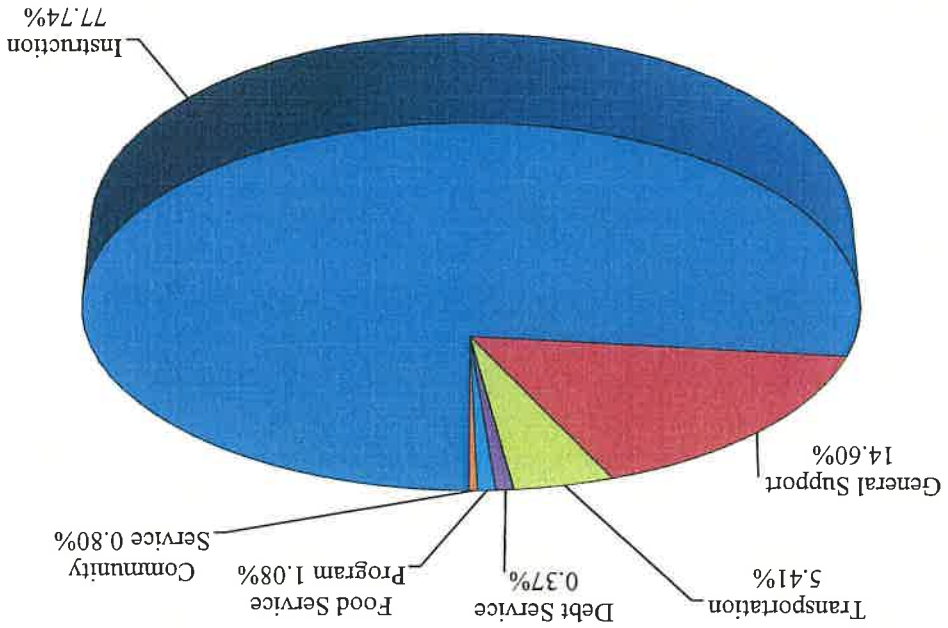
- Continued leadership of the District's Board and administration.
- Long term savings resulting from successful negotiation of employment contracts with bargaining units and changes in terms and conditions for newly hired administrative staff.
- Overall stability limiting increases for employee benefits. Stabilization and anticipated reduction in rates for employee retirement programs will slowly reverse a portion of the substantial increases assessed in prior years. Health insurance trends appear to be trending back to historic averages.
- Selected usage of accumulated reserve funds.
- Strategic and expanded use of services from the Nassau BOCES.
- Increasingly limited increases in support from local property taxes and STAR.
- Improved curriculum, including incorporation of new student assessment models in a manner designed to integrate with and support the District mission.
- Continuation of community support.

Table A-5: Revenues for Fiscal Year 2019 (See Table A-4)



HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Table A-6: Expenses for Fiscal Year 2019 (See Table A-4)



4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Variances between years for the governmental fund financial statements are not the same as variances between years for the District-Wide Financial Statements. The District's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets, and the current payments for debt.

As of June 30, 2019, the District's combined governmental funds reported a total fund balance of \$96,947,341. This is a decrease of \$4,931,375 from the prior year.

A summary of the change in fund balance for the various funds are as follows:

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Exhibit 1

Total	Percentage	Change	Fiscal Year	Fiscal Year	
		(Decrease)	2018	2019	
					General Fund
					Restricted for workers' compensation
					Restricted for unemployment insurance
					Restricted for retirement contribution
					Restricted for property loss
					Restricted for liability
					Restricted for employee benefit accrued liability
					Restricted for capital
					Restricted for repair
					Assigned - general support
					Assigned - instruction
					Assigned - pupil transportation
					Assigned - employee benefits
					Assigned - designated for subsequent
					years' expenditures
					Unassigned
					Total Fund Balance - General Fund
					School Lunch Fund
					Nonspendable
					Assigned
					Total Fund Balance - School Lunch Fund
					Debt Service Fund
					Restricted
					Total Fund Balance - Debt Service Fund
					Capital Projects Fund
					Restricted
					Capital
					Unspent bond proceeds
					Assigned
					Total Fund Balance - Capital Projects Fund
					Total Fund Balance

The District can attribute changes to fund balances and reserves in funds other than capital projects primarily due to operating results, Board approved transfers, and allocation of interest and earnings. The changes in the assigned fund balance are attributable to a decrease in the amount designated for the subsequent year's budget, as well as increases in encumbrances as of June 30, 2019.

The increase in the school lunch fund balance is due to the operating results of the program.

The increase in the restricted fund balance in the debt service fund is attributable to interest earned.

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The decrease in the capital projects fund balance is a result of the current year's capital outlay of \$11,369,578, partially offset by the voter approved transfer of \$5,000,000, which includes a \$3,000,000 transfer from the capital reserve with the remaining \$2,000,000 budgetary interfund transfer from the general fund.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A) 2018-19 Budget

The District's general fund adopted budget for the fiscal year ended June 30, 2019 was \$119,785,062. This amount was increased by encumbrances carried forward from the prior year in the amount of \$345,577 and budget revisions of \$3,918,685, which resulted in a final budget of \$124,049,324. The majority of the funding was provided by real property taxes and other tax items revenue budget of \$103,374,196.

B) Change in the General Fund Unassigned Fund Balance (Budget to Actual)

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

Opening, unassigned fund balance	\$	4,551,832
Revenues over budget		2,663,325
Expenditures and encumbrances under budget		5,824,219
Interest allocated to reserves		(434,156)
Funding to reserves		(5,198,721)
Unused appropriated reserves		(651,796)
Assigned - designated for June 30, 2020 budget		(2,068,592)
Closing, unassigned fund balance	\$	4,686,111

The opening unassigned fund balance of \$4,551,832 is the June 30, 2018 unassigned fund balance.

The revenues over budget of \$2,663,325 were primarily from charges for services, use of money and property, and miscellaneous revenues exceeding budgeted amounts (See Supplemental Schedule #1 for detail).

The expenditures and encumbrances under budget of \$5,824,219 reflect savings across the budget, but primarily with lower than anticipated expenses for instructional of \$4,414,472, pupil transportation of \$521,722, and general support of \$539,315 (See Supplemental Schedule #1 for detail).

The District allocated interest to the reserves in the amount of \$434,156 to the following reserves: \$117,044 to the workers' compensation reserve, \$28,385 to the unemployment insurance reserve,

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

\$166,401 to the retirement contribution reserve, \$13,414 to the property loss reserve, \$9,640 to the liability reserve, \$16,863 to the employee benefit accrued liability reserve, \$31,382 to the capital reserve and \$51,027 to the repair reserve.

The District funded the reserves in the amount of \$5,198,721 to the following reserves: property loss reserve \$386,596, liability reserve of \$288,406, Repair reserve of \$850,000 and capital reserve of \$3,673,719.

The District also appropriated reserves in the amount of \$3,918,685 from the following reserves: \$191,337 from the workers compensation reserve, \$2,742 from the unemployment reserve, \$386,596 from the property loss reserve, \$288,406 from the liability reserve, \$49,604 from the employee benefit accrued liability reserve, and \$3,000,000 from the capital reserve. All of these appropriated uses of reserves were recorded as budget revisions to the 2018-19 budget and resulted in no net change to general fund unassigned fund balance.

The District had budgeted for appropriated use of reserves in the amount of \$651,796 which were not utilized and therefore transferred back to the respective reserves.

The District has chosen to use \$2,068,592 of available fund balance to partially fund the approved budget for the subsequent year ending June 30, 2020.

The closing, unassigned fund balance of \$4,686,111 represents the fund balance retained by the District that is not restricted or designated for subsequent year's taxes. This amount is limited to 4% of the 2019-2020 budget. The District was in compliance with this limit.

The changes in fund balances are discussed further in Management Discussion and Analysis Section 4 – Financial Analysis of the District's Funds.

6. CAPITAL ASSET AND DEBT ADMINISTRATION

A) Capital Assets

The District paid for equipment and various building additions and renovations during the fiscal year 2018-19. A summary of the District's capital assets net of depreciation are as follows:

Table A-7: Capital Assets (Net of Depreciation)

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Exhibit 1

Category	Fiscal Year 2019	Fiscal Year 2018	Change Percentage
Land and land improvements	\$5,159,600	\$5,159,600	0.00%
Construction in progress	14,839,761	17,840,060	-16.82%
Buildings & improvements	100,499,521	86,031,727	16.82%
Furniture & equipment	6,252,271	5,486,146	13.96%
Vehicles	704,966	708,442	-0.49%
Subtotal	127,456,119	115,225,975	10.61%
Less: accumulated depreciation	48,987,836	45,431,918	7.83%
Total net capital assets	\$78,468,283	\$69,794,057	12.43%

The District spent \$11,369,578 in the capital projects fund on construction in progress. Additionally, in the general fund, the District spent \$829,992 on building and buildings improvements, land improvements, equipment and furnishings, and \$59,339 in the school lunch fund on equipment and furnishings.

B) Long-Term Debt

At June 30, 2019 the District had total bonds payable of \$13,290,000 and energy performance contract related debt of \$2,017,659.

More detailed information about the District's long-term debt is presented in the Notes to the Financial Statements.

	2019	2018	Increase (Decrease)
Energy performance contract debt	\$2,017,659	\$2,398,455	(\$380,796)
Serial bonds	13,290,000	16,450,000	(3,160,000)
	<u>\$15,307,659</u>	<u>\$18,848,455</u>	<u>(\$3,540,796)</u>

7. FACTORS BEARING ON THE DISTRICT'S FUTURE

- The general fund budget for the 2019-20 school year, in the amount of \$123,318,721 was approved by voters on May 21, 2019. This is an increase of \$3,533,659 or 2.95% over the previous year's budget. Half of the increases were for additional staffing along with general salary growth which is partially offset by reductions in other areas. Transportation expense is projected to grow with the addition of new routes for students attending schools located out of district. The District expects to

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Exhibit 1

fund the gap between the budget and projected revenue through transfers from established reserves totaling \$510,318.

- The NYS Legislature has introduced and approved a property tax cap beginning in the 2012-2013 school year. This bill limits tax levy growth to the lesser of two percent or the annual increase in the CPI. Limited exemptions to exceed the levy cap are provided for taxes needed to pay for voter-approved capital expenditures, pension rate increases, court orders and torts over five percent of the prior year's levy. If the tax levy proposed to the voters is within the district's tax levy cap, then a majority vote would be required for approval. If the proposed tax levy exceeds the district's tax levy cap, the threshold required for approval would be 60 percent of the vote.

- The evolution of state testing requirements and local assessments continues, with significant changes that will revise or reverse many elements of student and staff evaluation. Guidance from the state education department and the federal education department continue to evolve. There are unresolved questions related to whether school districts may face financial penalties resulting in loss of either state aid or federal funds if they are unable to negotiate agreements with teachers and administrators regarding the evaluation process or if the 'opt out' movement wherein parents keep students out of school during standardized assessments is not reversed. The District's investment in infrastructure and equipment for the PARCC testing will now be used to support general instruction.

8. CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the finances of the District and to demonstrate our accountability with the money we receive. If you have any questions about this report or need additional financial information, contact:

Hewlett-Woodmere Union Free School District
Louis S. Frontario
Assistant Superintendent for Business
One Johnson Place
Woodmere, New York 11598
(516) 792-4803
lfrontario@hewlett-woodmere.net

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2019

Exhibit 2

ASSETS	
Cash and cash equivalents	24,221,992
Current assets	78,198,345
Restricted	1,620,108
Unrestricted	3,231,549
Receivables	2,953,304
State and federal aid	1,581,168
Taxes receivable	20,334
Due from other governments	30,708
Due from fiduciary funds	19,999,361
Other	58,468,922
Inventories	5,187,769
Non-current assets	195,513,560
Capital assets	439,242
Capital assets not being depreciated	29,610,793
Capital assets being depreciated, net of accumulated depreciation	30,050,035
Net pension asset - proportionate share - teachers' retirement system	225,563,595
TOTAL ASSETS	
195,513,560	
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	439,242
Pensions	29,610,793
TOTAL DEFERRED OUTFLOWS OF RESOURCES	
30,050,035	
TOTAL ASSETS AND DEFERRED OUTFLOWS	
225,563,595	
LIABILITIES	
Payables	3,422,434
Accounts payable	392,853
Accrued interest payable	100,238
Due to fiduciary fund	112,983
Due to other governments	4,044,063
Due to teachers' retirement system	5,392,256
Due to employees' retirement system	464,990
Unearned credits	466,116
Collections in advance	3,025,000
Long-term liabilities	388,181
Due and payable within one year	10,265,000
Bonds payable	1,629,478
Energy performance contract debt payable	6,028,325
Claims payable	2,625,132
Compensated absences payable	834,477
Termination benefits payable	143,683,236
Total other post-employment benefits obligation	2,585,562
Net pension liability - proportionate share - employees' retirement system	185,460,324
TOTAL LIABILITIES	
185,460,324	
DEFERRED INFLOWS OF RESOURCES	
Bond premiums	1,714,872
Pensions	7,803,101
TOTAL DEFERRED INFLOWS OF RESOURCES	
9,517,973	
TOTAL LIABILITIES AND DEFERRED INFLOWS	
194,978,297	
NET POSITION	
Net investment in capital assets	62,009,852
Restricted:	12,325,436
Workers' compensation	3,032,775
Unemployment insurance	17,795,036
Retirement contributions - ERS	1,434,568
Property loss	1,030,920
Liability	1,753,732
Employee benefit accrued liability	6,306,785
Capital	33,286,682
Repair	1,107,553
Debt service	78,073,487
Unrestricted	(109,498,041)
TOTAL NET POSITION	
30,585,298	

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

FUNCTIONS / PROGRAMS	Program Revenues				TOTAL FUNCTIONS AND PROGRAMS			
	Net (Expense) Revenue and Changes in Net Position	Operating Grants	Charges for Services	Expenses				
General support				(\$17,424,416)				
Instruction				(92,764,226)				
Pupil transportation		\$1,871,679	\$2,204,102	(6,454,881)				
Community services				(949,178)				
Debt service-interest				(445,656)				
Food service program				(1,283,547)				
				716,648				
				\$2,920,750				
				382,149				
				\$2,253,828				
				(114,147,326)				

GENERAL REVENUES								
Real property taxes	92,302,584							
Other tax items - including STAR reimbursement	11,308,926							
Use of money & property	1,063,640							
Miscellaneous	1,265,368							
State sources	10,734,571							
Medicaid reimbursement	187,756							
TOTAL GENERAL REVENUES	116,862,845							
CHANGE IN NET POSITION	2,715,519							
TOTAL NET POSITION - BEGINNING OF YEAR	27,869,779							
TOTAL NET POSITION - END OF YEAR	\$30,585,298							

See Accompanying Notes to Financial Statements

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019**

Exhibit 4

	General	Special	School	Lunch	Debt	Capital	Governmental
ASSETS							
Cash and cash equivalents	\$23,176,962	\$951,964	\$93,066			\$3,826,568	\$24,221,992
Unrestricted							
Restricted							
Receivables	73,373,639				\$998,138		78,198,345
State and federal aid	282,871	1,312,110	25,127				1,620,108
Due from other governments	2,953,304		394,610		109,415	39,019,263	2,953,304
Due from other funds	5,977,699	2,210,213					47,711,200
Accounts receivable	4,000		16,334				20,334
Taxes receivable	3,231,549		30,708				3,231,549
Inventories							30,708
TOTAL ASSETS	\$109,000,024	\$4,474,287	\$559,845	\$1,107,553	\$42,845,831	\$157,987,540	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES							
Payables	\$903,986	\$22,708	\$24,367		\$2,471,373		\$3,422,434
Accounts payable							
Accrued liabilities	353,251	34,229	5,373				392,853
Due to other governments	4,023,244	20,819					4,044,063
Due to other funds	41,723,215	4,396,531	13,854		109,415		46,243,015
Due to teachers' retirement system	5,392,256						5,392,256
Due to employees' retirement system	445,975		19,015				464,990
Unearned credits	444,828		21,288				466,116
Collections in advance							
TOTAL LIABILITIES	53,286,755	4,474,287	83,897	-	-	2,580,788	60,425,727
DEFERRED INFLOWS OF RESOURCES	614,472	-	-	-	-	-	614,472
New York City Tuition							
FUND BALANCES							
Non-spendable: Inventory			30,708				30,708
Restricted:							
Workers' compensation	12,325,436						12,325,436
Unemployment insurance	3,032,775						3,032,775
Retirement contribution - ERS	17,795,036						17,795,036
Property loss	1,434,568						1,434,568
Liability	1,030,920						1,030,920
Employee benefit accrued liability	1,753,732						1,753,732
Capital	4,056,634						33,286,682
Repair	6,306,785						6,306,785
Unspent bond proceeds							124,858
Debt service							1,107,553
Assigned:							
Appropriated	2,068,592		445,240				2,068,592
Unappropriated	608,208						11,963,585
Unassigned	4,686,111	-					4,686,111
TOTAL FUND BALANCES	55,098,797	-	475,948	1,107,553	40,265,043	96,947,341	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$109,000,024	\$4,474,287	\$559,845	\$1,107,553	\$42,845,831	\$157,987,540	

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
JUNE 30, 2019**

\$ 96,947,341

Total Governmental Fund Balances

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

The cost of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the balance sheet. However, the Statement of Net Position include 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
Accumulated depreciation

\$ 127,456,119
(48,987,836)

78,468,283

Deferred inflows of resources - The Statement of Net Position recognizes revenues received under the full accrual method. Governmental funds recognize revenue under the modified accrual method. Deferred inflows related to pensions that will be recognized as a reduction in pension expense in future periods amounted to:

(7,803,101)

Deferred outflows of resources - The Statement of Net Position recognizes expenditures incurred under the full accrual method. Governmental funds recognize expenditures under the modified accrual method. Deferred outflows related to pensions that will be recognized as expenditures in future periods amounted to:

29,610,793

Governmental funds report premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Deferred charges on refunding
Bond premiums

\$ 439,242
(1,714,872)

(1,275,630)

Deferred inflow of resources - tuition - The Statement of Net Position recognizes revenue received under the full accrual method. Governmental funds recognize revenue under the modified accrual.

614,472

Payables that are associated with long-term liabilities that are not payable in the current period are not reported as liabilities in the funds. Additional payables relating to long-term liabilities at year end consisted of:

(100,238)

Accrued interest payable

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of:

Bonds payable
Energy performance contract debt payable
Claims payable
Compensated absences payable
Termination benefits payable
Total other post-employment benefits obligation
Net pension liability - proportionate share - employees' retirement system

\$ (13,290,000)
(2,017,659)
(6,028,325)
(2,625,132)
(834,477)
(143,683,236)
(2,585,562)

(171,064,391)

Total Net Position

\$ 30,585,298

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

REVENUES					
Real property taxes	\$92,302,584				
Other tax items - including STAR reimbursement	11,308,926				
Charges for services	2,204,102				
Use of money and property	982,510				
Miscellaneous	1,199,734				
Local sources	10,734,571				
State sources	\$488,821				
Federal sources	187,756	1,382,858			
Surplus food		58,141			
Sales		716,648			
TOTAL REVENUES					
	118,920,183	1,871,679	1,166,108	79,453	-
EXPENDITURES					
General support	14,013,176				
Instruction	62,805,618	2,036,679			
Pupil transportation	6,349,677				
Community service	670,145				
Employee benefits	24,263,598				
Debt service - principal	3,540,796				
Debt service - interest	808,887				
Cost of sales			1,110,644		
Capital outlay					
TOTAL EXPENDITURES					
	112,451,897	2,036,679	1,110,644	-	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES					
	6,468,286	(165,000)	55,464	79,453	(11,369,578)
OTHER FINANCING SOURCES AND (USES)					
Operating transfers in	-	165,000			5,000,000
Operating transfers (out)	(5,165,000)				(5,165,000)
TOTAL OTHER FINANCING SOURCES (USES)					
	(5,165,000)	165,000	-	-	5,000,000
NET CHANGE IN FUND BALANCES					
	1,303,286	-	55,464	79,453	(6,369,578)
FUND BALANCES - BEGINNING OF YEAR					
	53,795,511	-	420,484	1,028,100	46,634,621
FUND BALANCES - END OF YEAR					
	\$55,098,797	\$-	\$475,948	\$1,107,553	\$40,265,043

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
RECONCILIATION OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Exhibit 7

Net Change in Fund Balances \$ (4,931,375)

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 expenses (compensated absences and termination benefits) are measured by the amounts earned or incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amounts of financial resources used. (337,393)

Total other post-employment benefits obligation payable in the Statement of Activities are measured for these items are measured by the amount of financial resources used. Total OPEB obligation payable from June 30, 2018 to June 30, 2019 changed by: (3,885,857)

Claims payable in the Statement of Activities differs from the amounts reported in the governmental funds because the expense is recorded as an expenditure in the funds when it is due. In the Statement of Activities, however the payable is recognized as it accrues regardless of when it is due. Claims payable from June 30, 2018 to June 30, 2019 changed by: (1,522,018)

Long-Term Debt Differences

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 3,160,000

Repayment of energy performance contract debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 380,796

Governmental funds report premiums, discounts, and similar items on bonds when debt is first issued. These amounts are deferred and amortized in the Statement of Activities. Amortization for the fiscal year ended June 30, 2019 was

Bond premiums	\$ 452,290
Deferred charges - bond refundings	(100,492)
	<u>351,798</u>

Interest on long-term debt in the Statement of Activities differs from the amounts reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and this 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. Accrued interest from June 30, 2018 to June 30, 2019 changed by: 11,433

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.

