



FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS

June 30, 2019

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Education  
Little Flower Union Free School District  
Wading River, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund of the Little Flower Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Little Flower Union Free School District, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of the District's proportionate share of the net pension asset/(liability), schedule of District pension contributions and schedule of changes in the District's total OPEB liability and related ratios pages 3 through 12 and 46 through 50, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Little Flower Union Free School District's basic financial statements. The other supplementary information on pages 51 and 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019 on our consideration of the Little Flower Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Little Flower 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 Little Flower Union Free School District's internal control over financial reporting and compliance.

*Cullen & Danowski, LLP*

October 21, 2019

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The Little Flower Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2019 in comparison with the year ended June 30, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

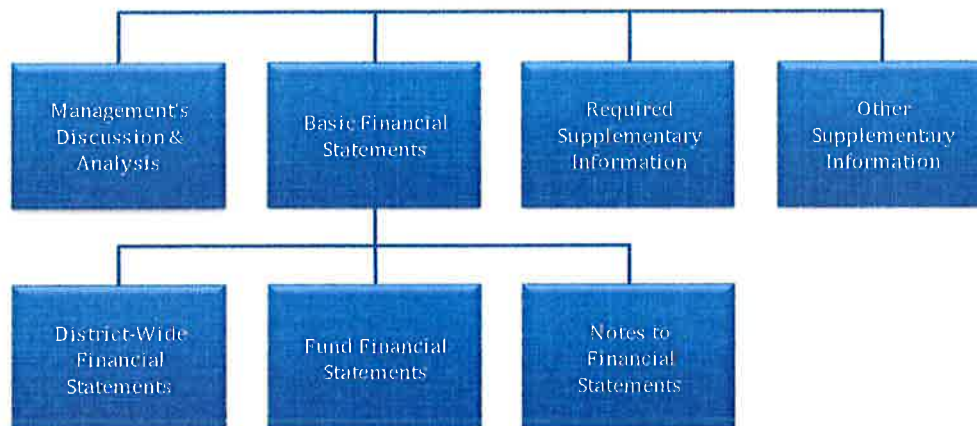
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2019 are as follows:

- The District's total net position (deficit), as reflected in the district-wide financial statements, increased by \$958,177. This was due to expenses of \$8,996,442 exceeding revenues of \$8,038,265, based on the economic resources measurement focus and the accrual basis of accounting.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$8,996,442. Of this amount, \$7,976,242 was offset by program charges for services and operating grants, which accounted for 99.2% of total revenues.
- The District received \$7,796,752 in charges for services to support instructional programs, an increase of \$387,007 over the prior year, and \$179,490 in operating grants to support instructional programs, a decrease of \$8,900 from the prior year.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$34,717. This was due to an excess of expenditures over revenues based on the current financial resources measurement focus and the modified accrual basis of accounting.

**2. OVERVIEW OF THE FINANCIAL STATEMENTS**

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



**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**A. District-Wide Financial Statements**

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

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

The Statement of Net Position

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

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, the reader may better

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

**Fiduciary Funds**

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

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

**A. Net Position**

The District's total net position deficit increased by \$958,177 between fiscal year 2019 and 2018. The deficit increase is due to expenses in excess of revenues based on the economic resources measurement focus and the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

|  | 2019            | 2018            | Increase<br>(Decrease) | Percentage<br>Change |
|--|-----------------|-----------------|------------------------|----------------------|
| <b>Assets</b>                                  |                 |                 |                        |                      |
| Current and Other Assets                       | \$ 2,160,571    | \$ 2,565,847    | \$ (405,276)           | (15.80)%             |
| Capital Assets, Net                            | 5,518,884       | 5,644,218       | (125,334)              | (2.22)%              |
| Net Pension Asset -<br>Proportionate Share     | 359,024         | 147,060         | 211,964                | 144.13 %             |
| Total Assets                                   | 8,038,479       | 8,357,125       | (318,646)              | (3.81)%              |
| <b>Deferred Outflows of Resources</b>          | 2,857,159       | 2,199,771       | 657,388                | 29.88 %              |
| <b>Liabilities</b>                             |                 |                 |                        |                      |
| Current and Other Liabilities                  | 2,251,051       | 2,374,917       | (123,866)              | (5.22)%              |
| Long-Term Liabilities                          | 5,669,075       | 5,958,214       | (289,139)              | (4.85)%              |
| Net Pension Liability -<br>Proportionate Share | 162,382         | 66,784          | 95,598                 | 143.15 %             |
| Total OPEB Obligation                          | 13,803,451      | 12,038,486      | 1,764,965              | 14.66 %              |
| Total Liabilities                              | 21,885,959      | 20,438,401      | 1,447,558              | 7.08 %               |
| <b>Deferred Inflows of Resources</b>           | 1,071,115       | 1,221,754       | (150,639)              | (12.33)%             |
| <b>Net Position (Deficit)</b>                  |                 |                 |                        |                      |
| Net Investment in Capital Assets               | \$ 1,244,124    | \$ 1,441,566    | \$ (197,442)           | (13.70)%             |
| Restricted                                     | 13,297          | 27,091          | (13,794)               | (50.92)%             |
| Unrestricted (Deficit)                         | (13,318,857)    | (12,571,916)    | (746,941)              | 5.94 %               |
| Total Net Position (Deficit)                   | \$ (12,061,436) | \$ (11,103,259) | \$ (958,177)           | (8.63)%              |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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Current and other assets decreased by \$405,276, as compared to the prior year. This is primarily due to a decrease in investments of \$379,908, which are held by the Dormitory Authority of the State of New York (DASNY). The District issued bonds through DASNY in July 2016 to finance capital construction. The unspent bond proceeds along with interest earned and tuition charges paid by participating districts at a separate billing rate are held by DASNY for future debt service payments and continuing construction work. As construction costs come due, the investments are liquidated and released to the District to pay contractor invoices. In addition, unrestricted cash decreased by \$60,296 and due from state and federal decreased \$36,005. These decreases were offset by an increase in accounts receivable of \$62,728.

Capital assets, net decreased by \$125,334, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 11 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the District's share of the New York State Teachers' Retirement System's collective net pension asset, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State", provides additional information.

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

Current and other liabilities decreased by \$123,866, as compared to the prior year. The decrease is mainly attributable to a decrease in accounts payable. Accrued liabilities also decreased in the amount of \$91,850 for amounts owed on prior years' rate reconciliations. These decreases were offset by a \$42,585 increase in the amount due to the teachers' retirement system for the current year's contribution as a result of an increase in the contribution rate, and an increase in due to other governments of \$28,421.

Long-term liabilities decreased by \$289,139, as compared to the prior year. This decrease is the result of the \$180,894 repayment of the current maturity of bond indebtedness and other long-term liabilities, and a decrease in the compensated absences liability of \$108,245 resulting from payments made to retiring employees. The accompanying Notes to Financial Statements, Note 13, "Long-Term Liabilities" provides additional information.

Net pension liability – proportionate share represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 14 "Pension Plans – New York State", provides additional information.

Total other postemployment benefits (OPEB) obligation increased by \$1,764,965, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 16 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension and OPEB plans that will be amortized in future years.



**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

The net investment in capital assets is the investment in capital assets at cost such as construction in progress; buildings and improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number decreased from the prior year as follows:

|  | Increase<br>(Decrease)     |
|--|----------------------------|
| Capital asset additions - total          | \$ 291,636                 |
| Additions financed by debt               | <u>(242,108)</u>           |
| Additions financed by appropriations     | 49,528                     |
| Principal debt reduction of serial bonds | 170,000                    |
| Depreciation expense                     | <u>(416,970)</u>           |
|  | <u><u>\$ (197,442)</u></u> |

The restricted amount of \$13,297 represents amounts restricted for debt service (\$5,577) and capital (\$7,720).

The unrestricted (deficit) amount of \$(13,318,857) relates to the balance of the District's net position and is directly impacted by unfunded long-term liabilities, such as compensated absences payable and OPEB that do not require the use of current financial resources, but instead will mature over time. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation. This deficit increased over the prior year by \$(746,941).

**B. Changes in Net Position**

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

|                          | 2019                       | 2018                       | Increase<br>(Decrease)    | Percentage<br>Change |
|--------------------------|----------------------------|----------------------------|---------------------------|----------------------|
| <b>Revenues</b>          |                            |                            |                           |                      |
| Program Revenues         |                            |                            |                           |                      |
| Charges for Services     | \$ 7,796,752               | \$ 7,409,745               | \$ 387,007                | 5.22 %               |
| Operating Grants         | 179,490                    | 188,390                    | (8,900)                   | (4.72)%              |
| Capital Grants           |                            | 29,969                     | (29,969)                  | 100.00 %             |
| General Revenues         |                            |                            |                           |                      |
| State Sources            | 32,554                     | 35,251                     | (2,697)                   | (7.65)%              |
| Other                    | 29,469                     | 48,551                     | (19,082)                  | (39.30)%             |
| Total Revenues           | <u>8,038,265</u>           | <u>7,711,906</u>           | <u>326,359</u>            | 4.23 %               |
| <b>Expenses</b>          |                            |                            |                           |                      |
| General Support          | 1,645,584                  | 1,913,290                  | (267,706)                 | (13.99)%             |
| Instruction              | 7,095,127                  | 6,455,550                  | 639,577                   | 9.91 %               |
| Debt Service - Interest  | 255,731                    | 253,924                    | 1,807                     | 0.71 %               |
| Total Expenses           | <u>8,996,442</u>           | <u>8,622,764</u>           | <u>373,678</u>            | 4.33 %               |
| Decrease in Net Position | <u><u>\$ (958,177)</u></u> | <u><u>\$ (910,858)</u></u> | <u><u>\$ (47,319)</u></u> | 5.19 %               |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

