

**LITTLE FALLS
CITY SCHOOL DISTRICT**

Little Falls, New York

FINANCIAL REPORT

**For the Year Ended
June 30, 2019**



LITTLE FALLS CITY SCHOOL DISTRICT

TABLE OF CONTENTS

Independent Auditors' Report	1-3
Required Supplementary Information	
Management's Discussion and Analysis	4-4j
Basic Financial Statements	
District-wide Financial Statements	
Statement of Net Position	5-5a
Statement of Activities	6
Governmental Fund Financial Statements	
Balance Sheet - Governmental Funds	7-7a
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	9-9a
Reconciliation of Governmental Funds to the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Statement of Fiduciary Net Position - Fiduciary Funds	11
Statement of Changes in Fiduciary Net Position - Fiduciary Fund	12
Notes to Financial Statements	13-45
<hr/>	
Required Supplementary Information	
Schedule of Revenues Compared to Budget (Non-GAAP) - General Fund	46
Schedule of Expenditures Compared to Budget (Non-GAAP) - General Fund	47-47a
Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans	48-48a
Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability	49
Schedule of Changes in the School District's Total OPEB Liability and Related Ratios	50-50a
Notes to Required Supplementary Information	51-54
Supplementary Financial Information	
Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit	55
Schedule of Project Expenditures - Capital Projects Fund	56-56a
Net Investment in Capital Assets	57
Report Required Under <i>Government Auditing Standards</i>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58-59

LITTLE FALLS CITY SCHOOL DISTRICT

TABLE OF CONTENTS

Reports Required Under the Single Audit Act (Uniform Guidance)	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by Uniform Guidance	60-61
Schedule of Expenditures of Federal Awards	62
Notes to Schedule of Expenditures of Federal Awards	63
Schedule of Findings and Questioned Costs	64

INDEPENDENT AUDITORS' REPORT

Board of Education
Little Falls City School District
Little Falls, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Little Falls City School District (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2019, and the respective changes in financial position thereof 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 the Management's Discussion and Analysis, budgetary comparison, Schedules of Change in the School District's Total OPEB Liability and Related Ratios, the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes on pages 4-4j and 46-54 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The supplementary information on pages 55-57 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of the School District's internal control over financial reporting and 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 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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 11, 2019

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

The following is a discussion and analysis of Little Falls City School District's (the School District) financial performance for the fiscal year ended June 30, 2019. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and Governmental Fund financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows related to the OPEB plan in accordance with the parameters of GASB Statement No. 75. "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in a decrease of Government-wide expenses of \$185,586, compared to an increase of \$825,498 in 2018.
- The School District ended the year with a total net deficit of \$36,407,407, an increase of \$345,496 from the prior year. The year-end net position was composed of \$263,554 in restricted, \$14,669,645 in net investment in capital assets, and \$51,340,606 in unrestricted net deficit. The unrestricted net deficit decreased \$535,326 compared to the prior year. The unrestricted net deficit at June 30, 2019 is primarily attributable to recognition of the net accumulated OPEB liability of \$56,835,640.
- Expenses exceeded revenues by \$345,496 in 2019 compared to expenses exceeding revenues by \$1,569,033 in 2018.
- The School District records its proportionate share of the net pension asset/liability along with deferred inflows and outflows related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in a decrease of government wide expenses of \$136,422, compared to an increase of \$83,552 in 2018.
- The School District had \$4,609,387 in outstanding debt at year end, an increase of \$1,043,925 from the prior year. This was primarily the result of an increase in BANs of \$1,600,000, issued to fund a new capital project; partially offset by principal payments on outstanding long-term debt.
- Capital asset additions during 2019 amounted to \$1,546,738 for the purchase of buses, vehicles, equipment, and construction in progress expenditures. Depreciation expense was \$1,471,909 for the current year.
- State and federal sources comprised 58.7% of total revenue, compared to 58.5% last year, while the annual tax levy, not including STAR, represented approximately 29.7% of receipts; consistent with 30.0% in 2017-2018. Remaining revenue was obtained from items such as investment earnings, charges for services, other property tax items, and refunds of prior year's expenses.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

- The General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$728,962 with a General Fund excess of revenues and other financing sources over expenditures and other financing uses of \$288,324. General Fund revenues and other financing sources exceeded budgeted amounts by \$62,227.
- The School District continues to manage fund balance to promote long-term financial stability. As of June 30, 2019, the unassigned fund balance in the General Fund stands at \$2,778,995, or 12.19% of the subsequent year's budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide statements. The Governmental Fund financial statements concentrate on the School District's most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans, School District's Proportionate Share of the Net Pension Asset/Liability, and Changes in the School District's Total OPEB Liability and Related Ratios.

District-wide Statements

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

The two District-wide statements report the School District's net position and how it changed.

Net position - the difference between the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities. In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Governmental Fund Financial Statements

The Governmental Fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "Major" Funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds financial statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information following the Governmental Funds financial statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net deficit for the fiscal year ended June 30, 2019 increased by \$345,496. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018-2019</i>
<i>Current Assets</i>	\$ 4,066,294	\$ 4,665,894	\$ 599,600
<i>Noncurrent Assets</i>	540,876	1,006,056	465,180
<i>Capital Assets, Net</i>	19,064,625	19,139,454	74,829
<i>Total Assets</i>	23,671,795	24,811,404	1,139,609
<i>Other Postemployment Benefits</i>	1,520,477	1,372,960	(147,517)
<i>Pensions</i>	5,039,702	4,612,865	(426,837)
<i>Total Deferred Outflows of Resources</i>	6,560,179	5,985,825	(574,354)
<i>Current Liabilities</i>	1,852,154	3,704,225	1,852,071
<i>Noncurrent Liabilities</i>	56,982,539	49,640,258	(7,342,281)
<i>Total Liabilities</i>	58,834,693	53,344,483	(5,490,210)
<i>Other Postemployment Benefits</i>	5,765,029	12,570,001	6,804,972
<i>Pensions</i>	1,694,163	1,290,152	(404,011)
<i>Total Deferred Inflows of Resources</i>	7,459,192	13,860,153	6,400,961
<i>Net Investment in Capital Assets</i>	15,499,163	14,669,645	(829,518)
<i>Restricted</i>	314,858	263,554	(51,304)
<i>Unrestricted</i>	(51,875,932)	(51,340,606)	535,326
<i>Total Net (Deficit)</i>	\$ (36,061,911)	\$ (36,407,407)	\$ (345,496)

The increase in current assets stems from an increase in cash and increases in amounts due from fiduciary funds, as well as other receivables.

The increase in capital assets is a result of current year capital outlay exceeding depreciation expense. The increase in noncurrent assets is primarily due to recognition of the School District's proportionate share of the New York State Teachers Retirement System (TRS) net pension asset based on the state's actuarial valuation.

The changes in deferred outflows of resources, and deferred inflows of resources related to pensions and OPEB are related to changes in the actuarially determined proportionate share of the pension systems plans net pension asset/liabilities and OPEB liabilities.

The increase in current liabilities is primarily due to increases in BANs and accounts payable.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Changes in noncurrent liabilities are primarily due to a current year reduction in the OPEB liability, based on an actuarial valuation of the School District's OPEB plan, as well as regular principal payments on long-term debt.

Net investment in capital assets decreased due to proceeds and depreciation expense exceeding capital outlay and debt principal payments for the current year. The decrease in restricted net position is primarily based on results of operations in the School Lunch Fund. Unrestricted net deficit decreased based on a reduction in the net GASB Statement No. 75 OPEB liability of \$185,586 in 2019, and results of operations.

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 401,578	\$ 464,604	\$ 63,026
<i>Operating Grants</i>	1,327,673	1,475,251	147,578
<i>Capital Grants</i>	47,319	-	(47,319)
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	6,999,454	7,025,134	25,680
<i>Real Property Tax Items</i>	1,786,468	1,771,700	(14,768)
<i>Unrestricted State Sources</i>	12,241,204	12,390,998	149,794
<i>Use of Money and Property</i>	52,495	60,703	8,208
<i>Other General Revenues</i>	357,756	432,781	75,025
Total Revenues	\$ 23,213,947	\$ 23,621,171	\$ 407,224
PROGRAM EXPENDITURES			
<i>General Support</i>	\$ 4,120,612	\$ 3,633,199	\$ (487,413)
<i>Instruction</i>	18,620,619	18,255,413	(365,206)
<i>Pupil Transportation</i>	1,272,986	1,319,097	46,111
<i>School Lunch Program</i>	618,684	622,225	3,541
<i>Interest on Debt</i>	150,079	136,733	(13,346)
Total Expenditures	\$ 24,782,980	\$ 23,966,667	\$ (816,313)
INCREASE IN NET POSITION	\$ (1,569,033)	\$ (345,496)	\$ 1,223,537

Total revenues for the School District's Governmental Activities increased by \$407,224, or 1.75%, and total expenses decreased \$816,313, or 3.29%.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Charges for services increased due to increases in Medicaid payments collected. Operating grants increased primarily due to increases in state and federal program aid received during the current year. Capital grants decreased based on less SMART School State aid for capital projects. State sources increased primarily due to increases in general aid. Property tax increased based on increases in voter approved tax levy, while other tax items decreased due to STAR tax relief reimbursements. Use of money and property increased based on higher interest earned. The decrease in total expenses is primarily due to the net effect of GASB Statement No. 75, and No. 68 recognition in comparison to the prior year.