Capital asset additions	\$ 12,258,909
Depreciation expense	(3,570,600)
Loss on disposals	<u>(14,083)</u>
	<u>8,674,226</u>

Pension Differences

Increases/decreases in the proportionate share of net pension asset/liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

Teacher retirement system	\$ 1,172,368
Employees' retirement system	(358,459)
	<u>813,909</u>

Change in Net Position

\$ 2,715,519

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019**

Exhibit 8

Private Purpose Trust Funds		Agency Funds
ASSETS		
Cash - restricted	\$586,432	\$2,343,731
Accounts receivable		1,500
Due from other funds	99,129	13,854
TOTAL ASSETS	<u>\$685,561</u>	<u>\$2,359,085</u>
LIABILITIES		
Extraclassroom activity balance		\$196,740
Due to other funds		1,581,168
Other liabilities		581,177
TOTAL LIABILITIES	<u>-</u>	<u>\$2,359,085</u>
NET POSITION		
Restricted for scholarships	685,561	
TOTAL NET POSITION	<u>685,561</u>	
TOTAL LIABILITIES AND NET POSITION	<u>\$685,561</u>	

Exhibit 9

Trust Fund

\$287,964

165,763

195,589\$

563,360

122,201

165,763

165,763

\$287,964

4,435

\$283,529

Trust Fund

Purpose

Private

Gifts and contributions	
Interest and earnings	
TOTAL ADDITIONS	

Interest and earnings

Scholarships and awards
Other

CHANGE IN NET POSITION

NET POSITION - ENDING OF YEAR

NET POSITION - ENDING OF YEAR

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:

The financial statements of Hewlett-Woodmere Union Free School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Those principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Certain significant accounting principles and policies utilized by the District are described below:

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. The Board has the authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus—An Amendment of GASB Statements No. 14 and No. 34*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the District and its component unit and other organizational entities determined to be includable in the District's financial reporting entity. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief description of an entity included in the District's reporting entity.

Extraclassroom Activity Funds

The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by its agent for the Extraclassroom organizations in the Statement of Fiduciary Net Position – Fiduciary Funds. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District's business office.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

B)

Joint venture:

The District is a component district in the Nassau Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that shares planning, services, and programs, which provides educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State 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 the New York State Education Law, §1950(4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate.

C)

Basis of presentation:

i) District-Wide Financial Statements:

The Statement of Net Position and the Statement of Activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants, if applicable.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

ii) Fund Financial Statements:

The Fund Financial Statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of Fund Financial Statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This fund is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

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

School Lunch Fund: This fund is used to account for the activities of the District's food service operations.

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

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

The District reports the following fiduciary funds:

Fiduciary Fund: These funds are used to account for fiduciary activities. Fiduciary activities are those in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the District-Wide Financial Statements, because their resources do not belong to the District, and are not available to be used. The District has the following fiduciary funds:

Private purpose trust funds: These funds are used to account for trust arrangements in which principal and income benefits annual third party awards and scholarships for students. Established criteria govern the use of the funds and members of the District or representatives of the donors may serve on committees to determine who benefits.

Agency funds: These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for various student groups or extracurricular activity funds and for payroll or employee withholding.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

D)

Measurement focus and basis of accounting:

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

The Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within six months after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, termination benefits, other post-employment benefits obligations, and net pension liability, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

E)

Real property taxes:

i) Calendar

Real property taxes are levied annually by the Board of Education no later than August 15, and become a lien on October 1 and April 1. Taxes are collected by the Town of Hempstead during the period October 1 through November 10, and April 1 through May 10 without penalty.

ii) Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County (the "County") in which the District is located. The County pays an amount representing uncollected real property taxes transmitted to the County for enforcement to the District no later than the following July 1.

F)

Restricted resources:

When an expense is incurred for purposes for which both restricted and unrestricted net position 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.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

G)

Interfund transactions:

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

In the District-Wide Financial 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 may be netted on the accompanying governmental funds balance sheet when it is the District's practice to settle these amounts at a net balance based upon the right of legal offset.

Refer to Note 9 for a detailed disclosure by individual fund for interfund receivables, payables, expenditures and revenues activity.

H)

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, termination benefits, net pension liability, other post-employment benefits, workers' compensation claims, potential contingent liabilities and useful lives of long-lived assets.

I)

Cash and cash equivalents:

The District's cash and cash equivalents consist of cash on hand and demand deposits.

J)

Receivables:

Receivables are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

K)

Inventories and prepaid items:

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

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

A reserve for these non-liquid assets (inventories) has been recognized in the school lunch fund as non-spendable under GASB Statement No. 54 to signify that a portion of fund balance is not available for other subsequent expenditures.

Prepaid items represent payments made by the District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-Wide and Fund Financial Statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed. The District had no prepaid items at June 30, 2019.

L)

Capital assets:

Capital assets are reported at actual cost for acquisitions subsequent to 20 years. For assets acquired prior to 20 years ago, estimated historical costs, based on appraisals conducted by independent third-party professionals are used. Donated assets are reported at acquisition cost at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-Wide Financial Statements are as follows:

Capitalization Threshold	Depreciation Method	Estimated Useful Life
\$3,500	Straight-line	20-50 years
\$3,500	Straight-line	5-20 years
\$3,500	Straight-line	20 years
\$3,500	Straight-line	8 years

M)

Collections in advance:

Collections in advance arise when the District receives resources before it has legal claim to them, as when grant monies are received prior to the incurring of qualifying expenditures. In subsequent periods, when both recognition criteria are met, or when the District has legal claim to the resources, the liability for collections in advance is removed and revenues are recorded.

Collections in advance consist of amounts received in advance for the summer program in the general fund and for amounts received in advance for meals that have not yet been purchased in the school lunch fund.

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Deferred outflows and inflows of resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The District reported \$439,242 of deferred outflows of resources at June 30, 2019 representing the financial effect of deferred charges on the advance refunding of general obligation serial bonds. A deferred charge results from the difference in the net carrying value of the refunded debt over its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The District additionally reported amounts related to pensions reported in the District-Wide Statement of Net Position, which are detailed further in Note 13.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The District reported \$1,714,872 of deferred inflows of resources at June 30, 2019, representing premiums received on bonds and on the advance refunding of general obligation serial bonds. These amounts are deferred and amortized over the shorter of the life of the refunded or refunding debt. The District additionally reported amounts related to pensions reported in the District-Wide Statement of Net Position, which are detailed further in Note 13.

In addition, the Governmental Funds Balance Sheet will sometimes report deferred inflow of resources when potential revenues do not meet the availability criterion for recognition in the current period. These amounts are recorded as deferred inflows of resources. In subsequent periods, when the availability criterion is met, deferred inflows of resources are classified as revenues. The District-Wide Financial Statements, however, report these deferred inflows of resources as revenues in accordance with the accrual basis of accounting and economic resources measurement focus. The District has one item that qualifies for reporting in this category. This amount is related to tuition reported as deferred inflows of resources in the Governmental Funds Balance Sheet.

Vested employee benefits:

Compensated absences:

Compensated absences consist of unpaid accumulated annual sick leave, vacation, or other negotiated benefit.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. Certain collectively bargaining agreements require these termination payments to be paid in the form of non-

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The District employees are granted vacation in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, the liability has been calculated using the vesting/termination method and an accrual for that liability is included in the District-Wide Financial Statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the Fund Financial Statements only, the amount of matured liabilities is accrued within the general fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Termination Benefits:

Termination benefits consists of first year eligible retirement incentive payments as specified in collective bargaining agreements. The liability is calculated in accordance with GASB Statement No. 47, *Accounting for Termination Benefits*. The liability is calculated on years of service plus rates in effect at year end.

In the Fund Financial Statements, a liability is reported only for payments due for unused compensated absences and termination benefits for those employees that have obligated themselves to separate from service with the District by June 30th.

Other benefits:

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

District employees may choose to participate in the District's elective deferred compensation plans established under Internal Revenue Code Sections 403(b) and 457.

In addition to providing pension benefits, the District provides post-employment health insurance coverage and survivor benefits for retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. Substantially all of the District's employees may become eligible for these benefits if they reach normal retirement age while working for the District. Most employees hired after June 30, 2014 must complete ten years of service in order to vest. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds, in the year paid. In the District-Wide Statements, the cost of post-employment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 75.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Q)

Short-term debt:

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

The District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which there is an insufficient or no provision made in the annual budget. The budget note must be repaid no later than the close of second fiscal year succeeding the year in which the note was issued.

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

The District has not issued or retired any short-term debt in the fiscal year ended June 30, 2019.

R)

Accrued liabilities and long-term obligations:

Payables, accrued liabilities and long-term obligations are reported in the District-Wide Financial Statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgments, compensated absences, termination benefits, other post-employment benefits obligations, and net pension liabilities that will be paid from governmental funds, are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the District's future obligations or future economic outflows. The liabilities are reported as due within one year or due after one year in the Statement of Net Position.

S)

Equity classifications:

i) **District-Wide Financial Statements:**

In the District-Wide Financial Statements there are three classes of net position:

Net investment in capital assets - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvements of those assets, net of any unexpended proceeds and including any unamortized items (discounts, premiums, gain on refunding).

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Unrestricted net position - reports all other net position that does not meet the definition of the above two classifications and are deemed to be available for general use by the District.

ii) Fund Financial Statements:

There are five classifications of fund balance as detailed below; however, in the Fund Financial Statements there are four classifications of fund balance presented:

(1) Non-spendable fund balance – Includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Non-spendable fund balance includes the inventory recorded in the school lunch fund of \$30,708.

(2) Restricted fund balance – Includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

The District has classified the following as restricted:

Workers' Compensation Reserve

Workers compensation reserve (GML § 6-j), is used to pay for compensation benefits and other expenses authorized by Article 2 of Workers' Compensation Law, and for the payment of expenses of administering self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. The reserve is accounted for separate and apart from all other funds of the school district. Expenditures can be made without voter approval. This reserve is accounted for in the general fund as restricted fund balance.

Unemployment Insurance Reserve

Unemployment insurance reserve (GML §6-m), must be used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to 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

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the general fund as restricted fund balance.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r), must be used for financing retirement contributions to the New York State and Local Employees' Retirement System. In addition, a subfund of this reserve may also be created to allow for financing retirement contributions to the New York State Teachers' Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the fund must be provided to the Board. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. The Teachers' Retirement System subfund is subject to contribution limits. This reserve is accounted for in the general fund under restricted fund balance.