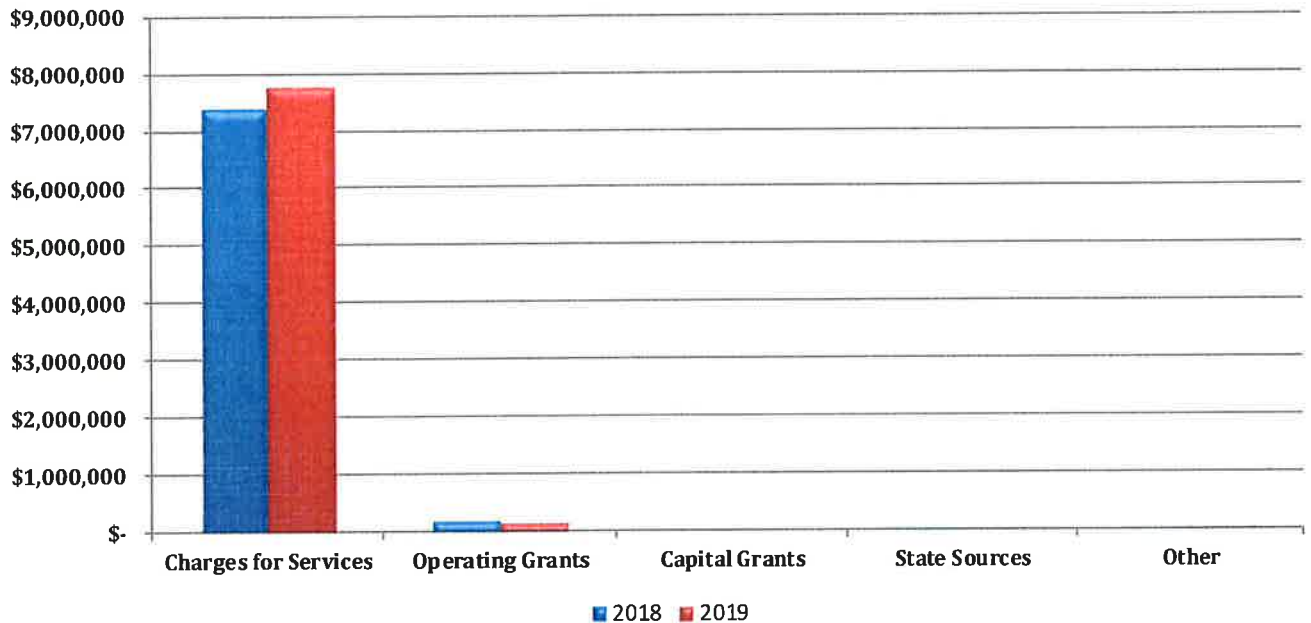
The District's net position decreased by \$(958,177) and \$(910,858) for the years ended June 30, 2019, and June 30, 2018, respectively.

The District's revenues increased by \$326,359, or 4.23%. The primary reason for the increase was due to an increase in charges for services of \$387,007. This was due to increases in the full-time equivalent of students the District billed for and the prospective billing rate. In addition, there was an increase in the number of one-to-one aides that were required. This was primarily offset by a decrease in capital grants of \$29,969.

The District's expenses increased by \$373,678, or 4.33%. The increase was the result of an increase in the instruction area totaling \$639,577, offset by a decrease in general support of \$267,706. The increases were primarily in salaries, employee benefits and depreciation, as well as additional expenses related to software licenses. The decreases were primarily because one-time expenses in 2018 did not recur in 2019.

As indicated on the graphs that follow, charges for services is the largest component of revenues recognized (i.e., 97.0% and 96.1% of the total for the years 2019 and 2018, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 78.9% and 74.9% of the total for the years 2019 and 2018, respectively).

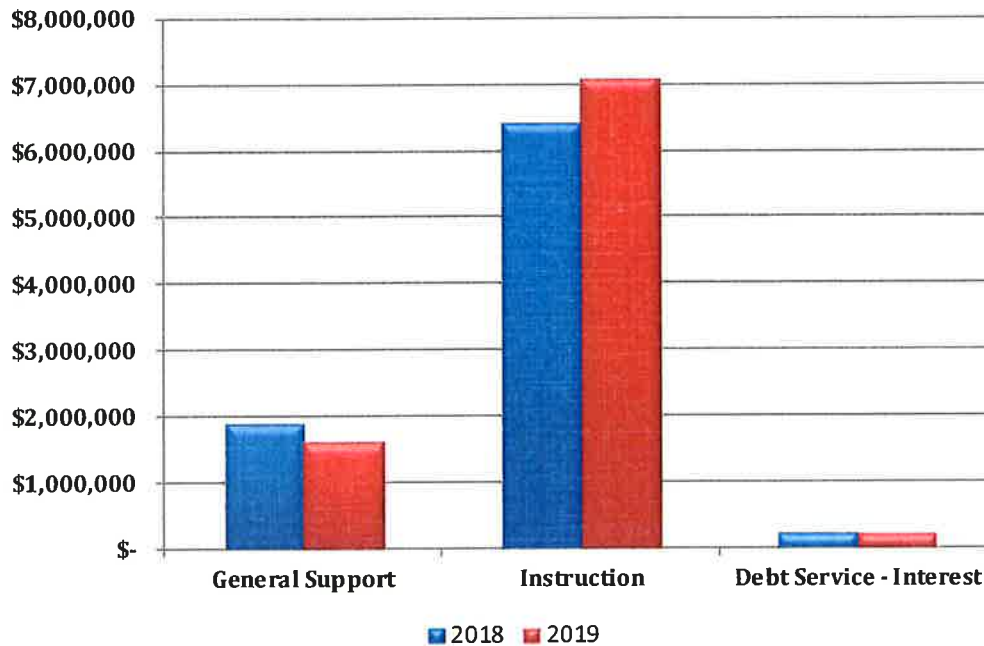
A graphic display of the distribution of revenues for the two years follows:



|      | Charges for Services | Operating Grants | Capital Grants | State Sources | Other |
|------|----------------------|------------------|----------------|---------------|-------|
| 2018 | 96.1%                | 2.4%             | 0.4%           | 0.5%          | 0.6%  |
| 2019 | 97.0%                | 2.2%             | 0.0%           | 0.4%          | 0.4%  |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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



|      | General Support | Instruction | Debt Service - Interest |
|------|-----------------|-------------|-------------------------|
| 2018 | 22.2%           | 74.9%       | 2.9%                    |
| 2019 | 18.3%           | 78.9%       | 2.8%                    |

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

At June 30, 2019, the District's governmental funds reported a combined fund balance deficit of \$(269,178), which is a decrease of \$291,619 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

|                                       | 2019                | 2018             | Increase<br>(Decrease) |
|---------------------------------------|---------------------|------------------|------------------------|
| <b>General Fund</b>                   |                     |                  |                        |
| Unassigned: Fund balance (deficit)    | \$ (282,475)        | \$ (247,758)     | \$ (34,717)            |
| <b>Debt Service Fund</b>              |                     |                  |                        |
| Restricted for debt                   | 5,577               | 4,943            | 634                    |
| <b>Capital Projects Fund</b>          |                     |                  |                        |
| Restricted:                           |                     |                  |                        |
| Capital                               | 7,720               | 22,148           | (14,428)               |
| Unspent bond proceeds                 |                     | 242,108          | (242,108)              |
| Assigned: Unappropriated fund balance |                     | 1,000            | (1,000)                |
|                                       | 7,720               | 265,256          | (257,536)              |
| <b>Total Fund Balance (Deficit)</b>   | <b>\$ (269,178)</b> | <b>\$ 22,441</b> | <b>\$ (291,619)</b>    |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

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**A. General Fund**

The net change in the general fund – fund balance is an increase of its deficit by 34,717. This resulted from expenditures in excess of revenues.

**B. Debt Service Fund**

At June 30, 2019, the debt service fund – fund balance was \$5,577. The increase of \$634 is the net of revenues from charges for services, transfers from the capital projects fund, and interest over principal and interest payments on serial bonds, as reported in DASNY's June 30, 2019, financial statements for the District's borrowing related to capital construction.

**C. Capital Projects Fund**

At June 30, 2019, the capital projects fund – fund balance was \$7,720. The decrease of \$257,536 is the net of bond interest earned, less capital construction expenditures and a transfer to the debt service fund.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2018-2019 Budget**

The District's general fund adopted budget for the year ended June 30, 2019 was \$7,729,900. There were no budget revisions.

The adopted budget was primarily funded through \$7,674,885 in estimated charges for services.

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

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

|  |                            |
|--|----------------------------|
| Opening, Unassigned Fund Balance (Deficit) | \$ (247,758)               |
| Revenues Under Budget                      | (254,757)                  |
| Expenditures Under Budget                  | <u>220,040</u>             |
| Closing, Unassigned Fund Balance (Deficit) | <u><u>\$ (282,475)</u></u> |

**Opening, Unassigned Fund Balance (Deficit)**

The \$(247,758) shown in the table is the portion of the District's June 30, 2018 fund balance that was considered unassigned.

**Revenues Under Budget**

The 2018-2019 final budget for revenues was \$7,729,900. Actual revenues recognized for the year were \$7,475,143. The deficiency of actual revenue under estimated or budgeted revenue was \$254,757, primarily in the charges for services area.

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

Expenditures Under Budget

The 2018-2019 final budget for expenditures was \$7,729,900. Actual expenditures as of June 30, 2019, were \$7,509,860. The final budget was under expended by \$220,040, primarily in the central services, teaching-regular school, and employee benefits areas of the budget. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2018 to June 30, 2019.

Closing, Unassigned Fund Balance (Deficit)

Based upon the summary changes shown in the table, the unassigned fund balance deficit at June 30, 2019, was \$(284,475).