Figures 3 and 4 show the sources of revenue for 2019 and 2018.

Figure 3
Sources of Revenue for 2019

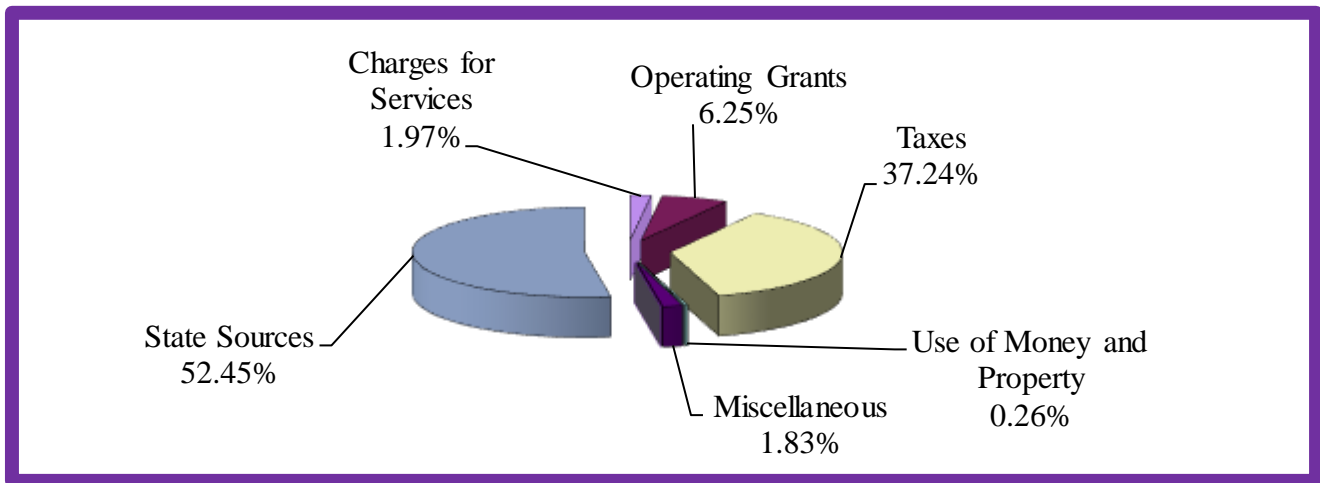
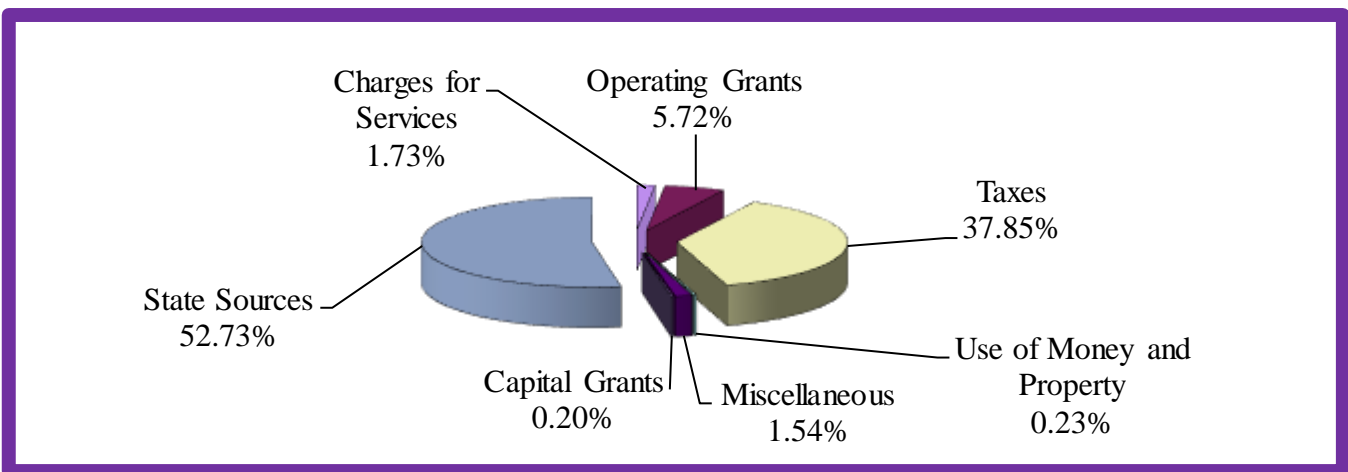


Figure 4
Sources of Revenue for 2018



LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Figures 5 and 6 present the cost of each of the School District's programs for 2019 and 2018.

Figure 5
Cost of Programs for 2019

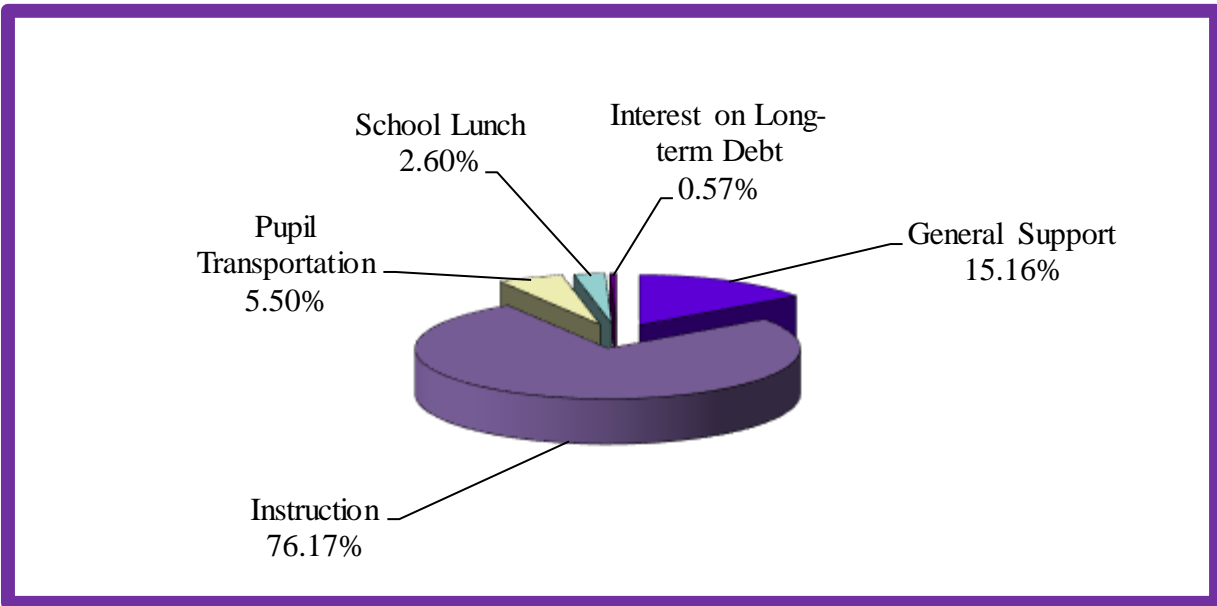
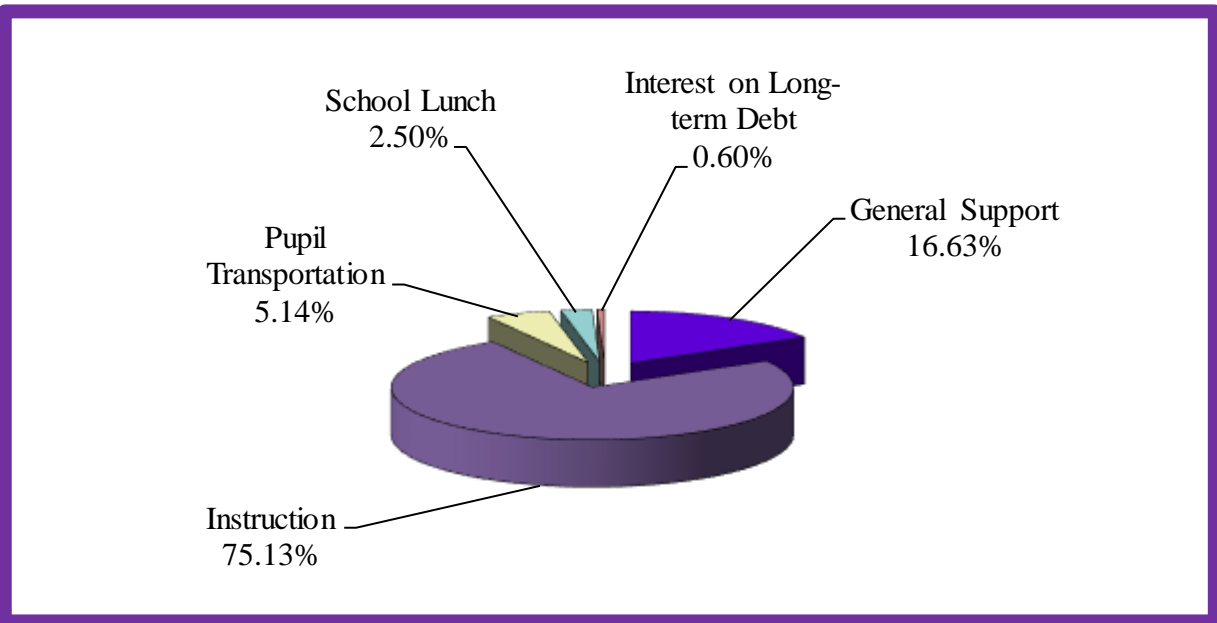