Property Loss/Liability Reserve

Property loss/liability reserve (EDL § 1709 (8-c)), is used to pay for property loss and liability claims incurred. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Separate reserve funds must be established for property loss and liability claims. The separate identity of each fund must be maintained, whether its assets consist of cash or investments, or both. Expenditures can be made without voter approval. For school districts, each reserve may not exceed the greater of 3% of the annual budget or \$15,000. Once that reserve has been established, the reserve fund may not be reduced (other than by payments for losses for which the reserve was established) below the estimated amount necessary to cover unsettled claims or suits. This reserve is accounted for in the general fund as restricted fund balance.

Employee Benefit Accrued Liability Reserve

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

Capital Reserve

Capital reserve (EDL §3651), available to school districts are used to pay the cost of any object or purpose for which a bond may be issued. The creation of a capital reserve; the ultimate amount, its probable term and the source of the funds, requires authorization by a majority of the voters establishing the purposes of the Expenditures may be made from the reserve only for a specific purpose further

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

authorized by the voters. If the voters determine that the original purpose for which reserve was established is no longer needed, the reserve may be liquidated, the proceeds first be applied to any outstanding indebtedness and the remaining balance, if any, be applied to reduce the annual tax levy subject to certain limitations set in the law. This reserve is accounted for in the general fund as restricted fund balance.

Restricted for capital in the capital projects fund includes the fund balance for projects that are funded by the capital reserve.

Repair Reserve

Repair reserve (GML §6-d), is used to pay the cost of repairs of capital improvements or equipment, which repairs are of a type not recurring annually or shorter intervals. The Board without voter approval may establish a repair reserve fund by a majority vote of its members. The reserve is accounted for separate and apart from all other funds of the school district. Voter approval is required to fund this reserve (Opinion of the New York State Comptroller 81-401). Expenditures from this reserve may be made only after a public hearing has been held and at least five days has elapsed between the publication of the notice of hearing and the date specified for the hearing, except in emergency situations. If no hearing is held, the Board must pass a resolution that is approved by at least a two-thirds vote. Additionally, at least one half of the amount expended must be repaid to the reserve fund in the next fiscal year and the balance be repaid by the end of the following fiscal year. This reserve is accounted for in the general fund as restricted fund balance.

Unspent Bond Proceeds

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

Debt Service

Debt service accumulates funds from unused bond proceeds and interest earnings. The accumulated funds must be used to offset the cost of the bond principal and interest payments. This reserve is accounted for in the debt service fund, as restricted fund balance.

Scholarships

Amounts restricted for scholarships are used to account for monies donated for scholarship purposes, net of earnings and awards. These restricted funds are accounted in the private purpose trust fund.

(3) Committed fund balance – Includes amounts that can only be used for the specific purposes pursuant to constraints imposed by formal action of the District's highest

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

level of decision making authority (i.e., Board of Education). The District has no committed fund balances as of June 30, 2019.

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

(5) Unassigned fund balance – Includes the residual fund balance for the general fund and includes residual fund balance deficits of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts. Assignments of fund balance cannot cause a negative unassigned fund balance.

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the District's budget for the general fund for the ensuing fiscal year. Non-spendable and restricted fund balance of the general fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances included in assigned fund balance are also excluded from the 4% limitation.

Order of Use of Fund Balance

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (e.g., expenditures related to reserves) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the unrestricted fund balance. Expenditures incurred in the unrestricted fund balances shall be applied first to the assigned fund balance to the extent that there is an assignment and then to the unassigned fund balance.

T)

Future changes in accounting standards:

GASB has issued Statement No. 84, *Fiduciary Activities*, effective for the fiscal year ended June 30, 2020. It provides guidance for identifying fiduciary activities, primarily based on whether the government is controlling the assets, and the beneficiaries with whom the fiduciary relationship exists, and on how different fiduciary activities should be reported.

GASB has issued Statement No. 87, *Leases*, effective for fiscal year ended June 30, 2021. This Statement establishes a single model for lease accounting based on the idea that leases are financings of the right-to-use an underlying asset. As such, under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

These are the statements that the District feels may have an impact on these financial statements and are not an all-inclusive list of GASB statements issued. The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**NOTE 2 - EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE
GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS:**

Due to the differences in the measurement focus and basis of accounting used in the Fund Financial Statements and the District-Wide Financial Statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the governmental funds.

A) Total fund balances of governmental funds vs. net position of governmental activities:

Total fund balances of the District's governmental funds differ from "Net Position" of governmental activities reported in the Statement of Net Position. The difference primarily results from additional long-term economic focus of the Statement of Net Position versus the solely current financial resources focus of the governmental fund Balance Sheets.

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The amounts shown below represent:

i) Long-term revenue and expense differences:

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

ii) Capital related differences:

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

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

iii) Long-term debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Fund Financial Statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

iv) Pension differences:

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability and difference between actual and expected experience, difference between projected and actual earnings on pension plan investments, the District's contributions and its proportionate share of the total contributions to the pension systems and Districts contributions subsequent to the measurement date.

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A) Budgets:

The District administration prepares a proposed budget for approval by the Board of Education for the following governmental funds for which legal (appropriated) budgets are adopted. The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. Supplemental appropriations that occurred during the fiscal year are shown on the Supplemental Schedule #5.

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from prior year. Budgets are established and used for individual capital project funds expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project, plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

The increase in the amount that may be raised by the District for real property taxes (levy) in any fiscal year, is limited by the Constitution of the State of New York to the lesser of 2% or inflation with certain adjustments and exclusions for court ordered exclusions, local capital expenditures and pension exclusions.

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 reservations of fund balance and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

NOTE 4 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A) Cash:

New York State law governs the District's investment policies. Resources must be deposited in FDIC-insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by the depository insurance and the deposits are as follows:

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

All of the District's aggregate bank balances were covered by depository insurance or collateralized with securities held by the pledging financial institution in the District's name at year end.

Restricted cash:

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

B) **Investments:** purposes. Restricted cash as June 30, 2019 included \$78,198,345 within the governmental funds for capital projects, debt service and general reserve purposes and \$2,930,163 in the fiduciary funds.

The District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk. The District also does not typically purchase investments denominated in a foreign currency, and is not exposed to foreign currency risk.

C) **Investment Pool:**

The District participates in a multi-municipal cooperation investment pool agreement pursuant to New York State General Municipal Law Article 5-G, Section 119-0, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and considered to be cash equivalents. At June 30, 2019 the District held \$39,104 in investments consisting of various investments in securities issued by the United States and its agencies:

Fund	Total
Bank	
Balance	\$39,104
General fund	\$7,204
Capital reserve	24,264
General fund risk retention	164
Capital projects fund	7,472
	<u>\$39,104</u>

Total investments of the cooperative at June 30, 2019 are \$2,256,570,644 which consisted of \$350,918,796 in repurchase agreements and \$1,905,651,848 in U.S. Treasury Securities at various interest rates with various due dates. Total collateralized bank deposits of the cooperative at June 30, 2019 are \$235,026,621.

The above amounts represent the cost of the investment pool shares and are considered to approximate market value. The investment pool is categorically exempt from the New York State collateralization requirements. NYCLASS is rated AAAm by Standard and Poor's Ratings Agency. Additional information concerning the cooperative is presented in the annual report of the New York Cooperative Liquid Assets Securities System (NYCLASS), which may be obtained from their website, www.newyorkklass.org, or by contacting their registered investment advisor, Public Trust Advisors, LLC at 717 17th Street, Suite 1850, Denver CO, 80202.

NOTE 5 - PARTICIPATION IN BOCES:

During the year ended June 30, 2019, the District was billed \$5,026,786 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$1,459,488. Financial

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

statements for the Nassau BOCES are available from the Nassau BOCES administrative office at 71 Clinton Road, P.O. Box 9195, Garden City, NY 11530.

NOTE 6 – STATE AND FEDERAL AID RECEIVABLE:

State and federal aid receivable at June 30, 2019 consisted of the following:

General Fund	
General aid	\$1,398
Excess cost aid	281,473
Total - general fund	<u>282,871</u>
Special Aid Fund	
Federal grants	1,134,598
State grants	177,512
Total - special aid fund	<u>1,312,110</u>
School Lunch Fund	
Federal aid	23,903
State aid	1,224
Total - school lunch fund	<u>25,127</u>
Total - All Funds	<u>\$1,620,108</u>

District management has deemed these amounts to be fully collectible.

NOTE 7 – DUE FROM OTHER GOVERNMENTS:

Due from other governments in the general fund at June 30, 2019 consisted of the following:

BOCES aid	\$656,657
Non-resident and special education tuition	<u>2,296,647</u>
Total Due from other governments	<u>\$2,953,304</u>

District management has deemed these amounts to be fully collectible.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 8 – CAPITAL ASSETS:

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

Governmental activities:			
Capital assets that are not depreciated:			
Land			
Construction in progress			
Total capital assets not being depreciated			
Capital assets that are depreciated:			
Buildings & building improvements			
Furniture & equipment			
Land improvements			
Vehicles			
Total capital assets being depreciated			
Less accumulated depreciation:			
Buildings & building improvements			
Furniture & equipment			
Land improvements			
Vehicles			
Total accumulated depreciation			
Total capital assets being depreciated, net			
Capital assets, net			

Beginning	Additions	Retirements/ Reclassifications	Ending Balance
\$5,159,600	\$11,369,578	(\$14,369,877)	\$5,159,600
17,840,060	\$11,369,578	(\$14,369,877)	14,839,761
\$22,999,660	11,369,578	(14,369,877)	19,999,361
83,175,940	66,243	14,369,877	97,612,060
5,486,146	766,125		6,252,271
2,855,787	31,674		2,887,461
708,442	25,289	(28,765)	704,966
92,226,315	889,331	14,341,112	107,456,758
40,473,337	2,904,209		43,377,546
2,815,427	523,115		3,338,542
1,551,578	113,186		1,664,764
591,576	30,090	(14,682)	606,984
45,431,918	3,570,600	(14,682)	48,987,836
46,794,397	(2,681,269)	14,355,794	58,468,922
\$69,794,057	\$8,688,309	(\$14,083)	\$78,468,283

Depreciation expense and loss on disposals were charged to governmental functions as follows:

General support
Food service
Instruction
Total

\$194,088
3,626
3,386,969
\$3,584,683

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 9 – INTERFUND TRANSACTIONS – GOVERNMENTAL FUNDS:

	Interfund		Interfund	
	Revenues	Expenditures	Receivable	Payable
General fund		\$5,165,000	\$5,977,699	\$41,723,215
Special aid fund	\$165,000		2,210,213	4,396,531
School lunch fund			394,610	13,854
Debt service fund			109,415	
Capital projects fund	5,000,000		39,019,263	109,415
Total government activities	5,165,000	5,165,000	47,711,200	46,243,015
Private purpose trust fund			99,129	
Fiduciary agency fund			13,854	1,581,168
Totals	\$5,165,000	\$5,165,000	\$47,824,183	\$47,824,183

The District typically transfers from the general fund to the capital projects fund to finance capital projects. The District also transfers from the capital reserve in the general fund to the capital projects fund to finance specific projects subsequent to voter approval. The District typically transfers from the general fund to the special aid fund to fund the District's share of summer school for students with disabilities expenses required by state law.

