



FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

June 30, 2016

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund of the Little Flower Union Free School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Little Flower Union Free School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, budgetary comparison information and the schedules of funding progress – other postemployment benefits, the District's proportionate share of the net pension asset/liability, and District contributions on pages 3 through 11 and 40 through 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Little Flower Union Free School District's basic financial statements. The other supplementary information on page 45 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information requested by the New York State Education Department. The other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2016 on our consideration of the Little Flower Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Little Flower Union Free School District's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 3, 2016

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

The Little Flower Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016 in comparison with the year ended June 30, 2015, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

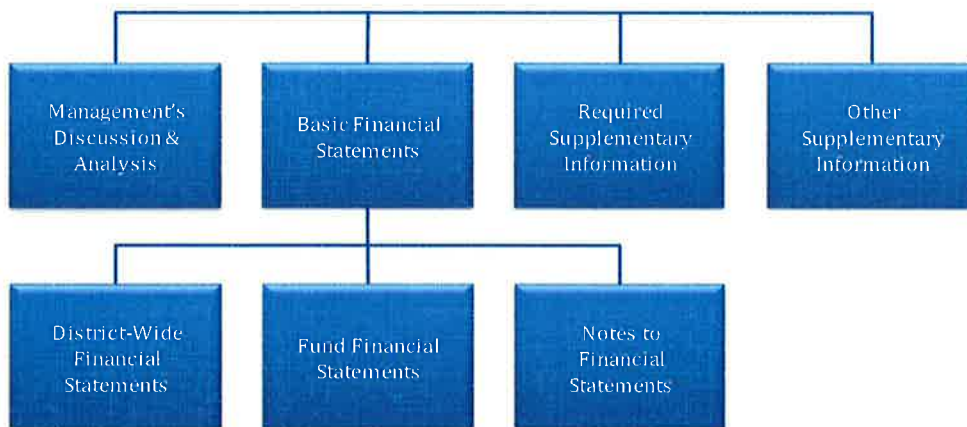
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2016 are as follows:

- The District's total net position deficit, as reflected in the district-wide financial statements, decreased by \$10,497. This was due to revenues of \$6,884,104 exceeding expenses of \$6,873,607, on the accrual basis of accounting.
- The prior year net position deficit was increased by \$36,251 due to a prior period adjustment resulting from an updated capital assets inventory appraisal report obtained in the current year.
- The general fund's total fund balance deficit, as reflected in the fund financial statements, decreased by \$344,706 to \$(304,297). This was due to an excess of revenues over expenditures based on the modified accrual basis of accounting.
- The District received \$193,240 in operating grants to support instructional programs, a decrease of \$11,040 from the prior year.
- The District collected and recognized revenue from a receivable in the amount of \$139,389, which was previously deemed uncollectible.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

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

Because the focus of governmental funds is narrower than that of district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, you may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position deficit decreased by \$10,497 between fiscal year 2016 and 2015. The decrease is due to revenues in excess of expenses based on the accrual basis of accounting. A summary of the District's Statements of Net Position follows:

	<u>2016</u>	<u>As Restated 2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Current and Other Assets	\$ 2,001,788	\$ 1,746,336	\$ 255,452	14.63 %
Capital Assets, Net	1,601,058	1,796,620	(195,562)	(10.88)%
Net Pension Asset - Proportionate Share	<u>2,121,287</u>	<u>2,328,087</u>	<u>(206,800)</u>	(8.88)%
Total Assets	<u>5,724,133</u>	<u>5,871,043</u>	<u>(146,910)</u>	(2.50)%
Deferred Outflows of Resources	<u>784,338</u>	<u>591,332</u>	<u>193,006</u>	32.64 %
Current and Other Liabilities	2,307,641	2,396,739	(89,098)	(3.72)%
Long-Term Liabilities	872,799	911,897	(39,098)	(4.29)%
Net Other Postemployment Benefits Obligation	5,169,090	4,488,582	680,508	15.16 %
Net Pension Liability - Proportionate Share	<u>386,536</u>	<u>77,990</u>	<u>308,546</u>	395.62 %
Total Liabilities	<u>8,736,066</u>	<u>7,875,208</u>	<u>860,858</u>	10.93 %
Deferred Inflows of Resources	<u>788,408</u>	<u>1,613,667</u>	<u>(825,259)</u>	(51.14)%

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

	2016	As Restated 2015	Increase (Decrease)	Percentage Change
Net Investment in Capital Assets Unrestricted (Deficit)	\$ 1,601,058 (4,617,061)	\$ 1,796,620 (4,823,120)	\$ (195,562) 206,059	(10.88)% (4.27)%
Total Net Position (Deficit)	<u>\$ (3,016,003)</u>	<u>\$ (3,026,500)</u>	<u>\$ 10,497</u>	0.35 %

Current and other assets increased by \$255,452, as compared to the prior year. The increase is related to an increase in cash of \$110,550, accounts receivable of \$99,889, and due from state and federal of \$48,674, offset by a decrease in due from other governments of \$3,661. During the current year, the District collected and recognized a revenue of \$139,389 from a receivable that was deemed uncollectible and previously written off. Additionally, the increase in due from state and federal consists of a \$43,057 increase in amounts due for federal grants and an increase in the receivable for general aid of \$5,617.