Figure 6
Cost of Programs for 2018



LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the changes in fund balance for the year for the School District's Major Funds. As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balances of \$1,823,695. The \$1,230,950 decrease in fund balance is mainly a result of capital outlay exceeding revenues and other financing sources by \$1,460,422 in the Capital Projects Fund; partially offset by revenues exceeding expenditures by \$288,324 in the General Fund. The Capital Projects Fund deficit will be eliminated when short-term financing is converted to long-term. The deficit in the Special Aid Fund is due to state aid that will be received after the School District's availability period.

Figure 7

<i>Governmental Fund Balances (Deficit)</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change 2018-2019</i>
<i>General Fund</i>	\$ 2,973,174	\$ 3,261,498	\$ 288,324
<i>School Lunch Fund</i>	107,747	58,741	(49,006)
<i>Special Aid Fund</i>	(26,276)	(36,122)	(9,846)
<i>Capital Projects Fund</i>		(1,460,422)	(1,460,422)
<i>Total Governmental Funds Fund Balance</i>	\$ 3,054,645	\$ 1,823,695	\$ (1,230,950)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Superintendent approves budgetary transfers that revise the School District budget line items and the board reviews the transfers. Typically, these budget amendments consist of budget transfers between functions, which do not increase the overall budget. During the current year, the budget was not amended.

The School District received \$62,227 more in General Fund revenues and other financing sources than was budgeted, primarily due to higher than expected state aid. Expenditures and other financing uses were lower than the revised budget (with carryover encumbrances) by \$728,962. This is primarily due to lower than expected costs related to general support, instructional programs, and employee benefit expense.

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and variances for the year ending June 30, 2019.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2019</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real Property Taxes</i>	\$ 8,637,397	\$ 8,637,397	\$ 7,025,134	\$ (1,612,263)
<i>Other Tax Items</i>	122,000	122,000	1,771,700	1,649,700
<i>State Sources</i>	12,729,452	12,729,452	12,475,008	(254,444)
<i>Medicaid</i>	50,000	50,000	151,599	101,599
<i>Other, Including Financing Sources</i>	436,440	436,440	614,075	177,635
Total Revenues and Other Financing Sources	\$ 21,975,289	\$ 21,975,289	\$ 22,037,516	\$ 62,227
Designated Fund Balance and Prior Year Carryover Encumbrances	\$ 510,368	\$ 510,368		
EXPENDITURES				
<i>General Support</i>	\$ 3,138,893	\$ 3,039,426	\$ 2,877,384	\$ 162,042
<i>Instruction</i>	10,304,739	10,736,131	10,534,560	201,571
<i>Pupil Transportation</i>	1,064,970	1,106,145	1,090,377	15,768
<i>Employee Benefits</i>	7,208,974	6,835,516	6,492,662	342,854
<i>Debt Service</i>	696,081	696,081	691,078	5,003
<i>Other Financing Uses</i>	72,000	72,358	70,634	1,724
Total Expenditures and Other Financing Uses	\$ 22,485,657	\$ 22,485,657	\$ 21,756,695	\$ 728,962

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2019, the School District had invested in a broad range of capital assets. Capital assets, net of related depreciation, increased \$74,829 during 2019.

Figure 9

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change 2018-2019</i>
	<i>2018</i>	<i>2019</i>	
<i>Land</i>	\$ 477,202	\$ 477,202	\$ -
<i>Construction in Progress</i>	-	1,471,632	1,471,632
<i>Improvements Other than Buildings, Net</i>	623,268	542,126	(81,142)
<i>Buildings, Net</i>	16,801,021	15,602,445	(1,198,576)
<i>Equipment, Net</i>	1,163,134	1,046,049	(117,085)
Total	\$ 19,064,625	\$ 19,139,454	\$ 74,829

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Capital asset activity for the year ended June 30, 2019 included the following:

Construction in Progress	\$ 1,471,632
Equipment	75,106
Total Additions	1,546,738
Less Depreciation Expense	(1,471,909)
Net Increase in Capital Assets	\$ 74,829

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, increased by \$1,043,925 in 2019, as shown in *Figure 10*. This is a direct result \$1,600,000 of BAN proceeds received in the current year partially offset by the School District's continued payment of principal on outstanding serial, refunding, and statutory installment bonds and other debt.

Total outstanding indebtedness of the School District represented 30.3% of its statutory debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018-2019</i>
<i>Bonds Payable</i>	\$ 3,565,462	\$ 3,009,387	\$ (556,075)
<i>Bond Anticipation Notes</i>	-	1,600,000	1,600,000
<i>Total</i>	\$ 3,565,462	\$ 4,609,387	\$ 1,043,925

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

Factors Bearing on the School District's Future

- On May 2018, School District residents approved the roughly \$30 million capital project. School District management began the design and submission stages of the project during the 2018-19 school year. The management and implementation of the capital project will be a major focus for the School District for the coming year, and probably for the next three years.
- The School District has experienced steady enrollment numbers while neighboring districts are losing population.
- The special needs population has been growing consistently over the past three years, and now constitutes almost 20% of the student body. The cost of providing services isn't always predictable, and will require building some flexibility into future budgets if the trend continues in the coming years.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the Little Falls City School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, please feel free to contact Mr. Ashraf Allan, Business Manager, Little Falls City School District, at 15 Petrie Street, Little Falls, NY 13365; by phone at 315-823-1479 or via e-mail at aallam@lfcsd.org.

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 2,320,507
Cash and Cash Equivalents - Restricted	193,525
Due from State and Federal Governments	1,567,704
Due from Fiduciary Funds	380,976
Other Receivables	182,995
Inventories	20,187
Total Current Assets	4,665,894

Noncurrent Assets

Restricted Cash	225,000
Net Pension Asset - Proportionate Share	781,056
Capital Assets, Net:	
Nondepreciable Capital Assets	1,948,834
Depreciable Capital Assets, Net	17,190,620
Total Noncurrent Assets	20,145,510

Total Assets	24,811,404
---------------------	-------------------

DEFERRED OUTFLOWS OF RESOURCES

Other Postemployment Benefits	1,372,960
Pensions	4,612,865
Total Deferred Outflows of Resources	5,985,825

LIABILITIES

Current Liabilities

Accounts Payable	471,055
Due to Other Governments	394
Bond Interest and Matured Bonds	46,036
Bond Anticipation Notes Payable	1,600,000
Due to Employees' Retirement System	98,666
Due to Teachers' Retirement System	876,018

Current Portion of Noncurrent Liabilities

Bonds	553,495
Due to Employees' Retirement System	58,561
Total Current Liabilities	3,704,225

STATEMENT OF NET POSITION (Continued)
JUNE 30, 2019

Noncurrent Liabilities

Bonds	\$ 2,455,892
Due to Employees' Retirement System	<u>217,333</u>
Compensated Absences Payable	<u>776,063</u>
Other Postemployment Benefits Liability	<u>45,638,599</u>
Net Pension Liability - Proportionate Share	<u>552,371</u>
Total Noncurrent Liabilities	<u>49,640,258</u>

Total Liabilities

53,344,483

DEFERRED INFLOWS OF RESOURCES

Other Postemployment Benefits	<u>12,570,001</u>
Pensions	<u>1,290,152</u>
Total Deferred Inflows of Resources	<u>13,860,153</u>

NET POSITION

Net Investment in Capital Assets	<u>14,669,645</u>
Restricted	<u>263,554</u>
Unrestricted	<u>(51,340,606)</u>
Total Net (Deficit)	<u>\$ (36,407,407)</u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General Support	\$ 3,633,199	\$	\$	\$	\$ (3,633,199)
Instruction	18,255,413	272,288	1,073,790		(16,909,335)
Pupil Transportation	1,319,097				(1,319,097)
School Lunch Program	622,225	192,316	401,461		(28,448)
Interest on Debt	136,733				(136,733)
Total Functions and Programs	\$ 23,966,667	\$ 464,604	\$ 1,475,251	\$ -	(22,026,812)