The District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues.

All interfund payables are expected to be repaid within one year.

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

NOTE 10 – LONG-TERM LIABILITIES:

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

Beginning Balance	Issued	Redeemed	Ending Balance	Due Within One Year
Long-term debt:				
\$16,450,000	\$3,160,000		\$13,290,000	\$3,025,000
Construction serial bonds				
Energy performance contract				
2,398,455	380,796		2,017,659	388,181
Other long-term liabilities:				
Claims payable				
4,506,307	\$2,213,355	691,337	6,028,325	
Termination benefits payable				
726,443	188,337	80,303	834,477	
Compensated absences payable				
2,395,773	229,359		2,625,132	
Total other post - employment				
139,797,379	6,686,647	2,800,790	143,683,236	
Net pension liability - proportionate				
1,098,576	3,242,784	1,758,798	2,582,562	
share - employees' retirement system				
\$167,372,933	\$12,560,482	\$8,872,024	\$171,061,391	\$3,413,181
Total long-term liabilities				

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

A) Bonds Payable:

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Construction serial bond	2011	2021	Various	\$3,225,000
Refunded serial bonds	2017	2025	Various	10,065,000
				<u>\$13,290,000</u>

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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

Fiscal Year Ended June 30,			
2020	2021	2022	2023
\$3,025,000	3,200,000	1,640,000	1,715,000
\$628,250	474,500	312,250	228,375
\$3,653,250	3,674,500	1,952,250	1,943,375
Total	Total	Total	Total
\$1,831,375	\$1,831,375	\$1,831,375	\$1,831,375
Interest	Interest	Interest	Interest
Principal	Principal	Principal	Principal
\$13,290,000	\$13,290,000	\$13,290,000	\$13,290,000
Total	Total	Total	Total

B)

Energy Performance Contract Debt Payable:

Energy performance contract debt payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at Year End
Energy Performance Debt	4/14/2015	4/14/2024	1.93%	\$ 2,017,659

The following is a summary of maturing debt service requirements of the energy performance contract debt payable:

Fiscal Year Ended June 30,			
2020	2021	2022	2023
\$ 388,181	395,709	403,383	411,206
\$ 37,077	29,549	21,875	14,052
\$ 425,258	425,258	425,258	425,258
Total	Total	Total	Total
\$ 2,017,659	\$ 2,017,659	\$ 2,017,659	\$ 2,017,659
Principal	Principal	Principal	Principal
Interest	Interest	Interest	Interest
\$ 108,630	\$ 108,630	\$ 108,630	\$ 108,630
Total	Total	Total	Total

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

C) Long-Term Interest:

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

Interest paid	\$808,887
Plus interest accrued in the current year	100,238
Plus amortization of deferred charges on refunding	100,492
Less interest accrued in the prior year	(111,671)
Less amortization of premium on obligations	(452,290)
Total expense	<u>\$445,656</u>

NOTE 11 - DEFERRED OUTFLOWS OF RESOURCES - REFUNDING:

The deferred charges on refunding pertaining to the 2011 and 2017 bond refundings are recorded in the District-Wide Financial Statements as a deferred outflow of resources. Deferred outflows of resources at June 30, 2019 consisted of the following:

Deferred charges	2011 Bond	2017 Bond	Total
Accumulated amortization	\$161,630	\$505,974	\$667,604
Balance of Gain on defeasance	(129,977)	(98,384)	(228,361)
	<u>\$31,653</u>	<u>\$407,590</u>	<u>\$439,243</u>

The deferred charges on the 2011 and 2017 refundings are being amortized on the District-Wide Financial Statements using the straight-line method over 10 years and 7 years, respectively, the time to maturity on the refunded bonds, at the point of refunding. Amortization of the deferred charges on refunding recorded on the District-Wide Financial Statements amounted to \$100,492 for the fiscal year ending June 30, 2019, and is recorded as a component of interest expense.

NOTE 12 - DEFERRED INFLOWS OF RESOURCES - BOND PREMIUMS:

The bond premiums on refundings pertaining to the 2009, 2011, and 2017 bond refundings are recorded in the District-Wide Financial Statements, as deferred inflows of resources. Amortization of premium on obligations recorded on the District-Wide Financial Statements amounted to \$452,290 for the fiscal year ending June 30, 2019, and is recorded as a component of interest expense. Deferred inflows of resources at June 30, 2019 consisted of \$1,714,872.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NOTE 13 – PENSION PLANS:

A) Plan Description and Benefits Provided:

i) Teachers' Retirement System

The District participates in the New York State Teachers' Retirement System (TRS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors, and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany NY 12211-2395 or by referring to the NYSSTR Comprehensive Annual Financial report which can be found on the System's website at www.nysstr.org.

ii) Employees' Retirement System

The District participates in the New York State and Local Employees' Retirement System (ERS) (the System). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all new assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP) which provides

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

death benefits in the form of life insurance. The System 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 Retirement System, 110 State Street, Albany NY 12244.

B) Funding Policies:

The Systems are noncontributory, except as follows:

1. New York State Teachers' Retirement System:
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3.5% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

2. New York State Employees' Retirement System
 - a. Employees who joined the system after July 27, 1976
 - i. Employees contribute 3% of their salary, except that employees in the system more than ten years are no longer required to contribute.
 - b. Employees who joined the system on or after January 1, 2010 before April 1, 2012
 - i. Employees contribute 3% of their salary throughout active membership.
 - c. Employees who joined the system on or after April 1, 2012
 - i. Employees contribute between 3% and 6% dependent upon their salary throughout active membership.

For ERS, the Comptroller annually certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund, for the ERS' fiscal year ended March 31st. The District's average contribution rate for ERS' fiscal year ended March 31, 2019 was 14.30% of covered payroll.

Pursuant to Article 11 of the Education Law, the New York State Teachers' Retirement Board establishes rates annually for TRS. The District's contribution rate for the TRS' fiscal year ended June 30, 2019 was 10.45% of covered payroll.

2019	\$	1,767,879	\$	5,085,292
2018	\$	1,740,707	\$	4,563,687
2017	\$	1,653,095	\$	5,231,254
	<u>ERS</u>		<u>TRS</u>	

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and 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 March 31, 2019 for ERS and June 30, 2018 for TRS. 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 ERS and TRS Systems in reports provided to the District.

Measurement date	ERS	TRS
Net pension asset/(liability)	March 31, 2019	June 30, 2018
District's portion of the Plan's total	\$ (2,585,562)	\$ 5,187,769
net pension asset/(liability)	0.0364919%	0.286892%
Change in proportion since the prior	0.0024533%	0.0052230%
measurement date		

For the year ended June 30, 2019, the District recognized pension expense of \$2,126,338 for ERS and \$3,940,927 for TRS. 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	ERS	TRS	Deferred Inflows of Resources	ERS	TRS
Differences between expected and actual experience	\$ 509,151	\$ 3,876,778	\$ 173,564	\$ 702,236	
Changes of assumptions	649,904	18,134,657			
Net difference between projected and actual earnings on pension plan investments			663,598	5,758,819	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	884,064	5,957	12,581	492,303	
District's contributions subsequent to the measurement date	464,990	5,085,292	\$ 849,743	\$ 6,953,358	
	\$ 2,508,109	\$ 27,102,684			

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year ended:		Actuarial Assumptions	
2019	2020	2021	2022
2020	2021	2022	2023
Thereafter			
\$ 5,104,970	\$ 894,496	(271,823)	441,121
3,435,508		3,423,286	2,321,588
277,415		501,268	\$ 15,064,035
<u>TRS</u>	<u>ERS</u>	<u>\$ 1,193,377</u>	<u>\$ 15,064,035</u>

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:

Measurement date	Actuarial valuation date	Interest rate	Salary scale	Cost of living adjustments	Decrement tables	Inflation rate
ERS	TRS					
March 31, 2019	April 1, 2018	7.0%	4.20%	1.3% annually	April 1, 2010 -	System's Experience
June 30, 2018	June 30, 2017	7.25%	4.72% - 1.90%	1.5%, annually	July 1, 2009 -	System's Experience
<u>TRS</u>	<u>ERS</u>	<u>2.25%</u>	<u>2.50%</u>	<u>2.25%</u>	<u>2.50%</u>	<u>2.25%</u>

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on MP-2014. 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. For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation are based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

The long-term rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selections of Economic Assumptions for*

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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 investment expense and inflation) for each major asset class, as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of the valuation date are summarized below:

Valuation Date	ERS April 1, 2018			TRS June 30, 2017		
Asset type	Target	Allocation	Long-term expected real rate of return	Target	Allocation	Long-term expected real rate of return
Domestic equity	36%	4.55%		33%		5.8%
International equity	14%	6.35%		16%		7.3%
Global equity				4%		6.7%
Private equity	10%	7.50%		8%		8.9%
Real estate	10%	5.55%		11%		4.9%
Absolute return strategies	2%	3.75%				
Opportunistic portfolio	3%	5.68%				
Real assets	3%	5.29%				
Bonds and mortgages	17%	1.31%				
Cash	1%	-0.25%				
Inflation-indexed bonds	4%	1.25%				
Domestic fixed income securities				16%		1.3%
Global fixed income securities				2%		0.9%
High-yield fixed income securities				1%		3.5%
Private debt				1%		6.8%
Real estate debt				7%		2.8%
Short-term				1%		0.3%
	100%			100%		

The expected real rate of return is net of the long-term inflation assumptions of 2.5% for ERS, and 2.3% for TRS.

Discount Rate

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

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Sensitivity of the Proportionate Share of the Net Pension 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 7.0% for ERS and 7.25% for TRS, 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-percentagepoint lower (6.0 % for ERS and 6.25% for TRS) or 1-percentagepoint higher (8.0% for ERS and 8.25% for TRS) than the current rate:

ERS		District's proportionate share of the net pension asset (liability)	
1%	Decrease	(\$11,304,488)	
Current	Assumption	(\$2,585,562)	
1%	Increase	\$4,738,955	
			District's proportionate share
1%	Decrease	(6.25%)	TR
Current	Assumption	(7.25%)	
1%	Increase	(8.25%)	
			District's proportionate share of the net pension asset (liability)
1%	Decrease	(\$35,640,822)	
Current	Assumption	\$5,187,769	
1%	Increase	\$39,390,782	

Pension Plan Fiduciary Net Position

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

(Dollars in Thousands)			
ERS	TR	Valuation date	Employers' total pension liability
April 1, 2018	June 30, 2017	Plan Net Position	Employers' net pension asset/(liability)
\$ (189,803,429)	\$ (118,107,254)		
182,718,124	119,915,518		
\$ (7,085,305)	\$ 1,808,264		
Ratio of plan net position to the	Employers' total pension asset/(liability)		
96.27%	101.53%		

Payables to the Pension Plan

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

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$464,990.