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

**A. Capital Assets**

At June 30, 2019, the District had invested in a broad range of capital assets, as indicated in the following table. The net decrease in capital assets is due to depreciation of \$416,970 in excess of capital additions of \$291,636 recorded for the year ended June 30, 2019. A summary of the District's capital assets, net of depreciation at June 30, 2019 and 2018 is as follows:

|                          | 2019                | 2018                | Increase<br>(Decrease) |
|--------------------------|---------------------|---------------------|------------------------|
| Construction in progress | \$ 242,109          | \$ 4,349,295        | \$ (4,107,186)         |
| Buildings                | 5,112,148           | 1,143,704           | 3,968,444              |
| Equipment                | 164,627             | 151,219             | 13,408                 |
| Capital assets, net      | <u>\$ 5,518,884</u> | <u>\$ 5,644,218</u> | <u>\$ (125,334)</u>    |

**B. Debt Administration**

During the year ended June 30, 2019, the District issued a revenue anticipation note payable in the amount of \$800,000. This note carries an interest rate of 3.21% per annum and is due in June 2020.

At June 30, 2019, the District had total bonds payable of \$4,840,000, which were issued in a prior year through DASNY. The bonds were issued for school building renovations and additions. The other liabilities is the outstanding principal balance of a long-term liability to the Agency for the repayment of repairs to the District's lobby, which were paid for by the Agency. A summary of the outstanding debt at June 30, 2019 and 2018 is as follows:

|                          | Issue<br>Date | Interest<br>Rate | 2019                | 2018                | Increase<br>(Decrease) |
|--------------------------|---------------|------------------|---------------------|---------------------|------------------------|
| <b>Bonds Payable</b>     |               |                  |                     |                     |                        |
|                          | 7/27/2016     | 4.500%           | <u>\$ 4,840,000</u> | <u>\$ 5,010,000</u> | <u>\$ (170,000)</u>    |
| <b>Other Liabilities</b> |               |                  |                     |                     |                        |
|                          | 7/1/2014      | 2.905%           | <u>\$ 299,577</u>   | <u>\$ 310,471</u>   | <u>\$ (10,894)</u>     |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Continued)

**C. Other Long-Term Liabilities**

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

|  | 2019                 | 2018                 | Increase<br>(Decrease) |
|--|----------------------|----------------------|------------------------|
| Compensated absences payable                   | \$ 529,498           | \$ 637,743           | \$ (108,245)           |
| Net pension liability - proportionate share    | 162,382              | 66,784               | 95,598                 |
| Total other postemployment benefits obligation | 13,803,451           | 12,038,486           | 1,764,965              |
|  | <u>\$ 14,495,331</u> | <u>\$ 12,743,013</u> | <u>\$ 1,752,318</u>    |

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

**A. Subsequent Year's Budget**

The general fund budget, the only fund with a legally adopted budget, as approved by the Board of Education on June 17, 2019, for the year ending June 30, 2020, is \$8,075,800. This is an increase of \$345,900 or 4.5% over the previous year's budget. The increase is principally in the instructional program (\$189,445), and employee benefits (\$150,315) areas of the budget.

The District budgeted revenues at a \$345,900 increase over the prior year's estimate. This increase is primarily in estimated charges for services.

**B. Future Budgets**

Significant increases in costs of health insurance, changes in enrollment and future tuition rate increases and reconciliations will impact the District's future budgets.

**C. Rate Reconciliation**

The District's prior years tuition rates are subject to the rate reconciliation process by the New York State Education Department. The final reconciliation tuition rates could result in additional, retroactive billings for the District if they are more than the prospective rates used in billings, or reimbursements due back to the paying school districts and counties if the final tuition rates are lower than the prospective rates. The District may also petition the state to increase their tuition rates beyond the final reconciliation rates through a "waiver" process.

**8. CONTACTING THE DISTRICT**

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

Mrs. Ann O. Romeo  
Assistant Superintendent for Business  
Little Flower Union Free School District  
2460 North Wading River Road  
Wading River, NY 11792

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Statement of Net Position**  
June 30, 2019

**ASSETS**

|  |            |
|--|------------|
| Cash   |            |
| Unrestricted                                       | \$ 300,751 |
| Restricted   | 299,447    |
| Investments: Restricted                            | 59,645     |
| Receivables  |            |
| Accounts receivable                                | 1,396,595  |
| Due from fiduciary funds                           | 578        |
| Due from state and federal                         | 66,581     |
| Due from other governments                         | 36,974     |
| Capital assets:                                    |            |
| Not being depreciated                              | 242,109    |
| Being depreciated, net of accumulated depreciation | 5,276,775  |
| Net pension asset - proportionate share            | 359,024    |
|  | <hr/>      |
| Total Assets                                       | 8,038,479  |

**DEFERRED OUTFLOWS OF RESOURCES**

|                                      |           |
|--------------------------------------|-----------|
| Pensions                             | 2,053,192 |
| Other postemployment benefits        | 803,967   |
|                                      | <hr/>     |
| Total Deferred Outflows of Resources | 2,857,159 |

**LIABILITIES**

|  |            |
|--|------------|
| Payables                                       |            |
| Accounts payable                               | 134,329    |
| Accrued liabilities                            | 822,961    |
| Due to other governments                       | 75,545     |
| Due to teachers' retirement system             | 385,731    |
| Due to employees' retirement system            | 29,695     |
| Notes payable                                  |            |
| Revenue anticipation                           | 800,000    |
| Unearned credits                               |            |
| Collections in advance                         | 2,790      |
| Long-term liabilities                          |            |
| Due and payable within one year                |            |
| Bonds payable                                  | 180,000    |
| Compensated absences payable                   | 76,233     |
| Other liabilities                              | 11,214     |
| Due and payable after one year                 |            |
| Bonds payable                                  | 4,660,000  |
| Compensated absences payable                   | 453,265    |
| Other liabilities                              | 288,363    |
| Net pension liability - proportionate share    | 162,382    |
| Total other postemployment benefits obligation | 13,803,451 |
|  | <hr/>      |
| Total Liabilities                              | 21,885,959 |

**DEFERRED INFLOWS OF RESOURCES**

|                                     |           |
|-------------------------------------|-----------|
| Pensions                            | 544,493   |
| Other postemployment benefits       | 526,622   |
|                                     | <hr/>     |
| Total Deferred Inflows of Resources | 1,071,115 |

**NET POSITION (DEFICIT)**

|                                  |                 |
|----------------------------------|-----------------|
| Net investment in capital assets | 1,244,124       |
| Restricted:                      |                 |
| Debt service                     | 5,577           |
| Capital                          | 7,720           |
| Unrestricted (deficit)           | (13,318,857)    |
|                                  | <hr/>           |
| Total Net Position (Deficit)     | \$ (12,061,436) |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**

**Statement of Activities**

For The Year Ended June 30, 2019

|  |                     | <u>Program Revenues</u>         |                             | <u>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Position</u> |
|--|---------------------|---------------------------------|-----------------------------|--|
|  | <u>Expenses</u>     | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants</u> |  |
| <b>FUNCTIONS/PROGRAMS</b>                        |                     |                                 |                             |  |
| General support                                  | \$ 1,645,584        | \$                              | \$                          | \$ (1,645,584)   |
| Instruction                                      | 7,095,127           | 7,796,752                       | 179,490                     | 881,115  |
| Debt service - interest                          | 255,731             |                                 |                             | (255,731)  |
|  |                     |                                 |                             |  |
| Total Functions and Programs                     | <u>\$ 8,996,442</u> | <u>\$ 7,796,752</u>             | <u>\$ 179,490</u>           | <u>(1,020,200)</u>   |
|  |                     |                                 |                             |  |
| <b>GENERAL REVENUES</b>                          |                     |                                 |                             |  |
| Use of money and property                        |                     |                                 |                             | 6,344  |
| Sale of property and compensation for loss       |                     |                                 |                             | 2,216  |
| Miscellaneous                                    |                     |                                 |                             | 20,909   |
| State sources                                    |                     |                                 |                             | <u>32,554</u>  |
|  |                     |                                 |                             |  |
| Total General Revenues                           |                     |                                 |                             | <u>62,023</u>  |
|  |                     |                                 |                             |  |
| Change in Net Position (Deficit)                 |                     |                                 |                             | (958,177)  |
|  |                     |                                 |                             |  |
| Total Net Position (Deficit) - Beginning of Year |                     |                                 |                             | <u>(11,103,259)</u>  |
|  |                     |                                 |                             |  |
| Total Net Position (Deficit) - End of Year       |                     |                                 |                             | <u><u>\$ (12,061,436)</u></u>  |