Capital assets, net decreased by \$195,562, as compared to the prior year. This decrease is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 10 "Capital Assets/Prior Period Adjustment" provides additional information.

Net pension asset - proportionate share decreased by \$206,800, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at the measurement date of the respective year.

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

Current and other liabilities decreased by \$89,098, as compared to the prior year. This decrease is primarily due to a decrease in the amounts due to the New York State Teachers' Retirement System and New York State and Local Employees' Retirement System of \$125,780 and \$12,459, respectively, due to lower contribution rates than in the prior year. These decreases were offset by an increase in accrued liabilities of \$54,242 for a retirement payout.

Long-term liabilities decreased by \$39,098, as compared to the prior year. This decrease is the result of a decrease in the compensated absences liability of \$29,113, and a decrease in other liabilities of \$9,985 for the repayment of repairs to the District's lobby. The accompanying Notes to the Financial Statements, Note 12, "Long-Term Liabilities" provides additional information.

Net other postemployment benefits (OPEB) obligation increased by \$680,508, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Net pension liability - proportionate share increased by \$308,546 in the current year. This liability represents the District's share of the New York State and Local Employees' Retirement System's collective net pension liability at the measurement date of the respective year.

Deferred inflows of resources represents actuarial adjustments at the pension plan level that will be amortized in future years.

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

The net investment in capital assets is the investment in capital assets at cost such as buildings and improvements; and, furniture and equipment, net of depreciation and related outstanding debt. This number decreased from the prior year by \$195,562, which is the current year's depreciation.

The unrestricted (deficit) amount of \$4,617,061 relates to the balance of the District's net position. In accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. This deficit decreased from the prior year by \$206,059.

The District's total net position deficit decreased by \$10,497 or 0.35%; \$(3,016,003) at June 30, 2016, compared to \$(3,026,500) at June 30, 2015.

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. A summary of this statement for the years ended June 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 6,583,567	\$ 6,897,858	\$ (314,291)	(4.56)%
Operating Grants	193,240	204,280	(11,040)	(5.40)%
General Revenues				
State Sources	30,677	31,481	(804)	(2.55)%
Other	76,620	65,303	11,317	17.33 %
Total Revenues	<u>6,884,104</u>	<u>7,198,922</u>	<u>(314,818)</u>	<u>(4.37)%</u>
Expenses				
General Support	1,520,223	1,905,519	(385,296)	(20.22)%
Instruction	5,315,601	5,463,262	(147,661)	(2.70)%
Debt Service - Interest	37,783	38,087	(304)	(0.80)%
Total Expenses	<u>6,873,607</u>	<u>7,406,868</u>	<u>(533,261)</u>	<u>(7.20)%</u>
Increase / (Decrease) in Net Position	<u>\$ 10,497</u>	<u>\$ (207,946)</u>	<u>\$ 218,443</u>	<u>(105.05)%</u>

The District's net position increased by \$10,497 for the year ended June 30, 2016, and decreased by \$207,946 for the year ended June 30, 2015.

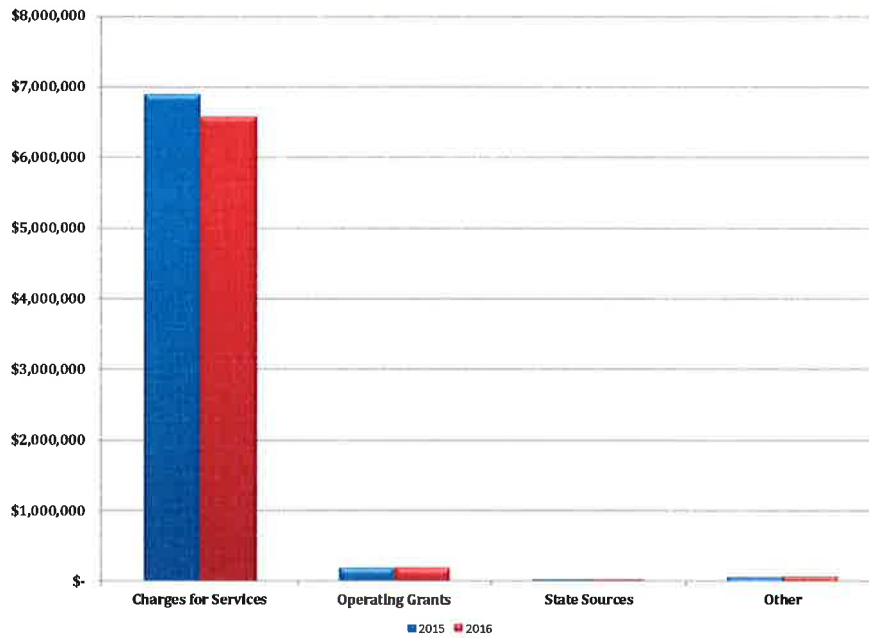
The District's revenues decreased by \$314,818 or 4.37%. The major factor that contributed to the decrease was charges for services decreased by \$314,291. This was due to a decrease in the full-time equivalent of students serviced during the fiscal year, offset by an increase in the prospective billing rates provided by the New York State Education Department Rate Setting Unit. In addition, the District received a reconciled rate for the 2013-14 fiscal year that was lower than the prospective rate at which the District billed other districts per student. This resulted in credits being issued in the amount of \$203,197 to various districts.