GENERAL REVENUES

Real Property Taxes	7,025,134
Real Property Tax Items	1,771,700
Use of Money and Property	60,703
State Sources	12,390,998
Sale of Property and Compensation for Loss	5,445
Miscellaneous	427,336
Total General Revenues	21,681,316
Change in Net Position	(345,496)
Total Net (Deficit) - Beginning of Year	(36,061,911)
Total Net (Deficit) - End of Year	<u><u>\$(36,407,407)</u></u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2019

	Major Funds		
	General Fund	Special Revenue Funds	
		Special Aid Fund	School Lunch Fund
ASSETS			
Cash - Unrestricted	\$ 1,437,308	\$ 106,039	\$ 6,898
Cash - Restricted	278,947		
Due from Other Funds	1,162,021		53,947
State and Federal Aid	1,192,651	346,063	28,990
Due from Fiduciary Funds	380,976		
Other Receivables	182,995		
Inventories			20,187
Total Assets	\$ 4,634,898	\$ 452,102	\$ 110,022
LIABILITIES			
Accounts Payable	\$ 344,769	\$ 1,290	\$ 887
Due to Other Funds	53,947	465,868	50,000
Due to Other Governments			394
Bond Anticipation Notes Payable			
Due to Teachers' Retirement System	98,666		
Due to Employees' Retirement System	876,018		
Total Liabilities	1,373,400	467,158	51,281
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - State Aid		21,066	
Total Inflows of Resources	-	21,066	-
FUND BALANCES			
Nonspendable			20,187
Restricted	225,000		38,554
Assigned	257,503		
Unassigned	2,778,995	(36,122)	
Total Fund Balances (Deficit)	3,261,498	(36,122)	58,741
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,634,898	\$ 452,102	\$ 110,022

See Notes to Basic Financial Statements

<u>Major Funds</u>	
<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$ 770,262	\$ 2,320,507
139,578	418,525
	1,215,968
	1,567,704
	380,976
	182,995
	20,187
\$ 909,840	\$ 6,106,862
\$ 124,109	\$ 471,055
646,153	1,215,968
	394
1,600,000	1,600,000
	98,666
	876,018
2,370,262	4,262,101
	21,066
-	21,066
	20,187
	263,554
	257,503
(1,460,422)	1,282,451
(1,460,422)	1,823,695
\$ 909,840	\$ 6,106,862

LITTLE FALLS CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Fund Balances - Total Governmental Funds		\$ 1,823,695
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.</p>		
Total Historical Cost	\$ 43,407,248	
Less Accumulated Depreciation	<u>(24,267,794)</u>	19,139,454
<p>The School District's proportionate share of the Employee Retirement Systems' collective net pension asset or liability is not reported in the funds.</p>		
TRS Net Pension Asset - Proportionate Share	\$ 781,056	
ERS Net Pension Liability - Proportionate Share	<u>(552,371)</u>	228,685
<p>Deferred outflows of resources, including OPEB and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including unavailable revenue, OPEB, and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.</p>		
Unavailable Revenue	\$ 21,066	
OPEB Deferred Outflows of Resources	1,372,960	
OPEB Deferred Inflows of Resources	(12,570,001)	
ERS Deferred Outflows of Resources - Pension	443,307	
TRS Deferred Outflows of Resources - Pension	4,169,558	
ERS Deferred Inflows of Resources - Pension	(179,555)	
TRS Deferred Inflows of Resources - Pension	<u>(1,110,597)</u>	(7,853,262)
<p>Long-term bond payable liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Bonds Payable		(3,009,387)
<p>Certain accrued obligations and expenses reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as liabilities in the funds.</p>		
Due to Employees' Retirement System	\$ (275,894)	
Compensated Absences	(776,063)	
Other Postemployment Benefits Liability	(45,638,599)	
Accrued Interest on Long-term Debt	<u>(46,036)</u>	<u>(46,736,592)</u>
Net (Deficit) of Governmental Activities		<u><u>\$ (36,407,407)</u></u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds		
	General Fund	Special Revenue Funds Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 7,025,134	\$	\$
Real Property Tax Items	1,771,700		
Charges for Services	120,689		
Use of Money and Property	60,605		98
Sale of Property and Compensation for Loss	5,445		
Miscellaneous	427,336		19,769
State Sources	12,475,008	192,666	11,667
Medicaid Reimbursement	151,599		
Federal Sources		808,277	389,794
Sales - School Lunch			172,547
Total Revenues	22,037,516	1,000,943	593,875
EXPENDITURES			
General Support	2,874,274		
Instruction	10,530,167	1,023,147	362,385
Pupil Transportation	1,090,377		
Employee Benefits	6,492,662		25,543
Debt Service:			
Principal	556,075		
Interest	135,003		
Cost of Sales			254,953
Capital Outlay			
Total Expenditures	21,678,558	1,023,147	642,881
Excess of Revenues Over Expenditures	358,958	(22,204)	(49,006)
OTHER FINANCING SOURCES AND (USES)			
Premium on Obligations			
Operating Transfers In		12,358	
Operating Transfers (Out)	(70,634)		
Total Other Sources (Uses)	(70,634)	12,358	-
Net Change in Fund Balances	288,324	(9,846)	(49,006)
Fund Balances (Deficit) - Beginning of Year	2,973,174	(26,276)	107,747
Fund Balances (Deficit) - End of Year	\$ 3,261,498	\$ (36,122)	\$ 58,741

See Notes to Basic Financial Statements

<u>Major Funds</u>	
<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
\$	\$ 7,025,134
	1,771,700
	120,689
	60,703
	5,445
	447,105
	12,679,341
	151,599
	1,198,071
	172,547
-	23,632,334
	2,874,274
	11,915,699
	1,090,377
	6,518,205
	556,075
	135,003
	254,953
1,529,908	1,529,908
1,529,908	24,874,494
(1,529,908)	(1,242,160)
11,210	11,210
58,276	70,634
	(70,634)
69,486	11,210
(1,460,422)	(1,230,950)
-	3,054,645
\$ (1,460,422)	\$ 1,823,695

LITTLE FALLS CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS TO THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds **\$ (1,230,950)**

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

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Asset Additions	\$ 1,546,738	
Depreciation Expense	<u>(1,471,909)</u>	74,829

Changes in the School District's proportionate share of net pension assets and liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not effect current financial resources and are, also, not reported in the Governmental Funds.

ERS	\$ 199,842	
TRS	<u>(63,420)</u>	136,422

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount by which principal repayment exceeds proceeds from debt.

Principal Payments		556,075
--------------------	--	---------

Long-term liabilities, such as those associated with employee benefits, and retainage payable are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to other postemployment benefits do not effect current financial resources and are also not reported in the Governmental Funds.

Change in Amount Due to Employees' Retirement System	\$ 58,561	
Change in Compensated Absences	(101,916)	
Change in Other Postemployment Benefits Liability	<u>185,586</u>	142,231

Certain revenue in the Governmental Funds is not recognized because it is not available soon enough after year end to pay for the current period's expenditures. On the accrual basis, however, this revenue is recognized regardless of when it is collected. This is the change in unavailable revenue from the previous year. (11,163)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. This is the amount interest payable changed from the prior year. (12,940)

Net Change in Net Position of Governmental Activities **\$ (345,496)**

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2019

	Private Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash - Unrestricted	\$	\$ 473,302
Cash - Restricted	<u>180,920</u>	
Investments - Restricted	<u>194,653</u>	
Total Assets	<u>375,573</u>	<u>\$ 473,302</u>
LIABILITIES		
Due to Governmental Funds		\$ 380,976
Extraclassroom Activity balances		<u>64,660</u>
Other Liabilities		<u>27,666</u>
Total Liabilities	<u>-</u>	<u>\$ 473,302</u>
NET POSITION		
Reserved for scholarships	<u>\$ 375,573</u>	

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2019

	Private Purpose Trust Fund
ADDITIONS	
Gifts and Contributions	\$ 8,890
Investment Earnings	8,182
Total Additions	<u>17,072</u>
DEDUCTIONS	
Scholarships and Awards	<u>19,456</u>
Change in Net Position	(2,384)
Net Position - Beginning of Year	<u>377,957</u>
Net Position - End of Year	<u><u>\$ 375,573</u></u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies**

The accompanying financial statements of Little Falls City School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 7 members. The Board is responsible for, and controls all activities related to public school education within the School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by GASB Statement No. 14, "The Financial Reporting Entity," as amended.

- The primary government, which is the School District;
- 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of the School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's business office, located at 15 Petrie St. Little Falls, NY 13365.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Joint Venture

The School District is one of the component school districts in the Herkimer County Board of Cooperative Educational Services (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. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). In addition, component School Districts pay tuition or a service fee for programs in which its students participate.