**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Balance Sheet - Governmental Funds**  
June 30, 2019

|   | General             | Special<br>Aid   | Debt<br>Service   | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|---------------------|------------------|-------------------|---------------------|--------------------------------|
| <b>ASSETS</b>   |                     |                  |                   |                     |                                |
| Cash  |                     |                  |                   |                     |                                |
| Unrestricted  | \$ 296,689          | \$ 4,062         | \$                | \$                  | \$ 300,751                     |
| Restricted  |                     |                  | 294,477           | 4,970               | 299,447                        |
| Investments: Restricted   |                     |                  |                   | 59,645              | 59,645                         |
| Receivables   |                     |                  |                   |                     |                                |
| Accounts receivable   | 1,396,595           |                  |                   |                     | 1,396,595                      |
| Due from other funds  | 53,944              |                  |                   |                     | 53,944                         |
| Due from state and federal  |                     | 66,581           |                   |                     | 66,581                         |
| Due from other governments  | 36,974              |                  |                   |                     | 36,974                         |
|   |                     |                  |                   |                     |                                |
| Total Assets  | <u>\$ 1,784,202</u> | <u>\$ 70,643</u> | <u>\$ 294,477</u> | <u>\$ 64,615</u>    | <u>\$ 2,213,937</u>            |
| <b>LIABILITIES</b>  |                     |                  |                   |                     |                                |
| Payables  |                     |                  |                   |                     |                                |
| Accounts payable  | \$ 62,947           | \$ 14,487        | \$                | \$ 56,895           | \$ 134,329                     |
| Accrued liabilities   | 712,759             |                  |                   |                     | 712,759                        |
| Due to other funds  |                     | 53,366           |                   |                     | 53,366                         |
| Due to other governments  | 75,545              |                  |                   |                     | 75,545                         |
| Due to teachers' retirement system  | 385,731             |                  |                   |                     | 385,731                        |
| Due to employees' retirement system                                       | 29,695              |                  |                   |                     | 29,695                         |
| Notes payable   |                     |                  |                   |                     |                                |
| Revenue anticipation  | 800,000             |                  |                   |                     | 800,000                        |
| Unearned credits  |                     |                  |                   |                     |                                |
| Collections in advance  |                     | 2,790            |                   |                     | 2,790                          |
|   |                     |                  |                   |                     |                                |
| Total Liabilities   | <u>2,066,677</u>    | <u>70,643</u>    | <u>-</u>          | <u>56,895</u>       | <u>2,194,215</u>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                      |                     |                  |                   |                     |                                |
| Unavailable revenue   |                     |                  | 288,900           |                     | 288,900                        |
| <b>FUND BALANCES (DEFICIT)</b>  |                     |                  |                   |                     |                                |
| Restricted:   |                     |                  |                   |                     |                                |
| Debt service  |                     |                  | 5,577             |                     | 5,577                          |
| Capital   |                     |                  |                   | 7,720               | 7,720                          |
| Unassigned: Fund balance (deficit)  | <u>(282,475)</u>    |                  |                   |                     | <u>(282,475)</u>               |
|   |                     |                  |                   |                     |                                |
| Total Fund Balances (Deficit)   | <u>(282,475)</u>    | <u>-</u>         | <u>5,577</u>      | <u>7,720</u>        | <u>(269,178)</u>               |
| <b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b> |                     |                  |                   |                     |                                |
|   | <u>\$ 1,784,202</u> | <u>\$ 70,643</u> | <u>\$ 294,477</u> | <u>\$ 64,615</u>    | <u>\$ 2,213,937</u>            |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
June 30, 2019

|                                  |    |           |
|----------------------------------|----|-----------|
| Total Governmental Fund Balances | \$ | (269,178) |
|----------------------------------|----|-----------|

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

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

|                                 |                    |  |           |
|---------------------------------|--------------------|--|-----------|
| Original cost of capital assets | \$ 8,362,404       |  |           |
| Accumulated depreciation        | <u>(2,843,520)</u> |  | 5,518,884 |

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

|  |                  |  |           |
|--|------------------|--|-----------|
| Net pension asset - teachers' retirement system      | 359,024          |  |           |
| Deferred outflows of resources                       | 2,053,192        |  |           |
| Net pension liability - employees' retirement system | (162,382)        |  |           |
| Deferred inflows of resources                        | <u>(544,493)</u> |  | 1,705,341 |

Total other postemployment benefits obligation and deferred outflows and deferred inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

|  |                  |  |              |
|--|------------------|--|--------------|
| Deferred outflows of resources                 | 803,967          |  |              |
| Total other postemployment benefits obligation | (13,803,451)     |  |              |
| Deferred inflows of resources                  | <u>(526,622)</u> |  | (13,526,106) |

|   |  |         |
|---|--|---------|
| Some of the District's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. |  | 288,900 |
|---|--|---------|

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

|                                    |                  |  |             |
|------------------------------------|------------------|--|-------------|
| Accrued interest on long-term debt | (110,202)        |  |             |
| Bonds payable                      | (4,840,000)      |  |             |
| Compensated absences payable       | (529,498)        |  |             |
| Other liabilities payable          | <u>(299,577)</u> |  | (5,779,277) |

|                              |    |                            |
|------------------------------|----|----------------------------|
| Total Net Position (Deficit) | \$ | <u><u>(12,061,436)</u></u> |
|------------------------------|----|----------------------------|

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For The Year Ended June 30, 2019

|  | General             | Special<br>Aid | Debt<br>Service | Capital<br>Projects | Total<br>Governmental<br>Funds |
|--|---------------------|----------------|-----------------|---------------------|--------------------------------|
| <b>REVENUES</b>  |                     |                |                 |                     |                                |
| Charges for services                                   | \$ 7,418,952        | \$             | \$ 370,999      | \$                  | \$ 7,789,951                   |
| Use of money and property                              | 512                 |                | 1,260           | 4,572               | 6,344                          |
| Sale of property and compensation for loss             | 2,216               |                |                 |                     | 2,216                          |
| Miscellaneous  | 20,909              |                |                 |                     | 20,909                         |
| State sources  | 32,554              |                |                 |                     | 32,554                         |
| Federal sources  |                     | 179,490        |                 |                     | 179,490                        |
| <b>Total Revenues</b>                                  | <b>7,475,143</b>    | <b>179,490</b> | <b>372,259</b>  | <b>4,572</b>        | <b>8,031,464</b>               |
| <b>EXPENDITURES</b>                                    |                     |                |                 |                     |                                |
| General support  | 1,204,864           |                |                 |                     | 1,204,864                      |
| Instruction  | 4,009,663           | 179,490        |                 |                     | 4,189,153                      |
| Employee benefits                                      | 2,246,925           |                |                 |                     | 2,246,925                      |
| Debt Service   |                     |                |                 |                     |                                |
| Principal  | 10,894              |                | 170,000         |                     | 180,894                        |
| Interest   | 37,514              |                | 221,625         |                     | 259,139                        |
| Capital outlay   |                     |                |                 | 242,108             | 242,108                        |
| <b>Total Expenditures</b>                              | <b>7,509,860</b>    | <b>179,490</b> | <b>391,625</b>  | <b>242,108</b>      | <b>8,323,083</b>               |
| Excess (Deficiency) of<br>Revenues Over Expenditures   | (34,717)            | -              | (19,366)        | (237,536)           | (291,619)                      |
| <b>OTHER FINANCING SOURCES AND (USES)</b>              |                     |                |                 |                     |                                |
| Operating transfers in                                 |                     |                | 20,000          |                     | 20,000                         |
| Operating transfers out                                |                     |                |                 | (20,000)            | (20,000)                       |
| <b>Total Other Financing<br/>Sources and (Uses)</b>    | <b>-</b>            | <b>-</b>       | <b>20,000</b>   | <b>(20,000)</b>     | <b>-</b>                       |
| <b>Net Change in Fund Balance</b>                      | <b>(34,717)</b>     | <b>-</b>       | <b>634</b>      | <b>(257,536)</b>    | <b>(291,619)</b>               |
| <b>Fund Balances (Deficit) -<br/>Beginning of Year</b> | <b>(247,758)</b>    |                | <b>4,943</b>    | <b>265,256</b>      | <b>22,441</b>                  |
| <b>End of Year</b>                                     | <b>\$ (282,475)</b> | <b>\$ -</b>    | <b>\$ 5,577</b> | <b>\$ 7,720</b>     | <b>\$ (269,178)</b>            |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and**  
**Changes in Fund Balances to the Statement of Activities**  
For The Year Ended June 30, 2019

Net Change in Fund Balances \$ (291,619)

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

Long-Term Revenue and Expense Differences

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

\$ 6,801

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

Decrease in compensated absences payable

108,245

115,046

Capital Related Differences

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

Capital outlays

291,636

Depreciation expense

(416,970)

(125,334)

Long-Term Debt Transactions Differences

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

Repayment of bond principal

170,000

Repayment of other long-term liabilities

10,894

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

3,408

184,302

Pension and Other Postemployment Benefits Differences

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

Teachers' retirement system

73,670

Employees' retirement system

(15,036)

Other postemployment benefits

(899,206)

(840,572)

Change in Net Position (Deficit) of Governmental Activities

\$ (958,177)

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Statement of Fiduciary Net Position -**  
**Fiduciary Fund**  
June 30, 2019

|                           |               |
|---------------------------|---------------|
|                           | <u>Agency</u> |
| <b>ASSETS</b>             |               |
| Cash                      | <u>\$ 578</u> |
| <b>LIABILITIES</b>        |               |
| Due to governmental funds | <u>\$ 578</u> |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District operates in accordance with the provisions of the Education Law of the State of New York. The District is a special act school district created by a special act of the State Legislature. The District serves populations of students referred through the courts and committees on special education, as well as counties' Department of Social Services. The Board of Education is responsible for the overall operation of the District and is comprised of nine members; of those nine, seven are appointed by the Board of Directors of Little Flower Children and Family Services of New York (Agency), the District's sponsoring agency, and two members are appointed by the Commissioner of Education (in accordance with Chapters 628 and 629 of the Laws of 2004 regarding boards of special act school districts). The Superintendent serves as the chief executive officer. The District's primary function is to provide education for its students. Services such as transportation of the students, administration, finance, and plant maintenance support the primary function.

Special act school districts cannot collect property taxes. Instead these districts rely on tuition paid by the student's home district or county. The tuition rates are set by the New York State Education Department (SED) using a complex set of variables including inflation factors. The calculated tuition rate is subject to the approval of the State's Division of Budget.

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the District's reporting entity.

**B. Joint Venture**

The District is a component district in the Board of Cooperative Educational Services of Eastern Suffolk (BOCES). A BOCES is a voluntary, cooperative association of school districts in a geographic area that share planning, services, and programs which provide educational and support activities. BOCES are organized under Section §1950 of the Education Law. A BOCES Board is considered a corporate body. Members of a BOCES Board are nominated and elected by their component member boards in accordance with provisions of Section §1950 of the Education Law. All BOCES property is held by the BOCES Board as a corporation under Section §1950(6). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section §119-n(a) of the General Municipal Law. A BOCES budget is comprised of separate budgets for administrative, program, and capital

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

**C. Related Party**

The District's operations are located on the premises of its sponsoring agency, the Little Flower Children and Family Services of New York (Agency), who leases the parcel of land to the District for the annual rent of \$1. The District also contracts for various services from the Agency and pays the Agency for its share of utility costs. See Notes to Financial Statements, Note 18 "Related Party Transactions" for detailed information.