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

The District's expenses for the year decreased by \$533,261 or 7.20%. General support expenses decreased by \$385,296. The prior year general support expenses included the cost of repairs and renovations to the lobby of the school building, which totaled \$351,017. Instructional expenses decreased by \$147,661, primarily in the area of employee benefits due to a reduction in the District contribution to the New York State Teachers' Retirement System.

As indicated on the graphs that follow, charges for services is the largest component of revenues recognized (i.e., 95.6% and 95.8% of the total for the years 2016 and 2015, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 77.4% and 73.8% of the total for the years 2016 and 2015, respectively).

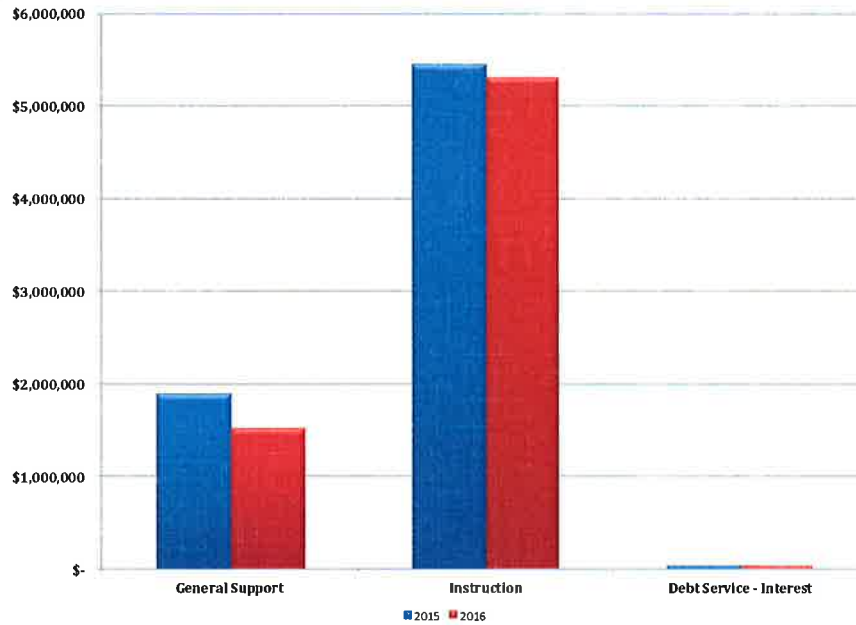
A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Operating Grants	State Sources	Other
2015	95.8%	2.8%	0.4%	1.0%
2016	95.6%	2.8%	0.4%	1.2%

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

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



	General Support	Instruction	Debt Service - Interest
2015	25.7%	73.8%	0.5%
2016	22.1%	77.4%	0.5%

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2016, the District's general fund reported a fund balance deficit of \$(304,297), which is an improvement of \$344,706 from the prior year deficit. This fund balance increase is due to an excess of revenues over expenditures based upon the modified accrual basis of accounting.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2015-16 Budget

The District's general fund adopted budget for the year ended June 30, 2016 was \$6,873,955.

The adopted budget was primarily funded through \$6,771,595 in estimated charges for services.

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

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

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

Opening, Unassigned Fund Balance (Deficit)	\$	(649,003)
Revenues Under Budget		(166,226)
Expenditures Under Budget		510,932
Closing, Unassigned Fund Balance (Deficit)	\$	(304,297)

Opening, Unassigned Fund Balance (Deficit)

The \$(649,003) shown in the table is the portion of the District's June 30, 2015 fund balance that was considered unassigned.

Revenues Under Budget

The 2015-16 final budget for revenues was \$6,873,955. Actual revenues received for the year were \$6,707,729. The deficiency of actual revenue over estimated or budgeted revenue was \$(166,226), primarily in the charges for services area. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

Expenditures Under Budget

The 2015-16 final budget for expenditures was \$6,873,955. Actual expenditures as of June 30, 2016 were \$6,363,023. The final budget was under expended by \$510,932, primarily in the teaching regular school and employee benefits areas of the budget. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2015 to June 30, 2016.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance deficit at June 30, 2016 was \$(304,297).

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2016, the District had invested in a broad range of capital assets, as indicated in the table below. The net decrease in capital assets is due to depreciation of \$195,562 recorded for the year ended June 30, 2016. A summary of the District's capital assets, net of depreciation at June 30, 2016 and 2015 is as follows:

	2016	As Restated 2015	Increase (Decrease)
Buildings	\$ 1,470,476	\$ 1,633,862	\$ (163,386)
Equipment	130,582	162,758	(32,176)
Capital assets, net	\$ 1,601,058	\$ 1,796,620	\$ (195,562)

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

B. Debt Administration

Included in the District's long-term liabilities are the estimated amounts due for compensated absences, other liabilities and net other postemployment benefits obligation. The compensated absences liability of \$541,467 is based on employment contracts. The other liability, in the amount of \$331,332, is the outstanding principal balance of a long-term liability to the Agency for the repayment of repairs to the District's lobby, which were paid for by the Agency. The net other postemployment benefits obligation is based on an actuarially determined amount in accordance with GASB Statement No. 45 in the amount of \$5,169,090.