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, with a balance to be paid by the District, if necessary. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$5,392,256.

NOTE 14 – RETIREMENT PLANS – OTHER:

A)

Tax Sheltered Annuities:

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2019, totaled \$3,077,621.

B)

Deferred Compensation Plan:

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2019 totaled \$364,661.

NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB):

A)

General Information about the OPEB Plan:

Plan Description

The District primarily provides post-employment health insurance coverage to retired employees, their spouses and their covered dependents in accordance with the provisions of various employment contracts. Medicare Part B benefits are also provided. Benefits are provided through a consortium known as the New York State Health Insurance Program Empire Plan, (the "Plan"). Article 37 of the Statutes of the State assigns the authority to establish and amend benefit provisions to the District. The Plan does not issue a stand alone, publicly available report since there are no assets legally segregated for the sole purpose of paying benefits under the plan.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Benefits Provided

The Plan provides medical and Medicare Part B benefits for retired employees and their eligible dependents. The contribution requirements of Plan members and the District are established and may be amended by the District. Benefit terms provide for the District to contribute between 35% and 100% of the premiums for individual and family coverage, 0% of the premiums for surviving spouses, and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as payments are accrued. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

Employees Covered by Benefit Terms

At July 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	365
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	657
Total	<u><u>1,022</u></u>

B) Total OPEB Liability:

The District's total OPEB liability of \$143,683,236 was measured as of June 30, 2019, and was determined by an actuarial valuation as of July 1, 2017. Update procedures were used to roll forward the total OPEB liability to the measurement date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3%
Discount rate	3.50%
Healthcare cost trend rates	8% for 2019, decreasing to an ultimate rate of 5% by 2025
Retirees' share of benefit-related costs	0% to 65% of health insurance premiums for retirees, and 100% of surviving spouse coverage

The discount rate is based on the prescribed discount interest rate methodology under GASB No. 74/75 based on an average of three 20-year bond indices (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2019.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Mortality rates were based on the RP-2014 using projection Scale AA for 3.5 years plus ten (10) years additional mortality improvement.

The actuarial assumptions used in the July 1, 2017 valuation were based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable. The Plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C) Changes in the Total OPEB Liability:

Total OPEB Liability	
Balance at June 30, 2018	\$ 139,797,379
Changes for the fiscal year:	
Service cost	1,842,753
Interest	4,843,894
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(2,800,790)
Net changes	3,885,857
Balance at June 30, 2019	\$ 143,683,236

There were no significant plan changes since the last valuation.

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

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current discount rate:

Total OPEB liability		
1%	Discount Rate	1%
Decrease	(3.5%)	Decrease
(2.5%)		(2.5%)
\$180,097,143	\$143,683,236	\$117,397,988

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%) or 1-percentage-point higher (9%) than the current healthcare cost trend rates:

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Healthcare Cost Trend	1% Decrease (7%) decreasing to 4%)	5% (8%) decreasing to 5%)	1% Increase (9%) decreasing to 6%)
Total OPEB liability	\$113,997,777	\$143,683,236	\$188,081,793

**D) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to OPEB:**

For the fiscal year ended June 30, 2019, the District recognized OPEB expense (credit) of \$6,686,647. At June 30, 2019, the District reported no deferred outflows of resources or deferred inflows of resources related to OPEB.

NOTE 16 - RISK MANAGEMENT:

A) General:

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

B) Consortiums and Self Insured Plans:

The District participates in New York Schools Insurance Reciprocal (NYSIR), a non-risk-retained public entity risk pool for its District property and liability insurance coverage. The pool is operated for the benefit of individual governmental units located within the pool's geographic area, and is considered a self-sustaining risk pool that will provide coverage for its members. The pool obtains independent coverage for insured events and the District has essentially transferred all related risk to the pool.

The District has established a self-insured plan for risks associated with Workers' Compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for incurred claims and incurred but not recorded (IBNR) based on a liability evaluation done in August of 2019. As of June 30, 2019, the District has recorded potential workers' compensation claims (losses incurred but not paid) and incurred but not reported claims for a total liability of \$6,028,325. This total liability is calculated using a 2.00% discount rate. The District has a workers' compensation reserve balance of \$12,325,436. Claims activity is summarized below:

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	2019	2018
Unpaid claims at the beginning of the year	\$4,506,307	\$12,213,511
Claims incurred and claim adjustment expenses	2,213,355	(7,241,951)
Claims paid	(691,337)	(465,253)
Unpaid claims at the end of the year	\$6,028,325	\$4,506,307

NOTE 17 – TERMINATION BENEFITS AND COMPENSATED ABSENCES PAYABLE:

Retirement Incentives:

The District offers a retirement incentive to certain administrators, nurses, and clerical employees outlined in their employment contract. Certain administrators who are not members of a bargaining unit having served at least 5 years employed by the District and are eligible for retirement in the New York State Teachers' Retirement System are entitled to a retirement incentive of 50% of their final year's salary. The service requirement for eligibility has been increased from 5 years to a minimum of 10 years in District for appointments made after July 1, 2013. Nurses and clerical employees eligible for retirement and enrolled in the Employees' Retirement System are entitled to a retirement incentive of \$6,000. These sums are not included within the current value of incentive payments tied to vacation and sick leave earned. The projected liability for retirement incentives is \$834,477, the amount recorded as a long term-term liability on the Statement of Net Position.

Compensated Absences:

Certain administrators not represented by a bargaining unit may be eligible for payment for a portion of unused sick and vacation days upon retirement. The projected long-term liability at June 30, 2019 is \$903,905. Custodial and IT Systems employees may be eligible for payment of a portion of unused sick and vacation days upon retirement. The projected long-term liability at June 30, 2019 is \$1,193,908. Members of the supervisory and clerical bargaining units may be eligible to receive payment for unused vacation time upon separation from service. The projected long-term liability at June 30, 2019 is \$261,410 and \$265,909, respectively. The current value of total compensated absences earned at June 30, 2019 is \$2,625,132. The District has an employee benefits accrued liability reserve in the amount of \$1,753,732 to help pay these liabilities.

NOTE 18 – TAX ABATEMENTS:

The Town of Hempstead Industrial Development Agency, established by Article 18-A of General Municipal Law of New York State, under the authority of New York State General Municipal Law Section 905, entered into various property tax abatement programs for the purpose of economic development, and general prosperity and economic welfare of the Town. The District's property tax revenue was reduced by \$103,693 for these programs. The District received Payment in Lieu of Tax (PILOT) payments totaling \$103,693 for these programs during the fiscal year.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The District also received PILOT from the County related to the Long Island Power Authority. These PILOT are not considered tax abatements as the purpose of this agreement was not to abate taxes.

NOTE 19 – COMMITMENTS AND CONTINGENCIES:

A) Grants:

The District has received grants which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the District's administration believes disallowances, if any, will be immaterial.

B) Litigation:

As of June 30, 2019, the District is unaware of any pending or threatened litigation or unasserted claims or assessments against the District which require disclosure.

C) Encumbrances:

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

General support	\$355,667
Instruction	248,818
Pupil transportation	3,209
Employee benefits	514
	<u>\$608,208</u>

NOTE 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, and noted no items of significance.

SUPPLEMENTARY INFORMATION

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual (Budgetary Basis)	Final Budget with Budgetary Variance
REVENUES				
Local Sources				
Real property taxes	\$91,518,388	\$92,128,203	\$92,302,584	\$174,381
Other real property tax items	11,855,808	11,245,992	11,308,926	62,934
Charges for services	1,269,600	1,269,600	2,204,102	934,502
Use of money & property	545,300	545,300	982,510	437,210
Miscellaneous	260,100	260,100	1,199,734	939,634
State Sources				
Basic formula	6,091,662	6,019,721	5,190,808	(828,913)
Lottery aid	1,640,000	1,782,097	1,782,097	-
Excess cost aid	1,600,000	1,450,349	1,600,435	150,086
BOCES aid	900,000	900,000	1,459,488	559,488
Textbook aid	208,000	282,979	282,979	-
Computer hardware & software aid	92,000	96,330	96,330	-
Library A/V loan program aid	26,000	26,187	26,187	-
Other state aid	150,000	150,000	296,247	146,247
Federal Sources	100,000	100,000	187,756	87,756
TOTAL REVENUES AND OTHER SOURCES	116,256,858	116,256,858	\$118,920,183	\$2,663,325
Appropriated fund balance	2,876,406	2,876,406		
Appropriated reserves	997,375	4,916,060		
TOTAL REVENUES, APPROPRIATED FUND BALANCE, AND RESERVES	\$120,130,639	\$124,049,324		

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.

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL- GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

EXPENDITURES	Original Budget	Final Budget	Actual (Budgetary Basis)	Year-End Encumbrances	Final Budget Variance with Budgetary Actual and Encumbrances
General support	\$130,682	\$117,875	\$95,331		\$22,544
Board of education	497,931	521,215	508,675		12,540
Central administration	1,361,731	1,414,848	1,390,485		24,363
Finance	1,132,966	1,104,017	1,048,504	\$3,998	51,515
Staff	9,739,406	9,985,353	9,318,721	281,873	384,759
Central services	1,089,848	1,764,850	1,651,460	69,796	43,594
Special items	13,952,564	14,908,158	14,013,176	355,667	539,315
Total general support	16,018,917	15,914,826	14,438,325	45,631	1,430,870
Occupational education	405,162	493,337	490,911		2,426
Teaching special schools	457,628	417,206	378,971		38,235
Instructional media	4,734,412	4,720,051	4,106,434	188,700	424,917
Pupil services	6,855,198	6,884,404	6,287,712	11,540	585,152
Total instructional	68,208,123	67,468,908	62,805,618	248,818	4,414,472
Pupil transportation	6,862,240	6,874,608	6,349,677	3,209	521,722
Community services	360,906	682,042	670,145		11,897
Employee benefits	24,118,123	24,586,925	24,263,598	514	322,813
Debt service					
Debt service principal	3,540,796	3,540,796	3,540,796		-
Debt service interest	908,887	808,887	808,887		-
Total debt service	4,449,683	4,349,683	4,349,683		-
TOTAL EXPENDITURES	117,951,639	118,870,324	112,451,897	608,208	5,810,219
Other Financing Uses					
Transfers to other funds	2,179,000	5,179,000	5,165,000	-	14,000
TOTAL EXPENDITURES AND OTHER USES	\$120,130,639	\$124,049,324	117,616,897	\$608,208	\$5,824,219
Net change in fund balances			1,303,286		
Fund balances - beginning of year			53,795,511		
Fund balances - end of year			\$55,098,797		

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.