**D. Basis of Presentation**

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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

***Fiduciary Funds*** - are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used to finance District operations. The following is the District's fiduciary fund:

***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 payroll or employee withholding.

#### **E. Measurement Focus and Basis of Accounting**

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

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

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

#### **F. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.



**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**G. Interfund Transactions**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the District must account for in other funds in accordance with budgetary authorizations.

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

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

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

**H. Use of Estimates**

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

**I. Cash and Cash Equivalents / Investments**

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

Investments are recorded at fair value, based on quoted market prices. Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

**J. Investments - Restricted**

Certain proceeds from serial bonds, as well as resources set aside for their repayment are classified as restricted assets in the district-wide and fund financial statements and their use is limited by applicable bond covenants.

**K. Receivables**

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**L. Capital Assets**

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

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

|                       | <u>Capitalization<br/>Threshold</u> | <u>Estimated<br/>Useful Life</u> |
|-----------------------|-------------------------------------|----------------------------------|
| Building improvements | \$ 750                              | 20 years                         |
| Equipment             | 750                                 | 5-20 years                       |

**M. Deferred Outflows of Resources**

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has three items that qualify for reporting in this category. The first item is related to pensions and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The second item is the District's contributions to the pension systems (TRS and ERS) subsequent to the measurement date. The third item is related to OPEB and represents the change in total other postemployment benefits obligation not included in OPEB expense.

**N. Collections in Advance**

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

**O. Deferred Inflows of Resources**

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. This includes tuition charges received by DASNY to be used for debt service payments on July 1, 2019. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the District-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the district-wide Statement of Net Position and consists of the District's proportionate share of changes in the collective net pension asset or liability not included in collective pension expense. The third item is related to OPEB reported in the district-wide Statement of Net Position. This represents the effect of the net changes of assumptions or other inputs.

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**P. Employee Benefits – Compensated Absences**

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

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

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

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the district-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees that have obligated themselves to separate from service with the District by June 30<sup>th</sup>.

**Q. Other Benefits**

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**R. Short-Term Debt**

The District may issue revenue anticipation notes (RAN) 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 represent a liability that will be extinguished by the use of expendable, available resources of the fund.

**S. Equity Classifications**

District-Wide Statements

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

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

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

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

Fund Statements

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

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

*Restricted for Debt Service*

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

*Restricted – Unspent Bond Proceeds / Capital*

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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

**Fund Balance Classification**

Any portion of fund balance may be applied or transferred for a specific purpose by law or by formal action of the Board of Education. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

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

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

**T. Charges for Services**

The District charges other school districts and counties tuition based on a per diem rate for all students from that district assigned to Little Flower Union Free School District. The preliminary rate charged is set by the New York State Education Department. After the end of the year, the New York State Education Department, based upon actual revenues and expenses for the year, will set an approved rate resulting in adjustments in the tuition rates to participating districts and counties in the ensuing years. This approved rate is subject to review and appeal by the District. Adjustments in tuition revenues for the final rates will be reflected in later years when future rates are adjusted, normally two years after the end of each fiscal year.

**U. New Accounting Standard**

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

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

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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economic resource measurement focus of the District-wide statements, compared with the current financial resource measurement focus of the governmental funds.

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Budgets are adopted annually on a basis consistent with GAAP.

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

**B. Encumbrances**

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

**C. Unassigned Fund Balance Deficit**

The general fund has an unassigned fund balance deficit of \$282,475. As a special act school district, the District's general fund revenues are based on prospective rates provided by the state's rate setting unit and ultimately affected by the final reconciliation rates determined by the state.

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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

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

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

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

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

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

**5. DEPOSITS WITH TRUSTEES (RESTRICTED ASSETS CAPITAL PROJECTS FUND AND DEBT SERVICE FUND)**

Bond proceeds not expended for new construction and used to establish debt service funds and related accumulated investment income are held on deposit with trustees. The District has entered into various financing agreements to finance construction projects and has deposited funds with trustees for such projects. Bond proceeds, including interest income in excess of construction costs, are restricted for future projects or debt service. Additionally, under the financing agreements with the Dormitory Authority of the State of New York (DASNY), deposits with trustees represent required reserves for debt service and building replacement, together with earnings on such funds.

Total deposits with trustees consist of:

|                             |                   |
|-----------------------------|-------------------|
| Cash                        | \$ 299,448        |
| Investments:                |                   |
| U.S. Government obligations | <u>59,645</u>     |
|                             | <u>\$ 359,093</u> |

The District does not maintain control over these investments. Instead, the investments are governed by the investment policies of the DASNY. Those policies, including interest rate risk, credit risk, and custodial risk, are disclosed within the DASNY's March 31, 2019, financial statement notes.

Financial information is available from the DASNY at 515 Broadway, Albany, New York 12207-2964.



**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**6. PARTICIPATION IN BOCES**

During the year ended June 30, 2019, the District was billed \$67,860 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$32,554. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

**7. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2019, represents amounts due to the District for tuition charges as follows:

|                             |                     |
|-----------------------------|---------------------|
| General Fund                |                     |
| Suffolk County DSS          | \$ 290,446          |
| Nassau County DSS           | 146,399             |
| NYC Department of Education | 204,801             |
| Other districts             | 754,949             |
|                             | <u>\$ 1,396,595</u> |

**8. DUE FROM STATE AND FEDERAL**

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

|                  |                  |
|------------------|------------------|
| Special Aid Fund |                  |
| Federal grants   | <u>\$ 66,581</u> |

**9. DUE FROM OTHER GOVERNMENTS**

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

|                |                  |
|----------------|------------------|
| General Fund   |                  |
| BOCES aid      | \$ 13,850        |
| Other entities | 23,124           |
|                | <u>\$ 36,974</u> |

**10. INTERFUND TRANSACTIONS**

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

|                          | Interfund        |                  |                  |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | Receivable       | Payable          | Transfers In     | Transfers Out    |
| General Fund             | \$ 53,944        | \$               | \$               | \$               |
| Special Aid Fund         |                  | 53,366           |                  |                  |
| Debt Service Fund        |                  |                  | 20,000           |                  |
| Capital Projects Fund    |                  |                  |                  | 20,000           |
| Total Governmental Funds | <u>53,944</u>    | <u>53,366</u>    | <u>\$ 20,000</u> | <u>\$ 20,000</u> |
| Fiduciary Fund           |                  | 578              |                  |                  |
| Total                    | <u>\$ 53,944</u> | <u>\$ 53,944</u> |                  |                  |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The general fund pays for certain expenditures that are related to grant-funded programs of the special aid fund and the capital projects fund. The general fund will be reimbursed for these advances when funds become available in the other funds. Interfund payables are expected to be repaid within one year. The transfer from the capital projects fund to the debt service fund was reflected in the Dormitory Authority's report to the District and represented interest/unspent proceeds to be applied to debt service payments.

**11. CAPITAL ASSETS**

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

|  | Balance<br>June 30, 2018 | Additions    | Reductions     | Balance<br>June 30, 2019 |
|--|--------------------------|--------------|----------------|--------------------------|
| Governmental activities                    |                          |              |                |                          |
| Capital assets not being depreciated       |                          |              |                |                          |
| Construction in progress                   | \$ 4,349,295             | \$ 242,109   | \$ (4,349,295) | \$ 242,109               |
| Total capital assets not being depreciated | 4,349,295                | 242,109      | (4,349,295)    | 242,109                  |
| Capital assets being depreciated           |                          |              |                |                          |
| Building improvements                      | 3,267,722                | 4,349,295    |                | 7,617,017                |
| Equipment                                  | 453,751                  | 49,527       |                | 503,278                  |
| Total capital assets being depreciated     | 3,721,473                | 4,398,822    | -              | 8,120,295                |
| Less accumulated depreciation for:         |                          |              |                |                          |
| Building improvements                      | 2,124,018                | 380,851      |                | 2,504,869                |
| Equipment                                  | 302,532                  | 36,119       |                | 338,651                  |
| Total accumulated depreciation             | 2,426,550                | 416,970      | -              | 2,843,520                |
| Capital assets, net                        | \$ 5,644,218             | \$ 4,223,961 | \$ (4,349,295) | \$ 5,518,884             |

Depreciation expense was charged to governmental functions as follows:

|                            |            |
|----------------------------|------------|
| General support            | \$ 29,188  |
| Instruction                | 387,782    |
| Total depreciation expense | \$ 416,970 |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**12. SHORT-TERM DEBT**

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

|     | <u>Maturity</u> | <u>Stated<br/>Interest<br/>Rate</u> | <u>Balance<br/>June 30, 2018</u> | <u>Issued</u>     | <u>Redeemed</u>     | <u>Balance<br/>June 30, 2019</u> |
|-----|-----------------|-------------------------------------|----------------------------------|-------------------|---------------------|----------------------------------|
| RAN | 6/7/2019        | 3.57%                               | \$ 800,000                       | \$                | \$ (800,000)        | -                                |
| RAN | 6/11/2020       | 3.21%                               |                                  | 800,000           |                     | 800,000                          |
|     |                 |                                     | <u>\$ 800,000</u>                | <u>\$ 800,000</u> | <u>\$ (800,000)</u> | <u>\$ 800,000</u>                |

A revenue anticipation note (RAN) is a short-term interest bearing note issued by the District in anticipation of revenues to be received at a later date. On June 12, 2019, the District issued a new RAN in the amount of \$800,000. The RAN is due in June 2020 with interest payable at the rate of 3.21% per annum.