During the year ended June 30, 2016, the District issued a revenue anticipation note payable in the amount of \$800,000, which is guaranteed by the Agency. This note carries an interest rate of 3.50% per annum, and is due in June 2017.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the Board of Education on May 23, 2016, for the year ending June 30, 2017, is \$6,866,535. This is a decrease of \$7,420 or 0.11% from the previous year's budget. The decrease is principally in the general government support area of the budget of \$14,440, offset by an increase in the instructional program budget of \$7,170.

The District budgeted revenues at a \$7,420 decrease from the prior year's estimate. This decrease is in estimated charges for services.

B. Future Budgets

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

C. Rate Reconciliation

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

8. CONTACTING THE DISTRICT

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

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

LITTLE FLOWER UNION FREE SCHOOL DISTRICT

Statement of Net Position

June 30, 2016

ASSETS

Cash	\$ 741,728
Receivables	
Accounts receivable	1,089,130
Due from state and federal	145,995
Due from other governments	24,935
Capital assets: Being depreciated, net of accumulated depreciation	1,601,058
Net pension asset - proportionate share	<u>2,121,287</u>
 Total Assets	 <u>5,724,133</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>784,338</u>
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LIABILITIES

Payables	
Accounts payable	380,505
Accrued liabilities	651,735
Due to other governments	21,277
Due to teachers' retirement system	429,079
Due to employees' retirement system	25,045
Notes payable	
Revenue anticipation	800,000
Long-term liabilities	
Due and payable within one year	
Compensated absences payable	4,771
Other liabilities	10,279
Due and payable after one year	
Compensated absences payable	536,696
Other liabilities	321,053
Net other postemployment benefits obligation	5,169,090
Net pension liability - proportionate share	<u>386,536</u>
 Total Liabilities	 <u>8,736,066</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>788,408</u>
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NET POSITION (DEFICIT)

Net investment in capital assets	1,601,058
Unrestricted (deficit)	<u>(4,617,061)</u>
 Total Net Position (Deficit)	 <u>\$ (3,016,003)</u>

LITTLE FLOWER UNION FREE SCHOOL DISTRICT

Statement of Activities

For The Year Ended June 30, 2016

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	
FUNCTIONS/PROGRAMS				
General support	\$ 1,520,223	\$	\$	\$ (1,520,223)
Instruction	5,315,601	6,583,567	193,240	1,461,206
Debt service - interest	37,783			(37,783)
Total Functions and Programs	\$ 6,873,607	\$ 6,583,567	\$ 193,240	(96,800)
 GENERAL REVENUES				
Use of money and property				333
Sale of property and compensation for loss				1,216
Miscellaneous				75,071
State sources				30,677
Total General Revenues				107,297
Change in Net Position				10,497
Total Net Position (Deficit) - Beginning of Year, as Restated				(3,026,500)
Total Net Position (Deficit) - End of Year				\$ (3,016,003)

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2016

	General	Special Aid	Total Governmental Funds
ASSETS			
Cash	\$ 730,393	\$ 11,335	\$ 741,728
Receivables			
Accounts receivable	1,089,130		1,089,130
Due from other funds	120,775		120,775
Due from state and federal	30,001	115,994	145,995
Due from other governments	24,935		24,935
	<u>\$ 1,995,234</u>	<u>\$ 127,329</u>	<u>\$ 2,122,563</u>
Total Assets			
LIABILITIES			
Payables			
Accounts payable	\$ 373,951	\$ 6,554	\$ 380,505
Accrued liabilities	650,179		650,179
Due to other funds		120,775	120,775
Due to other governments	21,277		21,277
Due to teachers' retirement system	429,079		429,079
Due to employees' retirement system	25,045		25,045
Notes payable			
Revenue anticipation	800,000		800,000
	<u>2,299,531</u>	<u>127,329</u>	<u>2,426,860</u>
Total Liabilities			
FUND BALANCES (DEFICIT)			
Unassigned: Fund balance (deficit)	<u>(304,297)</u>	<u></u>	<u>(304,297)</u>
Total Liabilities and Fund Balances	<u>\$ 1,995,234</u>	<u>\$ 127,329</u>	<u>\$ 2,122,563</u>

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2016

Total Governmental Fund Balances (Deficit) \$ (304,297)

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

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

Original cost of capital assets	\$ 3,627,932	
Accumulated depreciation	<u>(2,026,874)</u>	1,601,058

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

Net pension asset - teachers' retirement system	2,121,287	
Deferred outflows of resources	784,338	
Net pension liability - employees' retirement system	(386,536)	
Deferred inflows of resources	<u>(788,408)</u>	1,730,681

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

Accrued interest on RAN	(1,556)	
Compensated absences payable	(541,467)	
Other liabilities payable	(331,332)	
Net other postemployment benefits obligation	<u>(5,169,090)</u>	<u>(6,043,445)</u>

Total Net Position (Deficit) \$ (3,016,003)