Supplemental Schedule #2

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

	2019	2018
Total OPEB Liability		
Service cost	\$ 1,842,753	\$ 1,789,081
Interest	4,843,894	4,714,196
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	-	-
Benefit payments	(2,800,790)	(2,794,424)
Net change in total OPEB liability	3,885,857	3,708,853
Total OPEB liability - beginning	139,797,379	136,088,526
Total OPEB liability - ending	\$ 143,683,236	\$ 139,797,379
Covered-employee payroll	\$ 57,687,481	\$ 57,687,481
Total OPEB liability as a percentage of covered-employee payroll	249.07%	242.34%

Notes to Schedule:

Trust Assets

There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICTS PROPORTIONATE SHARE OF THE NET PENSION (LIABILITY)/ASSET
FOR THE FISCAL YEARS ENDED JUNE 30, *

Supplemental Schedule #3

	NYSERS Pension Plan					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0364919%	0.0340386%	0.0342011%	0.0346443%	0.0326267%	0.0326267%
District's proportionate share of the net pension (liability)	\$ (2,585,562)	\$ (1,098,576)	\$ (3,213,615)	\$ (5,560,513)	\$ (1,102,211)	\$ (1,474,357)
Districts covered payroll	\$ 12,294,231	\$ 12,075,506	\$ 11,854,441	\$ 11,145,452	\$ 10,944,944	\$ 10,513,597
District's proportionate share of the net pension liability as a percentage of its covered payroll	21.03%	9.10%	27.11%	49.89%	10.07%	14.02%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.95%	97.20%
NYSTRS Pension Plan						
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.286892%	0.281669%	0.281399%	0.278310%	0.276311%	0.278199%
District's proportionate share of the net pension (liability)/asset	\$ 5,187,769	\$ 2,140,965	\$ (3,013,905)	\$ 28,907,577	\$ 30,779,295	\$ 1,831,257
Districts covered payroll	\$ 47,631,850	\$ 45,329,603	\$ 43,454,191	\$ 42,103,796	\$ 40,954,526	\$ 40,941,443
District's proportionate share of the net pension liability as a percentage of its covered payroll	10.89%	4.72%	6.94%	68.66%	75.15%	4.47%
Plan fiduciary net position as a percentage of the total pension	101.53%	100.66%	99.01%	110.46%	111.48%	100.70%

* The amounts presented for each fiscal year were determined as of the measurement dates of the plans.

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S CONTRIBUTIONS
FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30,

Supplemental Schedule #4

	NYSERS Pension Plan									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 1,767,879	\$ 1,740,707	\$ 1,653,095	\$ 1,897,088	\$ 1,874,591	\$ 1,830,678	\$ 1,907,139	\$ 1,627,608	\$ 1,298,690	\$ 858,062
Contributions in relation to the contractually required contribution	1,767,879	1,740,707	1,653,095	1,897,088	1,874,591	1,830,678	1,907,139	1,627,608	1,298,690	858,062
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 12,365,093	\$ 12,115,008	\$ 11,960,696	\$ 10,996,002	\$ 10,944,944	\$ 10,513,597	\$ 10,375,753	\$ 10,216,250	\$ 10,766,216	\$ 10,688,880
Contributions as a percentage of covered payroll	14.30%	14.37%	13.82%	17.25%	17.13%	17.41%	18.38%	15.93%	12.06%	8.03%

	NYSTRS Pension Plan									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 5,085,292	\$ 4,563,687	\$ 5,231,254	\$ 5,743,878	\$ 7,328,591	\$ 6,632,502	\$ 4,824,820	\$ 4,569,529	\$ 3,479,199	\$ 2,410,344
Contributions in relation to the contractually required contribution	5,085,292	4,563,687	5,231,254	5,743,878	7,328,591	6,632,502	4,824,820	4,569,529	3,479,199	2,410,344
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 48,928,438	\$ 47,631,850	\$ 45,329,603	\$ 43,454,191	\$ 42,103,796	\$ 40,954,526	\$ 40,941,443	\$ 41,160,135	\$ 40,362,720	\$ 38,950,055
Contributions as a percentage of covered payroll	10.39%	9.58%	11.54%	13.22%	17.41%	16.19%	11.78%	11.10%	8.62%	6.19%

**HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET
AND THE REAL PROPERTY TAX LIMIT
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$119,785,062
Add: Prior year's encumbrances	345,577
Original Budget	120,130,639
Budget Revisions:	
Use of workers' compensation reserve	191,337
Use of unemployment reserve	2,742
Use of property loss reserve	386,596
Use of liability reserve	288,406
Use of employee benefit accrued liability reserve	49,604
Transfer to capital - use of capital reserve	3,000,000
Total Budget Revisions	3,918,685
Final Budget	\$124,049,324
SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION	
2019-2020 voter-approved expenditure budget	\$123,318,721
Maximum allowed (4% of 2019-2020 budget)	\$4,932,749
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	2,676,800
Unassigned fund balance	4,686,111
Total unrestricted fund balance	7,362,911
Less:	
Appropriated fund balance	2,068,592
Encumbrances included in assigned fund balance	608,208
Total adjustments	2,676,800
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law	\$4,686,111
Actual percentage of 2019-2020 budget	3.80%

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF PROJECT EXPENDITURES - CAPITAL PROJECTS FUND
JUNE 30, 2019

Supplemental Schedule #6

Project Title	Revised Appropriation	Expenditures and Obligations to Date			Unexpended Balance	Methods of Financing			Fund Balance June 30, 2019
		Prior Year's	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	
WMS Curtain Wall/Misc Renv	\$ 14,556,352	\$ 14,515,503		\$ 14,515,503	\$ 40,849	\$ 12,193,832	\$ 154,000	\$ 2,456,984	\$ 14,804,816
Oden Renu 301-3-13	4,765,813	4,754,803		4,754,803	11,010	568,329	489,000	3,697,474	4,754,803
FECPC Parking Lot	114,114	108,500		108,500	5,614			128,325	128,325
HHS Elevator/Windows 6024-331	375,181	268,091		268,091	107,090			476,134	476,134
HHS Cupola/Gutters 2013-332	1,291,459	20,386	\$ 1,089	21,475	1,269,984	1,303,012		1,303,012	1,281,537
WEC Cupola/Gutters	100,000				100,000			100,000	100,000
HHS Roof Replacement	997,680	825,340		1,246,955	(249,275)	997,680		997,680	997,680
HHS IT Generator	30,000				30,000			30,000	30,000
District Alarm System	75,000	580			37,584			125,000	30,000
Order Asphalt	726,000		36,836	37,416	711,300			726,000	87,584
FECPC Cupola & Gutter Repair	567,281		14,700	14,700	567,281			567,281	567,281
FECPC Repointing & Masonry	975,000		8,263	8,263	966,737			975,000	966,737
HHS Repointing & Masonry	639,000		10,170	10,170	639,000			425,000	639,000
HHS Set Lab Gas Lines	125,000			10,170	125,000			125,000	414,830
FECPC HVAC Upgrades (2015-16)	6,650,000	334,646	4,043,461	4,378,107	2,271,893			6,650,000	125,000
HHS HVAC Upgrades (2015-16)	5,000,000	252,228	2,807,769	3,059,997	1,940,003			5,000,000	2,271,893
FECPC Window Replacement	189,000				189,000			189,000	1,940,003
WMS New Storage Bldg	866,000		4,025	4,025	861,975			866,000	189,000
WMS Asphalt Repairs	589,000				589,000			589,000	861,975
HHS Window Replacement	6,189,000				6,189,000			6,189,000	589,000
HHS Asphalt Repairs	126,000				126,000			126,000	6,189,000
WEC Window, Asphalt, Ext Lt	191,520				191,520			191,520	126,000
FECPC Bathroom Renovation	333,500				333,500			333,500	191,520
HHS Multi-Phase HVAC Project	10,500,000	13,329	297,331	297,331	10,202,669			10,500,000	333,500
WMS Field/Pking Lot/Stework/Bathroom	1,800,000	18,656	18,656	31,985	1,768,015			1,800,000	10,202,669
OES Media Center	970,000	24,969	721,221	746,190	223,810			1,020,000	1,800,000
HHS Window/Roof/Waterproof	4,300,000	16,883	149,131	149,131	4,150,869			4,300,000	1,020,000
FECPC Windows	450,000	32,373	304,137	321,020	284,250			458,430	4,150,869
WEC Complete Windows	1,500,000		633,107	665,480	1,500,000			650,000	458,430
HHS Technology Wiring	1,500,000				1,500,000			1,500,000	650,000
OES Technology Wiring	453,558	14,009	359,092	373,101	80,457			1,500,000	1,500,000
FECPC Playground	446,912	12,772	335,717	348,489	98,423			453,557	1,500,000
OES Playscap	484,798	3,935	283,739	287,674	197,124			434,798	453,557
District Tech Upgrade	990,733		875,671	875,671	115,062			990,732	446,912
WMS Repoint & Masonry	325,000		16,157		325,000			325,000	434,798
HHS Repointing & Masonry	575,000				558,843			575,000	990,732
HES Pool System Repairs	789,070			16,157	789,070			600,000	325,000
District Wide Gym Floor	38,290				38,290			38,290	575,000
WMS/FECPC/HHS Elevator Cards	60,000				60,000			60,000	600,000
District Wide Fence Replacement	100,000		26,219		73,781			100,000	38,290
District Wide Carpet/Floor Tile	100,000			26,219	100,000			100,000	60,000
District Wide Stework/Pavement	100,000				100,000			100,000	73,781
District Wide Blueprint Digit	60,000				60,000			60,000	100,000
HHS Security Venthole	125,000		1,472	1,472	123,528			125,000	100,000
HHS Pool Renovation	264,070				264,070	124,858		139,212	125,000
WEC Pking Lot/Stework	120,108				120,108			120,108	264,070
TOTAL	\$ 72,899,169	\$ 21,198,347	\$ 11,369,578	\$ 32,567,925	\$ 40,331,243	\$ 12,887,019	\$ 643,000	\$ 59,302,949	\$ 72,832,968
									\$ 40,265,043

HEWLETT-WOODMERE UNION FREE SCHOOL DISTRICT
OTHER SUPPLEMENTARY INFORMATION
NET INVESTMENT IN CAPITAL ASSETS
JUNE 30, 2019

Capital assets, net	\$ 78,468,283
Add:	
Deferred charges on refunding	439,242

Deduct:	
Bond premiums	\$ 1,714,872
Short-term portion of bonds payable	3,025,000
Long-term portion of bonds payable	10,265,000
Short-term portion of energy performance contract debt	388,181
Long-term portion of energy performance contract debt	1,629,478
Less: Unspent bond proceeds	(124,858)
	<u>16,897,673</u>

Net investment in capital assets	\$ <u>62,009,852</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
Hewlett-Woodmere Union Free School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Hewlett-Woodmere Union Free School District, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Hewlett-Woodmere Union Free School District's basic financial statements, and have issued our report thereon dated October 2, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hewlett-Woodmere 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 Hewlett-Woodmere Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hewlett-Woodmere 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 entity'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 Hewlett-Woodmere 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*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP

Islandia, NY
October 2, 2019



October 2, 2019

To the Board of Education and
Mr. Louis Frontario

Assistant Superintendent for Business
Hewlett-Woodmere Union Free School District

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary fund of Hewlett-Woodmere Union Free School District for the fiscal year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 9, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hewlett-Woodmere Union Free School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year 2019. We noted no transactions entered into by Hewlett-Woodmere Union Free School District during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Hewlett-Woodmere Union Free School District's financial statements were:

- Useful Life of Capital Assets – Management's estimate of the useful life of capital assets is based on the historical asset life information for Hewlett-Woodmere Union Free School District's capital assets and industry standards, in order to determine the value and period of time over which individual capital assets are to be depreciated. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Compensated Absences Liability – Management's estimate of the liability for compensated absences is based on historical information regarding employees who have separated from Hewlett-Woodmere Union Free School District and their terminal payout amounts, in order to determine the probability and amount of future payouts to employees for vested accumulated vacation payouts. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Other Post-Employment Benefits Obligation – Management's estimate of the liability for other post-employment benefits is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Workers Compensation Claims Payable – Management's estimate of the liability for workers compensation payable is provided by a third party. The liability is based on incurred claims and claim adjustments from various actuarial reports and claim payments during the fiscal year ending June 30, 2019. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

- Net Pension Asset/Liability – Management's estimate of the asset or liability for retirement systems is based on an actuarial valuation report prepared by a third party. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Attached is a schedule showing material misstatements detected as a result of audit procedures that were corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 2, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Hewlett-Woodmere Union Free School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hewlett-Woodmere Union Free School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, schedule of changes in District's total OPEB liability, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the schedule of change from adopted budget to final budget – general fund and section 1318 of real property tax law limit calculation, schedule of project expenditures – capital projects fund and net investment in capital assets which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the

underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of Education, Audit Committee and management of Hewlett-Woodmere Union Free School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

R. S. Abrams & Co., LLP

R. S. Abrams & Co., LLP

Hewlett-Woodmere UFSD
Adjusting Journal Entries Schedule
For the FYE June 30, 2019

Number	Name	Account No	Debit	Credit
1	Due To Other Governments	A631-00	\$ 150,086.44	
	Excess Cost Aid	A3101-002	\$ 43,370.00	
	Excess Cost Aid	A3101-002		\$ 193,456.44
To reclass state aid overpayment deduction recorded against excess cost revenue to due to other governments in the general fund.				
2	Due To Other Governments	A631-00	\$ 237,493.00	
	Special Education Placement 853 - Public	A2250-471-20-2840		\$ 237,493.00
To reclass payment for special education tuition incorrectly recorded as an expenditure to a reduction to the due to other governments liability in the general fund.				
3	Due To Other Governments	A631-00	\$ 726,872.28	
	NYS Public Special Education Services/private	A2250-471-10-2840	\$ 351,872.28	
	Special Ed Placement 853 - Public	A2250-471-20-2840	\$ 375,000.00	
To accrue for 2018-19 health service payables not record as payables at 6/30/2019 in the general fund.				
4	Accounts Payable	A600-99	\$ 105,542.59	
	Transportation - Special Private/Parochial	A5540-432-08-0824		\$ 108,542.59
To remove amount from accounts payable for invoice(s) determined to not be valid accounts payable at 6/30/2019 in the general fund.				



October 2, 2019

To the Board of Education and
Mr. Louis Frontario

Assistant Superintendent for Business
Hewlett-Woodmere Union Free School District

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary funds of the Hewlett-Woodmere Union Free School District as of and for the fiscal year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Hewlett-Woodmere Union Free School District's internal control over financial reporting (internal control) as a basis for designing our auditing 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 Hewlett-Woodmere Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hewlett-Woodmere 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal controls was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

However, during our audit we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning these matters.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

BANK RECONCILIATIONS

During our current year audit, we noted the District was carrying old outstanding checks for more than one year on the monthly bank reconciliations for the general fund checking account, the capital fund checking account, and the trust and agency fund checking account. We recommend that all outstanding checks and reconciling items be reviewed on a regular basis and that older items are investigated and removed from the bank reconciliations and the accounting records are adjusted accordingly.

SCHOOL LUNCH FUND BALANCE

During our current year audit, we noted the school lunch fund balance exceeded the three-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b) by \$142,754. It is noted that the District does have an approved multi-year plan in place to utilize the excess fund balance which began in the 2018-19 year. We recommend the District continue to monitor this multi-year plan in order to take the necessary steps to utilize the excess portion of this fund balance in the school lunch operations.

FUND BALANCE MANAGEMENT

Workers' Compensation Reserve

During our current year audit we noted the District has a balance of \$12,325,436 in its workers' compensation reserve at June 30, 2019, which appears to be higher than the total estimated liability for claims payable as calculated by the District's outside actuary. The estimated liability at June 30, 2019 is \$6,028,325 which includes incurred claims and claims incurred but not reported. We noted the District appropriated \$191,337 of the reserve for current year claim payments. We recommend the District review the reserve balance for reasonableness and continue to utilize the reserve for future claim expenses in order to lower the balance to a reasonable level in relation to their estimated liability.

DUE TO OTHER GOVERNMENTS

During our current year audit, we noted the District does not maintain a current up to date listing of all out of district tuition and health services payables by year and school district to assist in monitoring amounts due to other districts for these services. We recommend the District establish procedures to properly monitor outstanding invoices and amounts owed to other school districts on

a detailed enough level to identify the district, year, and outstanding amount associated to each year's payables.

EXTRACLASSROOM ACCOUNTS

The District had established extra classroom activity accounts to maintain student activities and funds. The New York Education Department had published guidelines governing the proper procedures and policies governing the extra classroom accounts and transactions.

During our current year audit of the District's extra classroom activity accounts, we noted the following:

- One out of ten disbursements at Woodmere Middle School the invoice was not properly cancelled after payment.
- One out of ten disbursements at Hewlett Elementary School was missing the faculty advisor's signature on the payment form.

We understand that the District provides annual District-wide training to all extra classroom treasurers and advisors. However, we recommended the District continue to provide these trainings and continue to monitor the extra classroom activities to ensure all treasurers and advisors are aware of and apply the proper procedures required by the State Education Department.

STATUS OF PRIOR YEAR RECOMMENDATIONS

BANK RECONCILIATIONS

FINDING: During our prior year audit, we noted the District was carrying old outstanding checks for more than one year on the monthly bank reconciliations for the general fund checking account, the special aid fund checking account, the capital fund checking account, and the trust and agency fund checking account. We recommended that all outstanding checks and reconciling items be reviewed on a regular basis and that older items are investigated and removed from the bank reconciliations and the accounting records are adjusted accordingly.

STATUS: Partially Implemented.

SCHOOL LUNCH FUND BALANCE

FINDING: During our prior year audit, we noted the school lunch fund balance exceeded the three-month average expenditure level allowable by federal regulations 7CFR Part 210.14(b) by approximately \$103,000. We recommended the District take necessary steps to utilize the excess portion of this fund balance in the school lunch operations in the upcoming fiscal year.

STATUS: Partially Implemented.

CAPITAL ASSETS

FINDING: During our prior year audit, we noted one out of six capital assets selected for testing were not located in the District's capital asset appraisal report. We recommended the District develop procedures to track the capital asset additions during the year and provide the additions to the third party appraisal company to be included in the capital asset report.

STATUS: Implemented.

FUND BALANCE MANAGEMENT

Workers' Compensation Reserve

FINDING: During our prior year audit we noted the District had a balance of \$12,399,730 in its workers' compensation reserve at June 30, 2018, which appears to be higher than the total estimated liability for claims payable as calculated by the District's outside actuary. The estimated liability at June 30, 2018 is \$4,506,307, which includes incurred claims and claims incurred but not reported. We noted the District appropriated \$361,585 of the reserve for current year claim payments, but also funded the reserve in the amount of \$1,000,000. We recommended the District review the reserve balance for reasonableness and continue to utilize the reserve for future claim expenses in order to lower the balance to a reasonable level in relation to their estimated liability.

STATUS: Partially Implemented.

ACCOUNTING POLICIES AND PROCEDURES

Budget Transfers

FINDING: During our prior year audit, we noted that budget line item appropriation codes were over expended at year-end. Although the District did not over expend the general fund budget in total, we noted that budget transfers were not made to cover the over expended budget line appropriation codes. We recommended that the District properly monitor budgeted appropriations and record budget transfers during the year to eliminate overspent budgeted appropriations.

STATUS: Implemented.

Capital Projects

FINDING: During our prior year audit, we noted the District was not tracking the revenues by source, expenditures and available fund balance within the accounting information system for each capital project. We recommended that the District develop procedures to track the revenues by source, expenditures, and available fund balance for each individual capital project within the accounting information system to assist in monitoring the District's capital projects.

STATUS: Implemented.

DUE TO OTHER GOVERNMENTS

FINDING: During our prior year audit, we noted the District does not maintain a listing of out of district tuition and health services payables by year and school district to assist in monitoring amounts due to other districts for these services. We recommended the District establish an aging report of payables for these services to properly monitor outstanding invoices and amounts owed to other school districts.

STATUS: Partially Implemented.

941 RECONCILIATION

FINDING: During our prior year audit, we noted that although the District was properly filing their quarterly 941 tax returns, there was no reconciliation being performed to reconcile the wages as per the 941 forms to the District's salary expenditures within the accounting system. We recommended that this reconciliation be performed and reviewed by an appropriated administrator on a quarterly basis.

STATUS: Implemented.

EXTRACLASSROOM ACCOUNTS

FINDING:

The District had established extra classroom activity accounts to maintain student activities and funds. The New York Education Department had published guidelines governing the proper procedures and policies governing the extra classroom accounts and transactions.

During our prior year audit of the District's extra classroom activity accounts, we noted the following:

- Five out of ten disbursements at the Woodmere Middle School, six out of ten disbursements at the Hewlett Elementary School, and one out of ten disbursements at the Ogden Elementary School were not properly cancelled after payment.
- One out of ten cash receipts at the Woodmere Middle School was missing a bank deposit slip.

We understood that the District provides annual District-wide training to all extra classroom treasurers and advisors. However, we recommended the District continue to provide these trainings and continue to monitor the extra classroom activities to ensure all treasurers and advisors are aware of and apply the proper procedures required by the State Education Department.

STATUS: Partially Implemented.

We would like to acknowledge the courtesy and assistance extended to us by personnel of the District during the audit. Should you have any questions concerning the matters referred to in this letter, we shall be pleased to discuss them with you, at your convenience.

This communication is intended solely for the information and use of the Board of Education, the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP

Islandia, New York
October 2, 2019