Interest on short-term debt for the year was comprised of:

|   |                  |
|---|------------------|
| Interest paid                             | \$ 28,639        |
| Less interest accrued in the prior year   | (1,512)          |
| Plus interest accrued in the current year | <u>1,302</u>     |
| Total interest expense on short-term debt | <u>\$ 28,429</u> |

**13. LONG-TERM LIABILITIES**

**A. Changes**

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

|                             | <u>Balance<br/>June 30, 2018</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Balance<br/>June 30, 2019</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|-----------------------------|----------------------------------|------------------|---------------------|----------------------------------|--|
| Long-term liabilities       |                                  |                  |                     |                                  |  |
| Bonds payable               | \$ 5,010,000                     | \$               | \$ (170,000)        | \$ 4,840,000                     | \$ 180,000                                 |
| Other long-term liabilities |                                  |                  |                     |                                  |  |
| Compensated absences        | 637,743                          |                  | (108,245)           | 529,498                          | 76,233                                     |
| Other liabilities           | 310,471                          |                  | (10,894)            | 299,577                          | 11,214                                     |
|                             | <u>\$ 5,958,214</u>              | <u>\$ -</u>      | <u>\$ (289,139)</u> | <u>\$ 5,669,075</u>              | <u>\$ 267,447</u>                          |

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**B. Bonds Payable**

Bonds payable is comprised of the following:

| Description        | Issue Date | Final Maturity | Interest Rate | Outstanding at June 30, 2019 |
|--------------------|------------|----------------|---------------|------------------------------|
| DASNY Construction | 7/27/2016  | 7/1/2036       | 4.50%         | <u>\$ 4,840,000</u>          |

The District, through the Dormitory Authority of the state of New York (DASNY), participated in the issuance of a DASNY private placement bond in July 2016, to finance the repair, renovation and addition of a new wing to the existing school building in order to provide adequate and appropriate instructional space. The private placement bond is secured by an assignment of State building aid that would be received by the District, an assignment of a portion of the tuition payable to the District by local school districts and social service agencies that are financially responsible for the education of the students attending the District, a standby intercept of the District's State operating aid, and leasehold interest and other real property interests.

The State legislation enabling DASNY to finance special act school districts authorizes DASNY to enter into a lease agreement with the District. Under the lease agreement, the District is required to pay, or cause to be paid, DASNY annual rentals which equal the principal and interest on the bond and all fees and expenses of DASNY and the trustee in relation to the issuance of the bond on behalf of the District. The District's building aid and a portion of the tuition from local school districts and social services agencies will be paid directly to the State Comptroller for deposit in the State's School Financing Reserve Fund. The State Comptroller will then make semi-annual debt service payments on behalf of the District from the School Financing Reserve Fund. The State Comptroller is authorized to intercept state aid to the local school districts and social service agencies that fail to pay the assigned tuition.

The debt service payments are recorded as expenditures, while the tuition from local school districts and state aid paid directly to the State Comptroller are recorded as revenues, in the District's fund financial statements.

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

| Fiscal Year Ending June 30, | Principal           | Interest            | Total               |
|-----------------------------|---------------------|---------------------|---------------------|
| 2020                        | \$ 180,000          | \$ 213,750          | \$ 393,750          |
| 2021                        | 190,000             | 205,425             | 395,425             |
| 2022                        | 195,000             | 196,762             | 391,762             |
| 2023                        | 205,000             | 187,766             | 392,766             |
| 2024                        | 215,000             | 178,313             | 393,313             |
| 2025 - 2029                 | 1,230,000           | 733,950             | 1,963,950           |
| 2030 - 2034                 | 1,530,000           | 424,800             | 1,954,800           |
| 2035 - 2038                 | 1,095,000           | 75,262              | 1,170,262           |
| Total                       | <u>\$ 4,840,000</u> | <u>\$ 2,216,028</u> | <u>\$ 7,056,028</u> |

**C. Other Liabilities**

Other liabilities consist of amounts due to the Agency for the repairs and renovations to the lobby of the school building required by the New York State Education Department. The renovations totaled \$351,017. The District executed an agreement with the Agency to pay \$1,647 per month commencing on July 1, 2014 through June 30, 2039 at an interest rate of 2.905%. Total interest paid for the year ended June 30, 2019, was \$8,874.

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

The following is a summary of debt service requirements for other liabilities:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|------------------------------------|-------------------|------------------|-------------------|
| 2020                               | \$ 11,214         | \$ 8,554         | \$ 19,768         |
| 2021                               | 11,544            | 8,224            | 19,768            |
| 2022                               | 11,884            | 7,884            | 19,768            |
| 2023                               | 12,234            | 7,534            | 19,768            |
| 2024                               | 12,594            | 7,174            | 19,768            |
| 2025 - 2029                        | 68,757            | 30,086           | 98,843            |
| 2030 - 2034                        | 79,491            | 19,351           | 98,842            |
| 2035 - 2039                        | 91,859            | 6,984            | 98,843            |
| Total                              | <u>\$ 299,577</u> | <u>\$ 95,791</u> | <u>\$ 395,368</u> |

**D. Interest Expense**

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

|   |                   |
|---|-------------------|
| Interest paid                             | \$ 230,500        |
| Less interest accrued in the prior year   | (112,098)         |
| Plus interest accrued in the current year | <u>108,900</u>    |
| Total interest expense on long-term debt  | <u>\$ 227,302</u> |

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

**A. General Information**

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

**B. Provisions and Administration**

Teachers' Retirement System

The TRS is administered by the New York State Teachers' Retirement Board. The TRS provides benefits to plan members and beneficiaries as authorized by the Education Law and the New York State Retirement and Social Security Law (NYSRSSL). Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in the TRS. Once a public employer elects to participate in the TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the TRS may be found on the TRS website at [www.nystrs.org](http://www.nystrs.org) or obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395.

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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Employees' Retirement System

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

**C. Funding Policies**

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on covered salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the TRS' fiscal year ended June 30<sup>th</sup>, and employer contributions are deducted from state aid in the subsequent months of September, October and November. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions for the ERS' fiscal year ended March 31<sup>st</sup>, and employer contributions are either paid by the prior December 15<sup>th</sup> less a 1% discount or by the prior February 1<sup>st</sup>. The District paid 100% of the required contributions as billed by the TRS and ERS for the current year. The District's contribution rate was 9.80% of covered payroll for the TRS' fiscal year ended June 30, 2018. The District's average contribution rate was 14.38% of covered payroll for the ERS' fiscal year ended March 31, 2019.

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30, 2019 was \$358,237 for TRS and \$87,741 for ERS.

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

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

|  | TRS           | ERS            |
|--|---------------|----------------|
| Measurement date   | June 30, 2018 | March 31, 2019 |
| District's proportionate share of the net pension asset/(liability)  | \$ 359,024    | \$ (162,382)   |
| District's portion of the Plan's total net pension asset/(liability) | 0.0198550%    | 0.0022918%     |
| Change in proportion since the prior measurement date                | 0.0005080     | 0.0002225      |

For the year ended June 30, 2019, the District recognized pension expense of \$284,732 for TRS and \$102,776 for ERS. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows of Resources |            | Deferred Inflows of Resources |           |
|---|--------------------------------|------------|-------------------------------|-----------|
|   | TRS                            | ERS        | TRS                           | ERS       |
| Differences between expected and actual experience  | \$ 268,296                     | \$ 31,977  | \$ 48,599                     | \$ 10,900 |
| Changes of assumptions  | 1,255,023                      | 40,816     |                               |           |
| Net difference between projected and actual earnings on pension plan investments                                    |                                |            | 398,543                       | 41,676    |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 58,905                         | 10,243     | 34,273                        | 10,502    |
| District's contributions subsequent to the measurement date   | 358,237                        | 29,695     |                               |           |
| Total   | \$ 1,940,461                   | \$ 112,731 | \$ 481,415                    | \$ 63,078 |

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Fiscal Year Ending June 30, | TRS          | ERS       |
|-----------------------------|--------------|-----------|
| 2020                        | \$ 365,956   | \$ 32,359 |
| 2021                        | 250,420      | (33,759)  |
| 2022                        | 31,861       | (2,237)   |
| 2023                        | 249,574      | 23,595    |
| 2024                        | 168,374      |           |
| Thereafter                  | 34,624       |           |
|                             | \$ 1,100,809 | \$ 19,958 |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

Actuarial Assumptions

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

|  | TRS           | ERS            |
|--|---------------|----------------|
| Measurement date   | June 30, 2018 | March 31, 2019 |
| Actuarial valuation date   | June 30, 2017 | April 1, 2018  |
| Inflation  | 2.25%         | 2.50%          |
| Salary increases   | 1.90-4.72%    | 4.20%          |
| Investment rate of return (net of investment expense, including inflation) | 7.25%         | 7.00%          |
| Cost of living adjustment  | 1.50%         | 1.30%          |

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

For TRS, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

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

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



**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

|                                    | TRS               |                                   | ERS               |                                   |
|------------------------------------|-------------------|-----------------------------------|-------------------|-----------------------------------|
|                                    | Target Allocation | Long-term Expected Rate of Return | Target Allocation | Long-term Expected Rate of Return |
| Measurement date                   |                   | June 30, 2018                     |                   | March 31, 2019                    |
| Asset type                         |                   |                                   |                   |                                   |
| Domestic equity                    | 33.0%             | 5.80%                             | 36.0%             | 4.55%                             |
| International equity               | 16.0%             | 7.30%                             | 14.0%             | 6.35%                             |
| Global equity                      | 4.0%              | 6.70%                             |                   |                                   |
| Real estate                        | 11.0%             | 4.90%                             | 10.0%             | 5.55%                             |
| Private equities                   | 8.0%              | 8.90%                             | 10.0%             | 7.50%                             |
| Alternative investments            |                   |                                   | 8.0%              | 3.75-5.68%                        |
| Domestic fixed income securities   | 16.0%             | 1.30%                             |                   |                                   |
| Global fixed income securities     | 2.0%              | 0.90%                             |                   |                                   |
| High-yield fixed income securities | 1.0%              | 3.50%                             |                   |                                   |
| Bonds and mortgages                | 8.0%              | 2.80-6.80%                        | 17.0%             | 1.31%                             |
| Short-term                         | 1.0%              | 0.30%                             |                   |                                   |
| Cash                               |                   |                                   | 1.0%              | (0.25)%                           |
| Inflation indexed bonds            |                   |                                   | 4.0%              | 1.25%                             |
|                                    | 100.0%            |                                   | 100.0%            |                                   |