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2016

	General	Special Aid	Total Governmental Funds
REVENUES			
Charges for services	\$ 6,583,567	\$	\$ 6,583,567
Use of money and property	333		333
Sale of property and compensation for loss	1,216		1,216
Miscellaneous	75,071		75,071
State sources	30,677		30,677
Federal sources	16,865	176,375	193,240
Total Revenues	6,707,729	176,375	6,884,104
EXPENDITURES			
General support	1,023,306		1,023,306
Instruction	3,332,303	176,375	3,508,678
Employee benefits	1,959,802		1,959,802
Debt Service			
Principal	9,985		9,985
Interest	37,627		37,627
Total Expenditures	6,363,023	176,375	6,539,398
Excess of Revenues Over Expenditures	344,706	-	344,706
Fund Balances (Deficit) - Beginning of Year	(649,003)		(649,003)
Fund Balances (Deficit) - End of Year	\$ (304,297)	\$ -	\$ (304,297)

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2016

Net Change in Fund Balances \$ 344,706

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

Long-Term Revenue and Expense Differences

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

Decrease in compensated absences payable \$ 29,113

Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.

Increase in net other postemployment benefits obligation (680,508)
(651,395)

Capital Related Differences

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

Capital outlays -
Depreciation expense (195,562)
(195,562)

Long-Term Debt Transactions Differences

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

Repayment of other long-term debt 9,985

Interest on debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest increased from June 30, 2015 to June 30, 2016.

(156)
9,829

Pension Differences

The decrease in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.

Teachers' retirement system 547,280
Employees' retirement system (44,361)
502,919

Change in Net Position of Governmental Activities \$ 10,497

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2016

	<u>Agency</u>
ASSETS	
Cash	<u>\$ 709</u>
Total Assets	<u><u>\$ 709</u></u>
LIABILITIES	
Other liabilities	<u>\$ 709</u>
Total Liabilities	<u><u>\$ 709</u></u>

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

B. Joint Venture

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

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

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

C. Basis of Presentation

District-Wide Financial Statements

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

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

Fund Financial Statements

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

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

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

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

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

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

Agency Funds - These funds are strictly custodial in nature and do not involve the measurement of results of operations. Assets are held by the District as agent for payroll or employee withholding.

D. Measurement Focus and Basis of Accounting

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

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

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

E. Interfund Transactions

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

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

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

F. 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

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

revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, other postemployment benefits, workers' compensation liabilities, potential contingent liabilities and useful lives of long-lived assets.

G. Cash and Cash Equivalents

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

H. Receivables

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

I. Capital Assets

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

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

	Capitalization Threshold	Estimated Useful Life
Buildings and improvements	\$ 5,000	20 years
Furniture, fixtures and equipment	5,000	3-10 years

J. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The District has two items that qualify for reporting in this category. The first item is related to pensions and represents the effect of the net change in the District's proportion of the collective net pension asset or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The second item is the District's contributions to the pension systems subsequent to the measurement date.

K. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue) until that time. This balance is related to pensions reported in the district-wide Statement of Net Position. It represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement periods between the District's contributions and its proportionate share of total

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

contributions to the pension systems not included in pension expense, and the net difference between projected and actual earnings on pension plan investments.

L. Employee Benefits – Compensated Absences

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

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

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

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

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

M. Other Benefits

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

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

N. Short-Term Debt

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

O. Equity Classifications

District-Wide Statements

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

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

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

Fund Statements

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

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

Fund Balance Classification

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

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

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

P. Charges for Services

The District charges other school districts and counties tuition based on a per diem rate for all students from that district assigned to Little Flower Union Free School District. The preliminary rate charged is set by the New York State Education Department. After the end of the year, the New York State Education Department, based upon actual revenues and expenses for the year, will set an approved rate resulting in

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

adjustments in the tuition rates to participating districts and counties in the ensuing years. This approved rate is subject to review and appeal by the District. Adjustments in tuition revenues for the final rates will be reflected in later years when future rates are adjusted, normally two years after the end of each fiscal year.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

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

Pension Differences

Pension differences occur as a result of changes in the District's proportion of the collective net pension asset/liability, differences between the District's contributions and its proportionate share of the total contributions to the pension systems and District contributions to the pension systems subsequent to the measurement date.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

Appropriations are adopted at the program line item level.

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

Budgets are adopted annually on a basis consistent with GAAP.

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

B. Encumbrances

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

C. Unassigned Fund Balance Deficit

The general fund has an unassigned fund balance deficit of \$304,297.

4. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The District's investment policies are governed by state statutes and District policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies

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

located within the state. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

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

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

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

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

5. PARTICIPATION IN BOCES

During the year ended June 30, 2016, the District was billed \$64,913 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$19,618. Financial statements for the BOCES are available from the BOCES administrative offices at 201 Sunrise Highway, Patchogue, New York 11772.

6. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, represents amounts due to the District for tuition charges as follows:

Suffolk County DSS	\$ 422,365
Nassau County DSS	37,790
NYC Department of Education	73,243
Other districts	<u>555,732</u>
	<u>\$ 1,089,130</u>

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2016 consisted of:

General Fund	
New York State - general aid	\$ 13,136
Federal grant	<u>16,865</u>
	30,001
Special Aid Fund	
Federal and state grants	<u>115,994</u>
	<u>\$ 145,995</u>

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

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2016 consisted of:

General Fund		
BOCES aid	\$	19,366
Other entities		<u>5,569</u>
	<u>\$</u>	<u>24,935</u>

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2016, are as follows:

	<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 120,775	\$
Special Aid Fund		<u>120,775</u>
Total	<u>\$ 120,775</u>	<u>\$ 120,775</u>

10. CAPITAL ASSETS / PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2016, the District had a third-party vendor perform a physical inventory of the District's capital assets. As a result of the inventory, it was necessary for the District to adjust the June 30, 2015 capital assets and accumulated depreciation balances as follows:

	<u>As Reported</u>	<u>As Restated</u>	<u>Increase</u>
	<u>June 30, 2015</u>	<u>June 30, 2015</u>	<u>(Decrease)</u>
Governmental activities			
Capital assets being depreciated			
Buildings and improvements	\$ 3,267,722	\$ 3,267,722	\$ -
Furniture and fixtures	201,701		(201,701)
Equipment	<u>889,658</u>	<u>360,210</u>	<u>(529,448)</u>
Total capital assets			
being depreciated	<u>4,359,081</u>	<u>3,627,932</u>	<u>(731,149)</u>
Less accumulated depreciation for:			
Buildings and improvements	1,633,860	1,633,860	-
Furniture and fixtures	165,183		(165,183)
Equipment	<u>727,167</u>	<u>197,452</u>	<u>(529,715)</u>
Total accumulated depreciation	<u>2,526,210</u>	<u>1,831,312</u>	<u>(694,898)</u>
Total capital assets,			
being depreciated, net	<u>\$ 1,832,871</u>	<u>\$ 1,796,620</u>	(36,251)
Total Net Position (Deficit) - Beginning of Year			
As originally stated			<u>(2,990,249)</u>
As Restated			<u>\$ (3,026,500)</u>

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

Capital asset balances and activity for the year ended June 30, 2016 were as follows:

	As Restated Balance <u>June 30, 2015</u>	Additions	Reductions	Balance <u>June 30, 2016</u>
Governmental activities				
Capital assets being depreciated				
Buildings	\$ 3,267,722	\$	\$	\$ 3,267,722
Equipment	360,210			360,210
Total capital assets being depreciated	<u>3,627,932</u>	-	-	<u>3,627,932</u>
Less accumulated depreciation for:				
Buildings	1,633,860	163,386		1,797,246
Equipment	197,452	32,176		229,628
Total accumulated depreciation	<u>1,831,312</u>	<u>195,562</u>	-	<u>2,026,874</u>
Capital assets, net	<u>\$ 1,796,620</u>	<u>\$ (195,562)</u>	<u>\$ -</u>	<u>\$ 1,601,058</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 163,386
Instruction	<u>32,176</u>
Total depreciation expense	<u>\$ 195,562</u>

11. SHORT-TERM DEBT

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

	Maturity	Stated Interest Rate	Balance <u>June 30, 2015</u>	Issued	Redeemed	Balance <u>June 30, 2016</u>
RAN	6/10/2016	3.50%	\$ 800,000	\$	\$ (800,000)	\$
RAN	6/9/2017	3.50%		<u>800,000</u>		<u>800,000</u>
			<u>\$ 800,000</u>	<u>\$ 800,000</u>	<u>\$ (800,000)</u>	<u>\$ 800,000</u>

A revenue anticipation note (RAN) is a short-term interest bearing note issued by the District in anticipation of revenues to be received at a later date. The RAN is guaranteed by the Agency, a related party. The balance of \$800,000 is due in June 2017. Interest is payable at the rate of 3.50% per annum.

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

Interest paid	\$ 27,844
Less interest accrued in the prior year	(1,400)
Plus interest accrued in the current year	<u>1,556</u>
Total interest expense on short-term debt	<u>\$ 28,000</u>

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

12. LONG-TERM LIABILITIES

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

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Other long-term liabilities					
Compensated absences	\$ 570,580	\$ -	\$ (29,113)	\$ 541,467	\$ 4,771
Other liabilities	341,317		(9,985)	331,332	10,279
	<u>\$ 911,897</u>	<u>\$ -</u>	<u>\$ (39,098)</u>	<u>\$ 872,799</u>	<u>\$ 15,050</u>

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

A. Other Liabilities

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 10,279	\$ 9,489	\$ 19,768
2018	10,582	9,186	19,768
2019	10,894	8,874	19,768
2020	11,214	8,554	19,768
2021	11,544	8,224	19,768
2022 - 2026	63,025	35,818	98,843
2027 - 2031	72,865	25,978	98,843
2032 - 2036	84,240	14,602	98,842
2037 - 2039	56,689	2,617	59,306
Total	<u>\$ 331,332</u>	<u>\$ 123,342</u>	<u>\$ 454,674</u>

B. Interest Expense

Interest on long-term debt for the year was \$9,783.