Separate financial statement of the Herkimer-Fulton-Hamilton-Otsego Counties BOCES may be obtained by contacting the Executive Director of Business, Herkimer-Fulton-Hamilton-Otsego BOCES, 352 Gros Boulevard, Herkimer, NY 13350.

Basis of Presentation District-wide Financial Statements

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

The Statement of Net Position presents the financial position of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those specifically associated with and clearly identifiable to a particular function. Indirect expenses relate to the administration and support of the School District's programs. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on Major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- General Fund: The School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for special educational programs.
 - School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.
- Capital Projects Fund: Accounts for the financial resources used for renovation of the School District's educational complex.

Fiduciary Activities are those in which the School 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 School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- Private-Purpose Trust Fund: Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- Agency Funds: Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholdings.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Measurement Focus and Basis of Accounting

The District-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from 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 financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

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

Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. 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 United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Investments are stated at fair value. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and School Districts.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 1 Summary of Significant Accounting Policies - Continued

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A reserve for these non-liquid assets (inventories and prepaid items) has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures and is reported as non-spendable fund balance in the governmental fund financial statements.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at estimated fair value at the time received. The School District uses the straight-line method of depreciation.

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

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	15-50 Years
Building Improvements	20,000	15-50 Years
Furniture and Equipment	5,000	8-20 Years
Site Improvements	5,000	15-50 Years

Capital assets are depreciated over their estimated useful lives using the straight-line method.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Vested Employee Benefits - Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave. School District employees are granted vacation time in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on rates and limits specified in the individual employment contracts.

In the Governmental Fund financial statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

Other Postemployment Benefits

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

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School 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 School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports deferred outflows related to pensions and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows related to pensions and OPEB plans and other postemployment benefits are described in Notes 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows related to pensions and OPEB plans are described in Notes 10 and 11, respectively.

Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

The Governmental Fund financial statements report unavailable revenues as a deferred inflow of resources when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the liability for unavailable revenues is removed and revenues are recorded.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full of current financial resources. Claims and judgements, other postemployment benefit payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the fund's financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classification - Governmental Fund Financial Statements

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority, the Board of Education, prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.
- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classification - Governmental Fund Financial Statements - Continued

- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- Retirement Contribution Reserve (GML §6-r): Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the General Fund.

Property Taxes - Calendar

Real property taxes are levied annually by the Board of Education no later than September 1, and became a lien on August 16, 2018. Taxes were collected during the period September 1, 2018 to November 1, 2018.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Property Taxes - Enforcement

Uncollected real property taxes are subsequently enforced by the city and county in which the School District is located. An amount representing uncollected real property taxes must be transmitted by the city to the School District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable. There were no taxes receivable or associated deferred inflows of resources at June 30, 2019.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of Estimates

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

New Accounting Standards

The School District has adopted and implemented the following Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2019:

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ended June 30, 2019.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ended June 30, 2019. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards

- GASB has issued Statement No. 84, “Fiduciary Activities,” effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, “Leases,” effective for the year ending June 30, 2021.
- GASB has issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period,” effective for the year ending June 30, 2021.
- GASB has issued Statement No. 90, “Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61,” effective for the year ending June 30, 2020.
- GASB has issued Statement No. 91, “Conduit Debt Obligations” effective for the year ending June 30, 2022.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

***Note 2* Participation in BOCES**

During the year ended June 30, 2019, the School District's share of BOCES aid amounted to \$1,311,586. The School District was billed \$2,693,648, which does not include mutual funds for BOCES administration and program costs. Financial statements for the Herkimer County BOCES are available from the BOCES administrative office at 352 Gros Blvd, Herkimer, NY 13350-1446.

***Note 3* Cash and Cash Equivalents - Custodial and Concentration of Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it.

While the School District does not have a specific policy for custodial credit risk, New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued
The School District's aggregate bank and financial institutions balances of \$3,992,708, which does not include mutual funds, are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted Cash and Investments at June 30, 2019 consisted of the following:

Restricted for General Fund Reserves	\$	225,000
Restricted for School Lunch		53,947
Restricted for Unspent Debt		<u>139,578</u>
Total Governmental Funds		<u>418,525</u>
Private Purpose Trust Fund		<u>375,573</u>
Total	\$	<u>794,098</u>

FASB ASC 820, "Fair Value Measurements and Disclosures," establishes a framework for measuring fair value. That framework establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the School District has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs derived principally from or corroborated observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 3 Cash and Cash Equivalents - Custodial and Concentration of Credit Risk - Continued
 The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The School District has investments in donated Scholarship Funds. The School District chooses to disclose its investments by specifically identifying each. The School District's investment policy for these investments is also governed by New York State statutes. Investments are stated at fair value and are categorized as below:

<u>Investments</u>	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Level</u>
Private Purpose Trust Fund	\$ 120,146	\$ 120,146	U.S. Mortgage Backed Securities	1
Private Purpose Trust Fund	<u>74,507</u>	<u>74,507</u>	Certificate of Deposit	2
Total	<u><u>\$ 194,653</u></u>	<u><u>\$ 194,653</u></u>		

The certificate of deposit is a one-year certificate of deposit maturing on November 3, 2019 at an interest rate of 0.10%.

The School District does not typically purchase investments for long enough duration to cause it to believe that it is exposed to any material interest rate risk.

The School District does not typically purchase investments denominated in a foreign currency and is not exposed to foreign currency risk.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 4 Other Receivables

Other receivables consisted of the following, which are stated at net realizable value.

	Description	Amount
General Fund	Due From Other School Districts	\$ 105,000
	Babinec Contribution	68,556
	Other Miscellaneous	9,439
	Total General Fund	182,995
	Total	\$ 182,995

Note 5 Interfund Balances and Activity

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

	Interfund Receivable	Interfund Payable	Interfund Revenues	Interfund Expenditures
General Fund	\$ 1,162,021	\$ 53,947	\$	\$ 70,634
School Lunch Fund	53,947	50,000		
Special Aid Fund		465,868	12,358	
Capital Fund		646,153	58,276	
Total	\$ 1,215,968	\$ 1,215,968	\$ 70,634	\$ 70,634

The Agency Fund also owes the General Fund \$380,976.

Interfund receivables and payables are eliminated on the Statement of Net Position.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project. The General Fund also loans funds to the Capital Projects Fund, as needed, in anticipation of future financing. Periodically, the School District transfers funds as excess funds are accumulated from the School Lunch Fund.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 6 Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Disposals</u>	<u>Ending Balance</u>
Capital Assets That Are Not Depreciated:				
Land	\$ 477,202	\$	\$	\$ 477,202
Construction in Progress	-	1,471,632		1,471,632
Total Nondepreciable Historical Cost	<u>477,202</u>	<u>1,471,632</u>	<u>-</u>	<u>1,948,834</u>
Capital Assets That Are Depreciated:				
Buildings	38,519,046			38,519,046
Improvements Other Than Buildings	926,837			926,837
Furniture and Equipment	1,937,425	75,106		2,012,531
Total Depreciable Historical Cost	<u>41,383,308</u>	<u>75,106</u>	<u>-</u>	<u>41,458,414</u>
Total Historical Cost	<u>41,860,510</u>	<u>1,546,738</u>	<u>-</u>	<u>43,407,248</u>
Less Accumulated Depreciation:				
Buildings	(21,718,025)	(1,198,576)		(22,916,601)
Improvements Other Than Buildings	(303,569)	(81,142)		(384,711)
Furniture and Equipment	(774,291)	(192,191)		(966,482)
Total Accumulated Depreciation	<u>(22,795,885)</u>	<u>(1,471,909)</u>	<u>-</u>	<u>(24,267,794)</u>
Capital Assets, Net	<u>\$ 19,064,625</u>	<u>\$ 74,829</u>	<u>\$ -</u>	<u>\$ 19,139,454</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 51,390
Instruction	1,340,751
Pupil Transportation	74,710
School Lunch Program	<u>5,058</u>
Total	<u>\$ 1,471,909</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs), 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 General Fund. The School District did not issue or redeem any RANs during the year.

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

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Such notes may be classified as long-term when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. BAN activity for the year is summarized below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2019 BAN	3.00%	02/07/2020	\$ -	\$ 1,600,000	\$ -	\$ 1,600,000
Total			<u>\$ -</u>	<u>\$ 1,600,000</u>	<u>\$ -</u>	<u>\$ 1,600,000</u>

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

(Less) Premium on BANs	\$ (11,210)
Plus Interest Accrued in the Current Year	<u>18,933</u>
Total	<u><u>\$ 7,723</u></u>

Note 8 Long-term Debt

At June 30, 2019, the total outstanding indebtedness of the School District represented 30.3% of its statutory debt limit, exclusive of building aid estimates. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds (SIBs) - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. SIBs are sometimes issued directly with a financial institution or investor and are not offered for public sale. There are no terms that present additional risk to the School District associated with these direct borrowings or placements.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 8 Long-term Debt - Continued

The following is a summary of the School District's long-term debt for the year ended June 30, 2019:

	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2019</u>
Bonds				
2010 Renovation Bond	04/15/2010	04/15/2025	3.75%	\$ 2,770,000
2014 SIB	08/27/2014	08/27/2019	2.13%	9,766
2015 SIB	08/14/2015	08/14/2020	3.00%	92,420
2016 SIB	10/07/2016	10/07/2021	3.10%	38,625
2018 SIB	09/22/2017	09/22/2022	2.60%	98,576
Total				<u><u>\$ 3,009,387</u></u>

Interest expense on long-term debt during the year was comprised of:

Interest Paid	\$ 135,003
(Less) Interest Accrued in the Prior Year	(33,096)
Plus Interest Accrued in the Current Year	<u>27,103</u>
Total	<u><u>\$ 129,010</u></u>

Interest paid on the serial bonds varies from year to year, in accordance with the interest rates specified in the bond agreements.