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

Discount Rate

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

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

The following presents the District's proportionate share of the net pension asset/(liability) calculated using the discount rate of 7.25% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (6.25% for TRS and 6.0% for ERS) or 1 percentage point higher (8.25% for TRS and 8.0% for ERS) than the current rate:

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

| TRS  | 1% Decrease<br>(6.25)% | Current<br>Assumption<br>(7.25)% | 1% Increase<br>(8.25)% |
|--|------------------------|----------------------------------|------------------------|
| District's proportionate share of<br>the net pension asset (liability) | \$ (2,466,553)         | \$ 359,024                       | \$ 2,726,072           |

| ERS  | 1% Decrease<br>(6.00)% | Current<br>Assumption<br>(7.00)% | 1% Increase<br>(8.00)% |
|--|------------------------|----------------------------------|------------------------|
| District's proportionate share of<br>the net pension asset (liability) | \$ (709,962)           | \$ (162,382)                     | \$ 297,623             |

**Pension Plan Fiduciary Net Position**

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

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

**Payables to the Pension Plan**

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019, are paid to the system in September, October and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019, represent employer and employee contributions for the fiscal year ended June 30, 2019, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS. Accrued retirement contributions as of June 30, 2019 amounted to \$358,237 employer contributions and \$27,494 of employee contributions.

For ERS, employer contributions are paid annually based on the system's fiscal year, which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2019, represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$29,695 of employer contributions. Employee contributions are remitted monthly.

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**15. PENSION 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 compensated absence payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2019, totaled \$56,892 and \$186,050, respectively.

**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. Amounts deferred by eligible employees for the year ended June 30, 2019 totaled \$2,000.

**16. POSTEMPLOYMENT HEALTHCARE BENEFITS**

**A. General Information about the OPEB Plan**

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

*Benefits Provided* – The District provides healthcare and life insurance benefits for most retired employees and their survivors. The benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

*Employees Covered by Benefit Terms* – At June 30, 2019, the following employees were covered by the benefit terms:

|  |                  |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | 18               |
| Inactive employees entitled to but not yet receiving benefit payments    | -                |
| Active employees   | <u>54</u>        |
|  | <u><u>72</u></u> |

**B. Total OPEB Liability**

The District's total OPEB liability of \$13,803,451 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 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, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

|  |             |  |
|--|-------------|--|
| Inflation                                | 3.00%       |  |
| Salary increases                         | 10.47-3.20% | average, including inflation   |
| Discount rate                            | 3.51%       |  |
| Healthcare cost trend rates              | 5.50%       | for 2019, decreasing to an ultimate rate of 3.84% by 2075  |
| Retirees' share of benefit-related costs | 10-50%      | of projected health insurance premiums for retirees contingent on years of service with the District |

The discount rate was based on Bond Buyer General Obligation 20-Year Municipal Bond Index.

Mortality rates were based on the April 1, 2010 – March 31, 2015 NYSLRS experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

**C. Changes in the Total OPEB Liability**

|  |                             |
|--|-----------------------------|
| Balance at June 30, 2018                           | <u>\$ 12,038,486</u>        |
| Changes for the year                               |                             |
| Service cost                                       | 523,171                     |
| Interest   | 483,640                     |
| Changes of benefit terms                           | -                           |
| Differences between expected and actual experience | -                           |
| Changes in assumptions or other inputs             | 888,393                     |
| Benefit payments                                   | <u>(130,239)</u>            |
|  | <u>1,764,965</u>            |
| Balance at June 30, 2019                           | <u><u>\$ 13,803,451</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.87% in 2018 to 3.51% in 2019.

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

| OPEB                 | 1% Decrease<br>(2.51%)        | Discount<br>Rate<br>(3.51%)   | 1% Increase<br>( 4.51%)       |
|----------------------|-------------------------------|-------------------------------|-------------------------------|
| Total OPEB liability | <u><u>\$ (16,804,417)</u></u> | <u><u>\$ (13,803,451)</u></u> | <u><u>\$ (11,460,716)</u></u> |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.50%) or 1 percentage point higher (6.50%) than the current healthcare cost trend rate:

|                      | 1% Decrease<br>(4.50%<br>decreasing to<br>2.84%) | Healthcare Trend<br>Cost Trend Rates<br>(5.50%<br>decreasing to<br>3.84%) | 1% Increase<br>(6.50%<br>decreasing to<br>4.84%) |
|----------------------|--|---|--|
| <b>OPEB</b>          |  |   |  |
| Total OPEB liability | <u><u>\$ (11,009,052)</u></u>                    | <u><u>\$ (13,803,451)</u></u>   | <u><u>\$ (17,540,312)</u></u>                    |

**D. OPEB Expense and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$1,029,445. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred                 |                          |
|--|--------------------------|--------------------------|
|  | Outflows<br>of Resources | Inflows<br>of Resources  |
| Differences between expected and actual experience | \$                       | \$                       |
| Changes of assumptions                             | <u>803,967</u>           | <u>526,622</u>           |
| Total  | <u><u>\$ 803,967</u></u> | <u><u>\$ 526,622</u></u> |

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

| Fiscal Year Ending June 30, | Amount                   |
|-----------------------------|--------------------------|
| 2020                        | \$ 22,634                |
| 2021                        | 22,634                   |
| 2022                        | 22,634                   |
| 2023                        | 22,634                   |
| 2024                        | 22,634                   |
| Thereafter                  | <u>164,175</u>           |
|                             | <u><u>\$ 277,345</u></u> |

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**17. RISK MANAGEMENT**

**General Information**

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

**18. RELATED PARTY TRANSACTIONS**

The District contracts with Little Flower Children and Family Services of New York (Agency), a related party, for various services including nursing, maintenance, water charges, etc. Total expenditures related to these services for the year ended June 30, 2019 were \$127,509. The Agency also billed the District for monthly electric costs not included in the contract, which totaled \$30,133 for the year ended June 30, 2019.

The District has an agreement with the Agency for the lease of a parcel of land upon which DASNY - financed capital facilities and improvements are constructed by the District. The lease is for a period of fifty years, ending July 17, 2040, and may continue for five-year extension periods upon mutual agreement between the District and the Agency. The District pays the Agency \$1 per year for basic rent.

On July 14, 2014, an amendment to the agreement was made, whereby the District agreed to repay the Agency for repairs to the school building lobby incurred by the Agency in the amount of \$351,017. This amount is to be repaid monthly over twenty-five years at an interest rate of 2.905% per annum. Total principal and interest repaid by the District was \$19,768 for the year ended June 30, 2019. The principal balance outstanding at June 30, 2019 was \$299,577. See Note 13, Long-Term Liabilities for further details.

At June 30, 2019, \$14,362 was due to the Agency for services provided, which was included in accounts payable.

**19. COMMITMENTS AND CONTINGENCIES**

**A. Tuition Rate**

During the year, the District charges other school districts and counties tuition at a rate set at the beginning of the fiscal year by the New York State Education Department (SED). The final tuition rate will be determined by the SED at a future date based on actual revenues and expenditures. The effect of this revised rate is not determinable at this time and is not reflected in the financial statements.

**B. Grants**

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

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**C. Concentrations**

As of June 30, 2019, Suffolk County's Department of Social Services, New York City's Department of Education, and Nassau County Department of Social Services comprised approximately 20.8%, 14.7% and 10.5% of accounts receivable, respectively. New York City's Department of Education, Suffolk County's Department of Social Services and William Floyd Union Free School District comprised 16.2%, 12.1% and 10.6% of tuition revenue, respectively.

**D. Litigation**

The District may become involved in lawsuits arising from the normal conduct of its affairs. The District maintains insurance coverage and believes that the outcome of any matters will not have a material effect on these financial statements.