13. PENSION PLANS – NEW YORK STATE

A. General Information

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

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

B. Provisions and Administration

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

Employees' Retirement System

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

C. Funding Policies

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

The District's share of the required contributions, based on covered payroll paid for the District's year ended June 30th, for the current year and two preceding years was:

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

Contributions	TRS	ERS
2016	\$ 407,919	\$ 91,963
2015	537,785	109,630
2014	501,670	101,455

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

At June 30, 2016, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2015, for TRS and March 31, 2016 for ERS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
District's proportionate share of the net pension asset/(liability)	\$ 2,121,287	\$ (386,536)
District's portion of the Plan's total net pension asset/(liability)	0.0204230%	0.0024083%
Change in proportion since the prior measurement date	(0.0004770)	0.0000997

For the year ended June 30, 2016, the District recognized pension expense (credit) of \$(139,187) for TRS and \$136,324 for ERS. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$	\$ 1,953	\$ 58,790	\$ 45,817
Changes of assumptions		103,077		
Net difference between projected and actual earnings on pension plan investments		229,314	670,550	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	14,890	2,140	5,994	7,257
District's contributions subsequent to the measurement date	407,919	25,045		
Total	\$ 422,809	\$ 361,529	\$ 735,334	\$ 53,074

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

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. 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 Ended	TRS	ERS
2017	\$ (269,514)	\$ 71,319
2018	(269,514)	71,319
2019	(269,514)	71,319
2020	112,460	69,453
2021	(6,383)	
Thereafter	(17,979)	
	\$ (720,444)	\$ 283,410

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2015	March 31, 2016
Actuarial valuation date	June 30, 2014	April 1, 2015
Interest rate	8.0%	7.0%
Salary scale	4.01-10.91%	3.8%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	3.0%	2.5%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale AA. 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, the actuarial assumptions used in the June 30, 2014 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2015 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate

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

of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

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

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2015		March 31, 2016
Asset type				
Domestic equity	37.0%	6.50%	38.0%	7.30%
International equity	18.0%	7.70%	13.0%	8.55%
Real estate	10.0%	4.60%	8.0%	8.25%
Alternative investments	7.0%	9.90%	19.0%	6.75-11.00%
Domestic fixed income securities	17.0%	2.10%		
Global fixed income securities	2.0%	1.90%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term	1.0%	1.20%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

The discount rate used to calculate the total pension liability was 8.0% for TRS and 7.0% for ERS (the discount rate used by the ERS at the prior year's measurement date of March 31, 2015 was 7.5%). The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% for TRS and 7.0% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (7.0% for TRS and 6.0% for ERS) or 1 percentage point higher (9.0% for TRS and 8.0% for ERS) than the current rate:

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

TRIS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	\$ (144,699)	\$ 2,121,287	\$ 4,053,698
ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
District's proportionate share of the net pension asset (liability)	\$ (871,610)	\$ (386,536)	\$ 23,331

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:

	TRIS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2015	March 31, 2016
Employers' total pension liability	\$ (99,332,104)	\$ (172,303,544)
Plan fiduciary net position	109,718,917	156,253,265
Employers' net pension asset/(liability)	\$ 10,386,813	\$ (16,050,279)
Ratio of plan fiduciary net position to the employers' total pension liability	110.46%	90.68%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2016, are paid to the System in September, October and November 2016 through a state aid intercept. Accrued retirement contributions as of June 30, 2016, represent employer and employee contributions for the fiscal year ended June 30, 2016, based on paid TRS covered wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2016 amounted to \$407,919 of employer contributions and \$21,160 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2016, represent the projected employer contribution for the period of April 1, 2016 through June 30, 2016 based on paid ERS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2016 amounted to \$25,045 of employer contributions. Employee contributions are remitted monthly.

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

14. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the District and the employees for the year ended June 30, 2016, totaled \$68,132 and \$143,505, respectively.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. Amounts deferred by eligible employees for the year ended June 30, 2016 totaled \$11,500.

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. Plan Description

The District provides medical, Medicare part B reimbursement, and prescription drug benefits (the healthcare plan) to retired employees in accordance with employment contracts. The plan is a single-employer defined benefit healthcare plan primarily administered through the New York State Health Insurance Program – Empire Plan. The plan does not issue a stand-alone financial report.

B. Funding Policy

The District assumes its share of the premiums and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2016, the District recognized a general fund expenditure of \$137,125 for insurance premiums for currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the “pay as you go” method.

C. Annual OPEB Cost and Net OPEB Obligation

The District’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of the District’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District’s net OPEB obligation.

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

Annual required contribution (ARC)	\$ 887,681
Interest on net OPEB obligation	179,543
Adjustment to ARC	<u>(249,591)</u>
Annual OPEB cost (expense)	817,633
Contributions made	<u>(137,125)</u>
Increase in net OPEB obligation	680,508
Net OPEB obligation - beginning of year	<u>4,488,582</u>
Net OPEB obligation - end of year	<u><u>\$ 5,169,090</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2016 and the two preceding years are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2016	\$ 817,633	16.8%	\$ 5,169,090
June 30, 2015	918,392	14.9%	4,488,582
June 30, 2014	865,413	16.2%	3,707,315

D. Funded Status and Funding Progress

As of July 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,378,343 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,378,343. The covered payroll (annual payroll of active employees covered by the plan) was \$3,537,352, and the ratio of the UAAL to the covered payroll was 208.6%.