Long-term liability balances and activity for the year ended June 30, 2019 are summarized below:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds	<u>\$ 3,565,462</u>	<u>\$ -</u>	<u>\$ (556,075)</u>	<u>\$ 3,009,387</u>	<u>\$ 553,495</u>

The following is a summary of the maturity of long-term indebtedness:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 553,495	\$ 115,203	\$ 668,698
2021	558,728	95,318	654,046
2022	532,519	75,080	607,599
2023	539,645	54,241	593,886
2024	530,000	33,000	563,000
2025	<u>295,000</u>	<u>11,800</u>	<u>306,800</u>
Total	<u><u>\$ 3,009,387</u></u>	<u><u>\$ 384,642</u></u>	<u><u>\$ 3,394,029</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 9 Other Long-term Obligations

- Due to Retirement Systems: Represents amounts to be amortized for a portion of the School District's prior years' required contributions to the New York State Employees' Retirement system. This liability is liquidated from the General and School Lunch Funds. See Note 10 for further information.
- Compensated Absences: Represents unpaid accumulated sick and vacation leave. This liability is liquidated from the General and School Lunch Funds. See Note 1 for further information.

Activity during 2018-2019 consisted of the following:

	Beginning Balance	Additions	Deletions	Ending Balance
Compensated Absences	\$ 674,147	\$ 101,916	\$	\$ 776,063
Due to Employees' Retirement System	334,455		(58,561)	275,894
Total Long-term Obligations	\$ 1,008,602	\$ 101,916	\$ (58,561)	\$ 1,051,957

The following is a summary of the maturity of amounts due to Employees' Retirement System:

Fiscal Year Ending June 30,	Principal
2020	\$ 58,561
2021	58,561
2022	58,561
2023	49,760
2024	34,242
2025	16,209
Total	\$ 275,894

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)**

Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS)(System)

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

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more year of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 10 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)(System)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. System member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Contributions

The School District is required to contribute at an actuarially determined rate. The School District's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2019	\$ 403,630	\$ 724,907
2018	405,905	801,495
2017	394,211	866,818

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

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

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date	4/01/2018	6/30/2017
Net Pension Asset/Liability	\$ 7,085,304,242	\$ (1,808,264,334)
School District's Proportionate Share of Plan's Total Net Pension Asset/Liability	552,371	(781,056)
School District's Share of the Net Pension Asset/Liability	0.007796%	0.043194%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

For the year ended June 30, 2019, the School District recognized pension expense of \$408,490 for ERS and \$589,191 for TRS in the District-wide financial statements. At June 30, 2019, the School District's 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	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 108,773	\$ 583,677	\$ 37,080	\$ 105,727
Changes of Assumptions	138,844	2,730,305		
Net Differences Between Projected and Actual Earnings on Pension Plan Investments			141,769	867,032
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	97,024	31,499	706	137,838
School District's Contributions Subsequent to the Measurement Date	98,666	824,077		
Total	\$ 443,307	\$ 4,169,558	\$ 179,555	\$ 1,110,597

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

Year Ending	ERS	TRS
2020	\$ 151,116	\$ 765,895
2021	(80,833)	514,545
2022	10,666	39,071
2023	84,137	512,705
2024		337,747
Thereafter		64,921

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - 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 asset/liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Investment Rate of Return	7.0%	7.3%
Salary Scale	4.2%	1.9% - 4.7%
Cost of Living Adjustments	1.3%	1.5%
Inflation Rate	2.5%	2.3%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

For ERS, the long-term 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 returns net of investment expense 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 each the target asset allocation percentage and by adding expected inflation. 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.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions - Continued

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Measurement Date	ERS March 31, 2019	TRS June 30, 2018
Asset Type		
Domestic Equities	4.6%	5.8%
International Equities	6.4%	7.3%
Global Equities		6.7%
Real Estate	5.6%	4.9%
Private Equity/Alternative Investments	7.5%	8.9%
Absolute Return Strategies	3.8%	
Opportunistic Portfolio	5.7%	
Real Assets	5.3%	
Cash	(0.3)%	
Inflation-indexed Bonds	1.3%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.8%
Real Estate Debt		2.8%
High-yield Fixed Income Securities		3.5%
Mortgages and Bonds	1.3%	
Short-term		0.3%

Discount Rate

The discount rate used to calculate the total pension asset/liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on 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 asset/liability.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

The following presents the School District's proportionate share of the net pension asset/liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School 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 or higher than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 2,415,056	\$ 552,371	\$ (1,012,416)

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 5,365,985	\$ (781,056)	\$ (5,930,569)

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:

	Dollars in Thousands	
	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Employers' Total Pension Asset/Liability	\$ 189,803,429	\$ 118,107,253
Plan Net Position	(182,718,124)	(119,915,518)
Employers' Net Pension Asset/Liability	\$ 7,085,305	\$ (1,808,265)
Ratio of Plan Net Position to the Employers' Total Pension Asset/Liability	96.3%	101.5%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$98,666.

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 employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$876,018.

Effect on Net Position

Changes in the net pension asset/liability and deferred outflows and inflows of resources for the year ended June 30, 2019 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Liability	\$ 246,439	\$ 305,932	\$ 552,371
Deferred Outflows of Resources	(801,811)	358,504	(443,307)
Deferred Inflows of Resources	780,571	(601,016)	179,555
Subtotal	225,199	63,420	288,619
TRS			
Net Pension Asset/Liability	(315,876)	(465,180)	(781,056)
Deferred Outflows of Resources	(4,237,891)	68,333	(4,169,558)
Deferred Inflows of Resources	913,592	197,005	1,110,597
Subtotal	(3,640,175)	(199,842)	(3,840,017)
Total Effect on Net Position	\$ (3,414,976)	\$ (136,422)	\$ (3,551,398)

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 11 Postemployment Benefits Other than Pensions (OPEB)

General Information about the OPEB Plan

Plan Description - The School District provides medical, dental, and prescription drug benefits for retirees, spouses, and their covered dependents while contributing a portion of the expenses. Such postemployment benefits are an included value in the exchange of salaries and benefits for employee services rendered. An employee's total compensation package includes not only the salaries and benefits received during active service, but all compensation and benefits received for their services during postemployment. Nevertheless, both types of benefits constitute compensation for employee services. The benefits provided to employees upon retirement are based on provisions in various contracts that the School District has in place with different classifications of employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements, as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

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

Retirees and Survivors	160
Active Employees	<u>197</u>
Total	<u><u>357</u></u>

Total OPEB Liability

The School District's total OPEB liability of \$45,638,599 was measured as of July 1, 2018, and was determined by an actuarial valuation as of July 1, 2018.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2019 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Single Discount Rate (Source: Bond Buyer Weekly 20-Bond GO Index)	3.87%
Rate of Inflation	2.40%
Salary Scale	3.50%
Healthcare Cost Trend Rate Pre-65	13.50% to 4.13%
Healthcare Cost Trend Rate Post-65	6.00% to 4.13%
Election Percentage Retiree and Surviving Spouse	100.00%
Election Percentage Retiree Spouse	85.00%
Marriage Rate	70.00%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 11 Postemployment Benefits Other than Pensions (OPEB) - Continued

Total OPEB Liability - Continued

The long-term bond rate is based on the Bond Buyer Weekly 20-Bond GO Index rate as of the measurement date (or the nearest business day thereto).

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2018 mortality improvement scale on a fully generational basis.

Rates of turnover and retirement rates are based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 75 Valuation (December 2017). Please refer to Exhibits 6-1 through 6-13 for the complete turnover tables.