**E. Operating Leases**

In addition to the lease agreement with the Little Flower Children and Family Services of New York to lease a parcel of land for the annual rent of \$1 through July 17, 2040, as outlined in Note 18, the District leases various office equipment under non-cancelable operating leases. Rental expense for the year ended June 30, 2019, was \$1,722. The minimum remaining operating lease payments on these equipment leases are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Amount</u>    |
|------------------------------------|------------------|
| 2020                               | \$ 5,250         |
| 2021                               | 6,762            |
| 2022                               | 6,406            |
| 2023                               | <u>1,869</u>     |
|                                    | <u>\$ 20,287</u> |

**20. SUBSEQUENT EVENTS**

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund**  
For The Year Ended June 30, 2019

|  | Original<br>Budget | Final<br>Budget | Actual       | Final Budget<br>Variance with<br>Actual |
|--|--------------------|-----------------|--------------|---|
| <b>REVENUES</b>                            |                    |                 |              |   |
| Local Sources                              |                    |                 |              |   |
| Charges for services                       | \$ 7,674,885       | \$ 7,674,885    | \$ 7,418,952 | \$ (255,933)                            |
| Use of money and property                  | 300                | 300             | 512          | 212                                     |
| Sale of property and compensation for loss |                    |                 | 2,216        | 2,216                                   |
| Miscellaneous                              | 20,445             | 20,445          | 20,909       | 464                                     |
|  |                    |                 |              |   |
| Total Local Sources                        | 7,695,630          | 7,695,630       | 7,442,589    | (253,041)                               |
|  |                    |                 |              |   |
| State Sources                              | 34,270             | 34,270          | 32,554       | (1,716)                                 |
|  |                    |                 |              |   |
| Total Revenues                             | \$ 7,729,900       | \$ 7,729,900    | \$ 7,475,143 | \$ (254,757)                            |



**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - General Fund (Continued)**  
For The Year Ended June 30, 2019

|  | Original<br>Budget | Final<br>Budget | Actual       | Final Budget<br>Variance with<br>Actual |
|--|--------------------|-----------------|--------------|---|
| <b>EXPENDITURES</b>                        |                    |                 |              |   |
| General Support                            |                    |                 |              |   |
| Board of education                         | \$ 12,710          | \$ 12,750       | \$ 12,491    | \$ 259                                  |
| Central administration                     | 243,465            | 229,817         | 224,845      | 4,972                                   |
| Finance                                    | 265,095            | 270,807         | 267,716      | 3,091                                   |
| Staff                                      | 25,910             | 55,910          | 47,023       | 8,887                                   |
| Central services                           | 666,210            | 638,665         | 601,094      | 37,571                                  |
| Special items                              | 53,315             | 53,315          | 51,695       | 1,620                                   |
| Total General Support                      | 1,266,705          | 1,261,264       | 1,204,864    | 56,400                                  |
| Instruction                                |                    |                 |              |   |
| Administration & improvement               | 197,785            | 209,139         | 208,871      | 268                                     |
| Teaching - regular school                  | 2,759,120          | 2,746,524       | 2,656,259    | 90,265                                  |
| Programs for students<br>with disabilities | 571,500            | 525,600         | 509,528      | 16,072                                  |
| Teaching - special schools                 | 122,250            | 122,250         | 103,135      | 19,115                                  |
| Pupil services                             | 526,680            | 532,076         | 531,870      | 206                                     |
| Total Instruction                          | 4,177,335          | 4,135,589       | 4,009,663    | 125,926                                 |
| Employee Benefits                          | 2,237,530          | 2,284,637       | 2,246,925    | 37,712                                  |
| Debt Service                               |                    |                 |              |   |
| Principal                                  | 10,895             | 10,895          | 10,894       | 1                                       |
| Interest                                   | 37,435             | 37,515          | 37,514       | 1                                       |
| Total Debt Service                         | 48,330             | 48,410          | 48,408       | 2                                       |
| Total Expenditures                         | \$ 7,729,900       | \$ 7,729,900    | 7,509,860    | \$ 220,040                              |
| Net Change in Fund Balance                 |                    |                 | (34,717)     |   |
| Fund Balance (Deficit) - Beginning of Year |                    |                 | (247,758)    |   |
| Fund Balance (Deficit) - End of Year       |                    |                 | \$ (282,475) |   |

**Note to Required Supplementary Information**

**Budget Basis of Accounting**

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Schedule of the District's Proportionate Share of the Net Pension Asset/(Liability)**  
Last Five Fiscal Years

***Teachers' Retirement System***

|   | 2019         | 2018         | 2017         | 2016         | 2015         |
|---|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension asset/(liability)  | 0.0198550%   | 0.0193470%   | 0.0199360%   | 0.0204230%   | 0.0209000%   |
| District's proportionate share of the net pension asset/(liability)   | \$ 359,024   | \$ 147,060   | \$ (213,522) | \$ 2,121,287 | \$ 2,328,087 |
| District's covered payroll  | \$ 3,320,538 | \$ 3,083,217 | \$ 3,115,034 | \$ 3,107,525 | \$ 3,136,066 |
| District's proportionate share of the net pension asset/(liability)<br>as a percentage of its covered payroll | 10.81 %      | 4.77 %       | 6.85 %       | 68.26 %      | 74.24 %      |
| Plan fiduciary net position as a percentage of the<br>total pension liability                                 | 101.53%      | 100.66%      | 99.01%       | 110.46%      | 111.48%      |

***Employees' Retirement System***

|   | 2019         | 2018        | 2017         | 2016         | 2015        |
|---|--------------|-------------|--------------|--------------|-------------|
| District's proportion of the net pension liability  | 0.0022918%   | 0.0020693%  | 0.2112500%   | 0.0024083%   | 0.0023086%  |
| District's proportionate share of the net pension liability   | \$ (162,382) | \$ (66,784) | \$ (198,493) | \$ (386,536) | \$ (77,990) |
| District's covered payroll  | \$ 686,861   | \$ 599,126  | \$ 536,510   | \$ 543,909   | \$ 578,682  |
| District's proportionate share of the net pension liability<br>as a percentage of its covered payroll | 23.64%       | 11.15%      | 37.00%       | 71.07%       | 13.48%      |
| Plan fiduciary net position as a percentage of the<br>total pension liability                         | 96.27%       | 98.24%      | 94.70%       | 90.68%       | 97.95%      |

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

**Note to Required Supplementary Information**

**Teachers' Retirement System**

The discount rate decreased from 8.0% to 7.5% to 7.25%, as reflected in 2016, 2017, 2018 and 2019 above.

**Employees' Retirement System**

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

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Schedule of District Pension Contributions**  
Last Ten Fiscal Years

***Teachers' Retirement System***

|  | 2019           | 2018           | 2017           | 2016           | 2015           | 2014           | 2013           | 2012           | 2011           | 2010           |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Contractually required contribution                                  | \$ 358,237     | \$ 316,941     | \$ 359,327     | \$ 407,919     | \$ 537,785     | \$ 501,670     | \$ 342,515     | \$ 338,882     | \$ 265,937     | \$ 170,508     |
| Contributions in relation to the contractually required contribution | <u>358,237</u> | <u>316,941</u> | <u>359,327</u> | <u>407,919</u> | <u>537,785</u> | <u>501,670</u> | <u>342,515</u> | <u>338,882</u> | <u>265,937</u> | <u>170,508</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    |
| District's covered payroll   | \$ 3,373,227   | \$ 3,320,538   | \$ 3,083,217   | \$ 3,115,034   | \$ 3,107,525   | \$ 3,136,066   | \$ 2,922,566   | \$ 3,076,622   | \$ 3,130,387   | \$ 2,775,115   |
| Contributions as a percentage of covered payroll                     | 11%            | 10%            | 12%            | 13%            | 17%            | 16%            | 12%            | 11%            | 8%             | 6%             |

***Employees' Retirement System***

|  | 2019          | 2018          | 2017          | 2016          | 2015           | 2014           | 2013           | 2012           | 2011          | 2010          |
|--|---------------|---------------|---------------|---------------|----------------|----------------|----------------|----------------|---------------|---------------|
| Contractually required contribution                                  | \$ 87,741     | \$ 78,719     | \$ 82,438     | \$ 91,963     | \$ 109,630     | \$ 101,455     | \$ 105,967     | \$ 110,872     | \$ 66,186     | \$ 66,383     |
| Contributions in relation to the contractually required contribution | <u>87,741</u> | <u>78,719</u> | <u>82,438</u> | <u>91,963</u> | <u>109,630</u> | <u>101,455</u> | <u>105,967</u> | <u>110,872</u> | <u>66,186</u> | <u>66,383</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>   | <u>\$ -</u>   |
| District's covered payroll   | \$ 708,525    | \$ 635,921    | \$ 540,088    | \$ 510,325    | \$ 603,333     | \$ 539,650     | \$ 526,851     | \$ 552,456     | \$ 519,059    | \$ 529,773    |
| Contributions as a percentage of covered payroll                     | 12%           | 12%           | 15%           | 18%           | 18%            | 19%            | 20%            | 20%            | 13%           | 13%           |

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

|  | <u>2019</u>                 | <u>2018</u>                 |
|--|-----------------------------|-----------------------------|
| Total OPEB liability   |                             |                             |
| Service cost   | \$ 523,171                  | \$ 550,453                  |
| Interest   | 483,640                     | 424,641                     |
| Changes in benefit terms   | -                           | -                           |
| Differences between expected and actual experience               | -                           | -                           |
| Changes of assumptions or other inputs                           | 888,393                     | (650,206)                   |
| Benefit payments   | <u>(130,239)</u>            | <u>(147,878)</u>            |
| Net change in total OPEB liability                               | 1,764,965                   | 177,010                     |
| Total OPEB liability, beginning                                  | <u>12,038,486</u>           | <u>11,861,476</u>           |
| Total OPEB liability, ending                                     | <u><u>\$ 13,803,451</u></u> | <u><u>\$ 12,038,486</u></u> |
| <br>Covered employee payroll                                     | <br>\$ 3,686,555            | <br>\$ 3,621,573            |
| Total OPEB liability as a percentage of covered employee payroll | 374.43%                     | 332.41%                     |

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

**Notes to Required Supplementary Information**

The discount rate decreased from 3.87% to 3.51% as reflected in 2018 and 2019 above.

[illegible]

**LITTLE FLOWER UNION FREE SCHOOL DISTRICT**  
**Net Investment in Capital Assets**  
June 30, 2019

|   |                            |
|---|----------------------------|
| Capital assets, net                     | <u>\$ 5,518,884</u>        |
| Deduct:                                 |                            |
| Short-term portion of bonds payable     | 180,000                    |
| Long-term portion of bonds payable      | 4,660,000                  |
| Less:                                   |                            |
| Non-capital related bond issuance costs | <u>(565,240)</u>           |
|   | <u>4,274,760</u>           |
| Net Investment in Capital Assets        | <u><u>\$ 1,244,124</u></u> |

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

To the Board of Education  
Little Flower Union Free School District  
Wading River, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Little Flower Union Free School District (District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 21, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Little Flower 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 Little Flower Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Little Flower 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Little Flower Union Free School District in a separate letter dated October 21, 2019.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

October 21, 2019