Health Care Cost Trend rates were developed using the baseline projection of the SOA Long-Run Medical Cost Trend Model (v2019_b). The short term (first 4 years) bend rates were based on the recent premium rate history for Little Falls CSD. The long-term (after 4 years) Trend rates were based on the following assumptions:

Rate of Inflation: 2.4%
Rate of Growth in Real Income / GDP per Capita: 1.5%
Extra Trend due to Technology and Other Factors: 1.2%
Health Share of GDP Resistance Point 25%

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	<u>\$ 52,776,674</u>
Changes for the Year	
Service Cost	1,537,744
Interest Cost	1,927,950
Changes of Benefit Terms	640,307
Differences Between Expected and Actual Experience	(3,891,138)
Changes in Assumptions or Other Inputs	(5,832,461)
Benefit Payments	<u>(1,520,477)</u>
Net Change	<u>(7,138,075)</u>
Balance at June 30, 2019	<u><u>\$ 45,638,599</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 11 Postemployment Benefits Other than Pensions (OPEB) - Continued

Changes of assumptions and other inputs reflect a change in the discount rate from 3.60% at the measurement date of June 30, 2017 to 3.87% in June 30, 2018.

Changes in the Total OPEB Liability - Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB Liability	\$ 53,557,879	\$ 45,638,599	\$ 39,304,619

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 38,289,427	\$ 45,638,599	\$ 55,200,900

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the School District recognized OPEB expense of \$1,187,374.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$	\$ 3,240,446
Changes in Assumptions or Other Inputs		9,329,555
Contributions Subsequent to Measurement Date	1,372,960	
Total	\$ 1,372,960	\$ 12,570,001

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 11 Postemployment Benefits Other than Pensions (OPEB) - Continued

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

Fiscal Year Ending June 30,	Amount
2020	\$ (2,918,627)
2021	(2,918,627)
2022	(2,918,627)
2023	(2,220,621)
2024 and thereafter	(1,593,499)

Effect on Net Position

Changes in the OPEB liability and deferred outflows and inflows of resources for the year ended June 30, 2019 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Other Postemployment Benefits Liability	\$52,776,674	\$ (7,138,075)	\$45,638,599
Deferred Outflows of Resources	(1,520,477)	147,517	(1,372,960)
Deferred Inflows of Resources	5,765,029	6,804,972	12,570,001
Total Effect on Net Position	\$57,021,226	\$ (185,586)	\$56,835,640

Note 12 Commitments and Contingencies

Risk Financing

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

Worker's Compensation

The School District participates in the Madison, Oneida, and Herkimer Workers' Compensation Consortium (Plan) for its workers' compensation insurance coverage. The Plan's objectives are to formulate, develop, and administer a program of insurance to obtain lower costs for that coverage, and to develop a comprehensive loss control system. School Districts joining the plan must remain members for a minimum of one year; a member may withdraw from the Plan after that time by submitting a notice of withdrawal 120 days prior to the Plan's year end.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 12* Commitments and Contingencies - Continued**

Worker's Compensation - Continued

Plan members include 31 other school districts and 9 other governmental units, including BOCES, with the School District bearing its proportionate share of the Plan's assets and claims liabilities. Plan members are subject to a supplemental assessment in the event of deficiencies. If the plan's assets were to be exhausted, members would be responsible for the Plan's liabilities.

The Plan uses a reinsurance agreement to reduce its exposure to large losses on insured events. Reinsurance permits recovery of a portion of losses from the reinsurer, although it does not discharge the liability of the plan as direct insurer of the risks insured.

The Plan establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. However, because actual claim costs depend on complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount. Such claims are based on the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled and claims that have been incurred but not reported. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling \$86,229.

Other Items

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

The School District is responsible for non-resident tuition for children who resided in the School District at the time of foster care placement in other school districts in accordance with §3202(4)(a) of the Education Law. In some cases, the School District may not be notified of this until subsequent to year end. Based on past experience, the School District's administration believes these expenditures will be immaterial.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 13 Fund Balance Detail

At June 30, 2019, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	General Fund	School Lunch Fund
Nonspendable		
Inventory	\$	\$ 20,187
Total Nonspendable Fund Balance	\$ -	\$ 20,187
Restricted		
Reserve for Retirement Contributions	\$ 225,000	\$
School Lunch		38,554
Total Nonspendable Fund Balance	\$ 225,000	\$ 38,554
Assigned		
Appropriated for Next Year's Budget	\$ 250,000	\$
Encumbered for:		
General Support	3,110	
Instruction	4,393	
Total Assigned Fund Balance	\$ 257,503	\$ -

Note 14 Stewardship, Compliance, and Accountability

Compliance with Real Property Tax Law §1318

As described in Note 1, Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. The School District's unexpended surplus at June 30, 2019 exceeded this limit by \$1,867,014. The excess was largely the result of unanticipated revenue and cost savings. School District management has discussed several options to address the excess fund balance issue.

Deficit Net Position

At June 30, 2019, the District-wide Statement of Net Position had a deficit net position of \$36,407,407. This is primarily the result of the requirement to record other postemployment benefits liability with no requirement or mechanism to fund this liability. (See Note 11.) This deficit is not expected to be eliminated during the normal course of operations.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 14* Stewardship, Compliance, and Accountability - Continued**

Deficit Fund Balance

At June 30, 2019, the Capital Fund had a deficit fund balance of \$1,460,422. This is primarily the result of expenditure of short-term financing on capital outlay projects. This deficit is expected to be eliminated as short-term financing is converted to long term debt.

At June 30, 2019, the Special Aid Fund had a deficit fund balance of \$36,122. This is primarily the result of expenditure of unavailable revenues and is expected to be eliminated as state and federal grants meet revenue recognition requirements.

***Note 15* Tax Abatements**

For the year ended June 30, 2019, property in the School District was subject to property tax abatements negotiated by the Herkimer County IDA (HCIDA).

HCIDA enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$187,160, and the School District subsequently received payment in lieu of taxes (PILOT) payments totaling \$125,976.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real Property Taxes	\$ 8,637,397	\$ 8,637,397	\$ 7,025,134	\$(1,612,263)
Other Tax Items	122,000	122,000	1,771,700	1,649,700
Charges for Services	141,500	141,500	120,689	(20,811)
Use of Money and Property	51,500	51,500	60,605	9,105
Sale of Property and Compensation for Loss			5,445	5,445
Miscellaneous	243,440	243,440	427,336	183,896
Total Local Sources	<u>9,195,837</u>	<u>9,195,837</u>	<u>9,410,909</u>	<u>215,072</u>
State Sources	12,729,452	12,729,452	12,475,008	(254,444)
Medicaid Reimbursement	50,000	50,000	151,599	101,599
Total Revenues	<u>21,975,289</u>	<u>21,975,289</u>	<u>\$ 22,037,516</u>	<u>\$ 62,227</u>
Appropriated Fund Balance	510,368	510,368		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u>\$ 22,485,657</u>	<u>\$ 22,485,657</u>		

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 22,778	\$ 22,778
Central Administration	208,024	223,710
Finance	340,734	342,415
Staff	40,858	53,001
Central Services	1,886,217	1,757,240
Special Items	640,282	640,282
Total General Support	3,138,893	3,039,426
Instruction		
Instruction, Administration, and Improvement	735,123	802,389
Teaching - Regular School	5,414,858	5,747,035
Programs for Children with Handicapping Conditions	2,062,964	2,051,710
Occupational Education	504,930	505,745
Teaching - Special School	88,908	99,348
Instructional Media	760,545	784,625
Pupil Services	737,411	745,279
Total Instruction	10,304,739	10,736,131
Pupil Transportation	1,064,970	1,106,145
Employee Benefits	7,208,974	6,835,516
Debt Service		
Principal	556,077	556,077
Interest	140,004	140,004
Total Debt Service	696,081	696,081
Total Expenditures	22,413,657	22,413,299
OTHER FINANCING USES		
Operating Transfers Out	72,000	72,358
Total Expenditures and Other Financing Uses	\$ 22,485,657	\$ 22,485,657
Net Change in Fund Balances		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Favorable (Unfavorable)</u>
\$ 18,965	\$	\$ 3,813
216,210		7,500
292,716		49,699
53,001		-
1,661,481	3,110	92,649
631,901		8,381
2,874,274	3,110	162,042
801,719	670	-
5,746,034	1,000	1
1,946,506		105,204
505,745		-
99,348		-
766,817	2,723	15,085
663,998		81,281
10,530,167	4,393	201,571
1,090,377		15,768
6,492,662		342,854
556,075		2
135,003		5,001
691,078	-	5,003
21,678,558	7,503	727,238
70,634	-	1,724
21,749,192	\$ 7,503	\$ 728,962
288,324		
2,973,174		
\$ 3,261,498		

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	2019	2018	2017
Contractually Required Contribution	\$ 403,630	\$ 405,905	\$ 394,211
Contributions in Relation to the Contractually Required Contribution	(403,630)	(405,905)	(394,211)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Payroll for Year Ending June 30,	2,448,230	2,434,303	2,275,351
Contributions as a Percentage of Covered Payroll	16.5%	16.7%	17.3%

*Information Unavailable

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

Contractually Required Contribution	\$ 824,077	\$ 724,907	\$ 801,495
Contributions in Relation to the Contractually Required Contribution	(824,077)	(724,907)	(801,495)
Contribution Deficiency (Excess)	-	-	-
School District's Covered Payroll for Year Ending June 30,	7,759,670	7,397,010	6,838,695
Contributions as a Percentage of Covered Payroll	10.6%	9.8%	11.7%

*Information Unavailable

See Notes to Required Supplementary Information

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 427,807	\$ 421,959	\$ 388,379	\$ 422,210	\$ 292,131	\$ 213,837	\$ 129,652
(427,807)	(421,959)	(388,379)	(422,210)	(292,131)	(213,837)	(129,652)
-	-	-	-	-	-	-
2,099,339	2,059,887	1,911,686	*	*	*	*
20.4%	20.5%	20.3%	*	*	*	*
\$ 866,818	\$ 1,107,491	\$ 986,605	\$ 684,687	\$ 676,383	\$ 532,571	\$ 395,128
(866,818)	(1,107,491)	(986,605)	(684,687)	(676,383)	(532,571)	(395,128)
-	-	-	-	-	-	-
6,537,089	6,317,690	6,071,415	5,782,829	6,088,056	6,178,318	6,383,328
13.3%	17.5%	16.3%	11.8%	11.1%	8.6%	6.2%

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Asset/Liability	0.007796%	0.007640%	0.0074516%	0.0074028%	0.0075344%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 552,371	\$ 246,439	\$ 700,172	\$ 1,188,176	\$ 254,530
School District's Covered Payroll	2,353,165	2,308,940	2,174,139	2,074,406	2,055,407
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	23.5%	10.7%	32.2%	57.3%	12.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	96.3%	98.2%	94.7%	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION ASSET/LIABILITY NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Asset/Liability	0.043194%	0.041557%	0.041266%	0.041060%	0.041060%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ (781,056)	\$ (315,876)	\$ 441,974	\$ (4,368,490)	\$ (4,573,873)
School District's Covered Payroll	7,397,010	6,838,695	6,537,089	6,317,690	6,071,415
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	10.6%	4.6%	6.8%	69.1%	75.3%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	101.5%	100.7%	99.0%	110.5%	111.5%

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2019	2018	2017
Service Cost	\$ 1,537,744	\$ 1,959,674	\$ *
Interest Cost	1,927,950	1,678,908	*
Changes of Benefit Terms	640,307	-	*
Differences Between Expected and Actual Experience	(3,891,138)	-	*
Changes in Assumptions or Other Inputs	(5,832,461)	(7,057,636)	*
Benefit Payments	(1,520,477)	(1,507,240)	*
	(7,138,075)	(4,926,294)	*
Total OPEB Liability - Beginning	52,776,674	57,702,968	*
Total OPEB Liability - Ending	\$ 45,638,599	\$ 52,776,674	\$ 57,702,968
Covered Employee Payroll	\$ 8,117,060	\$ 8,118,849	\$ *
Total OPEB Liability as a Percentage of Covered Payroll	562%	650%	*

*Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed as it become available.

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

Note 1 Budgetary Procedures and Budgetary Accounting

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Adopted Budget	\$ 22,485,657
Carryover Encumbrances	<u>-</u>
Original Budget	22,485,657
Gifts and Donations	<u>-</u>
Final Budget	<u><u>\$ 22,485,657</u></u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. An annual legal budget is not adopted for the Special Grant and School Lunch funds, which are Special Revenue Funds.

Note 2 Reconciliation of the Budget Basis to GAAP

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

Note 3 Schedule of Changes in the School Districts Total OPEB Liability and Related Ratios

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2019 - 3.87%
2018 - 3.60%

Note 4 Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability

The Schedule of the School District's Proportionate Share of the Net Pension Asset/Liability, required supplementary information, presents five years of information. This schedule will present ten years of information as it becomes available from the pension plans.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability**

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2018 actuarial valuation.

The salary scales for both plans used in the April 1, 2018 actuarial valuation were increased by 10%.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2018 actuarial valuation determines the employer rates for contributions payable in fiscal year 2019. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	5 year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	3.8% in ERS, indexed by service.
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued**

NYSTRS

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition, at a rate of 20% per year, of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued**

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
Asset Valuation Method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 7.5%. at a rate of 20.0% per year, until fully recognized after five years.
Inflation	2.5%
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.

<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment Rate of Return	7.5% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.5% compounded annually.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget		<u>\$ 21,377,838</u>
Original Budget		<u>21,377,838</u>
Final Budget		<u><u>\$ 21,377,838</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next Year's Budget is a Voter Approved Budget	<u><u>\$ 22,799,520</u></u>	
Maximum Allowed (4% of the 2019-2020 Budget)		<u><u>\$ 911,981</u></u>
General Fund fund balance subject to §1318 of Real Property Tax Law:		
Unrestricted Fund Balance:		
Assigned Fund Balance	\$ 257,503	
Unassigned Fund Balance	<u>2,778,995</u>	
Total Unrestricted Fund Balance	<u>3,036,498</u>	
Less:		
Appropriated Fund Balance	\$ 250,000	
Encumbrances Included in Assigned Fund Balance	<u>7,503</u>	
Total Adjustments	<u>257,503</u>	
General Fund Fund Balance Subject to §1318 of Real Property Law		<u><u>\$ 2,778,995</u></u>
Actual Percentage		12.19%

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2019

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		
			Prior Years	Current Year	Total
Benton Hall Elementary 001-012	\$ 6,623,722	\$ 6,623,722	\$	\$ 411,486	\$ 411,486
Middle/High School 008-014	15,888,902	15,888,902		987,068	987,068
School Bus Garage 5003-003	1,176,343	1,176,343		73,078	73,078
2018-19 Bus Projects	58,276	58,276		58,276	58,276
Subtotal	23,747,243	23,747,243		1,529,908	1,529,908
Unredeemed BANs					-
Total	\$ 23,747,243	\$ 23,747,243	\$ -	\$ 1,529,908	\$ 1,529,908

Unexpended Balance	Proceeds of Obligations	Methods of Financing			Fund Balance (Deficit) June 30, 2019
		State Aid	Local Sources	Total	
\$ 6,212,236	\$ 450,514	\$	\$	\$ 450,514	\$ 39,028
14,901,834	1,080,687			1,080,687	93,619
1,103,265	80,009			80,009	6,931
-			58,276	58,276	-
22,217,335	1,611,210		58,276	1,669,486	139,578
	(1,600,000)			(1,600,000)	(1,600,000)
\$ 22,217,335	\$ 11,210	\$ -	\$58,276	\$ 69,486	\$ (1,460,422)

LITTLE FALLS CITY SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets, Net	<u>\$ 19,139,454</u>
Deduct	
Bond Anticipation Notes	<u>(1,600,000)</u>
Short-term Portion of Bonds Payable	<u>(553,495)</u>
Long-term Portion of Bonds Payable	<u>(2,455,892)</u>
Less: Unspent Bond Proceeds	<u>139,578</u>
Net Investment in Capital Assets	<u><u>\$ 14,669,645</u></u>

**INDEPENDENT AUDITORS' 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***

Board of Education
Little Falls City School District
Little Falls, 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 aggregate remaining fund information of the Little Falls City School District (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 11, 2019.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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 School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 11, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Little Falls City School District
Little Falls, New York

Report on Compliance for Each Major Federal Program

We have audited Little Falls City School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

INSERO & Co. CPAs, LLP

Rochester | Ithaca | Corning | Cortland | Watkins Glen | (800) 232-9547 | www.inserocpa.com

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 11, 2019

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass -Through Grantor Program Title</u>	<u>Federal CFDA #</u>	<u>Pass -Through Grantor #</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021191125	\$	\$ 405,160
Special Education Cluster:				
Special Education - Grants to States	84.027	0032190306		304,574
Special Education - Preschool Grants	84.173	0033190306		15,943
Total Special Education Cluster				<u>320,517</u>
Improving Teacher Quality State Grants	84.367	0147191125		<u>60,030</u>
Student Support and Academic Enrichment	84.424	0204191125		<u>22,570</u>
Total U.S. Department of Education				<u>808,277</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster:				
National School Lunch Program	10.555			316,706
School Breakfast Program	10.553			73,088
Total Child Nutrition Cluster				<u>389,794</u>
Total U.S. Department of Agriculture				<u>389,794</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,198,071</u>

See Notes to Schedule to Expenditures of Federal Awards

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2019

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Uniform Guidance, *Audits of State and Local Governments*, and *Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 **Matching Costs**

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2019, the School District received \$44,720 of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

_____ yes none reported

Noncompliance material to financial statements noted?

_____ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)?

_____ yes none reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a) of Uniform Guidance?

_____ yes no

Identification of major programs

CFDA Numbers

Name of Federal Program or Cluster

84.010

Title I Grants for School Improvements

Dollar threshold used to distinguish between Type A and Type B Programs

\$750,000

Auditee qualified as low-risk?

yes _____ no

Section II - Financial Statement Finding

None

Section III - Federal Award Findings and Questioned Costs

None