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

E. Actuarial Methods and Assumptions

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

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

In the July 1, 2015, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% discount rate and an annual healthcare cost trend rate of 5.90% initially, reduced by decrements to an ultimate rate of 5.08% after 30 years and a 2.3% inflation rate. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

16. RISK MANAGEMENT

General Information

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

17. RELATED PARTY TRANSACTIONS

In addition to the guarantee of the RAN outlined in Note 11, The District contracts with Little Flower Children and Family Services of New York (Agency), a related party, for various services including maintenance, nursing, counseling, etc. Total expenditures related to these services for the ended June 30, 2016 were \$114,000, plus an additional \$24,837 for electric not included in the contract and billed monthly. At June 30, 2016, the District has recorded payables totaling \$17,524 due to the Agency for services provided, which is included in accounts payable and accrued expenses.

The Agency receives Federal and State reimbursement for hot meals prepared by the Agency and served by the District. The District recognized revenue in the amount of \$55,446 for its share of the meals served.

The District has an agreement with the Agency for a lease of a parcel of land. The lease is for a period of fifty years, ending July 17, 2040, and may continue for five year extension periods upon mutual agreement between the District and the Agency. The District pays the Agency \$1 per year for basic rent, and additional rent equal to the Agency's cost of maintaining the facilities.

On July 14, 2014, an amendment to the agreement was made, whereby the District is to repay the Agency for repairs to the school building lobby incurred by the Agency in the amount of \$351,017. This amount is to be repaid monthly over twenty-five years at an interest rate of 2.905% per annum. See Note 12, Long-Term Liabilities for further details.

18. COMMITMENTS AND CONTINGENCIES

A. Tuition Rate

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

B. Grants

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

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

C. Concentrations

As of June 30, 2016, Suffolk County's Department of Social Services and New York City's Department of Education, comprised approximately 38.8% and 6.7% of accounts receivable, respectively. Suffolk County's Department of Social Services and New York City's Department of Education comprised 15.3% and 14.3% of tuition revenue, respectively.

D. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. Management believes that the outcome of any matters will not have a material effect on these financial statements.

19. SUBSEQUENT EVENTS

The District has evaluated subsequent events through October 3, 2016, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

Issuance of Bonds

The District, through the Dormitory Authority of the State of New York (DASNY), participated in the issuance of special obligations of DASNY for the purpose of building construction. The bonds were issued on July 27, 2016 in the amount of \$5,165,000, bear interest at a rate of 4.5% and mature on July 1, 2036. The bond proceeds are to be used to pay the costs of the project, to make deposits to the debt service reserve fund, the building and equipment reserve fund and to pay the costs of issuance. The District has entered into a sublease agreement with DASNY. The District's obligation to pay annual rentals under its sublease agreement is secured by an assignment of certain financial aid to be received by the District from the State of New York, pursuant to Section 3602 of Education Law and an assignment of a portion of the tuition payable to the District by local school districts and social services agencies that are financially responsible for the education of the students attending the District. A portion of the tuition, at a rate set by the New York State Education Department Rate Setting Unit is to be paid directly to the State Comptroller for deposit in the school financing reserve fund.

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Charges for services	\$ 6,771,595	\$ 6,771,595	\$ 6,583,567	\$ (188,028)
Use of money and property	250	250	333	83
Sale of property and compensation for loss			1,216	1,216
Miscellaneous	62,820	62,820	75,071	12,251
Total Local Sources	6,834,665	6,834,665	6,660,187	(174,478)
State Sources	22,780	22,780	30,677	7,897
Federal Sources	16,510	16,510	16,865	355
Total Revenues	\$ 6,873,955	\$ 6,873,955	6,707,729	\$ (166,226)

Note to Required Supplementary Information

Budget Basis of Accounting

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

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2016

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
EXPENDITURES				
General Support				
Board of education	\$ 19,175	\$ 13,675	\$ 11,860	\$ 1,815
Central administration	226,675	226,675	224,920	1,755
Finance	267,225	258,773	247,422	11,351
Staff	10,210	15,710	14,484	1,226
Central services	550,565	539,247	481,774	57,473
Special items	43,870	43,870	42,846	1,024
Total General Support	<u>1,117,720</u>	<u>1,097,950</u>	<u>1,023,306</u>	<u>74,644</u>
Instruction				
Administration & improvement	184,800	184,800	183,950	850
Teaching - regular school	2,505,270	2,494,270	2,282,968	211,302
Programs for students with disabilities	338,715	338,715	253,604	85,111
Teaching - special schools	66,700	77,700	73,865	3,835
Pupil services	543,575	543,575	537,916	5,659
Total Instruction	<u>3,639,060</u>	<u>3,639,060</u>	<u>3,332,303</u>	<u>306,757</u>
Employee Benefits	<u>2,087,175</u>	<u>2,087,175</u>	<u>1,959,802</u>	<u>127,373</u>
Debt Service				
Principal	-	9,985	9,985	-
Interest	30,000	39,785	37,627	2,158
Total Debt Service	<u>30,000</u>	<u>49,770</u>	<u>47,612</u>	<u>2,158</u>
Total Expenditures	<u>\$ 6,873,955</u>	<u>\$ 6,873,955</u>	6,363,023	<u>\$ 510,932</u>
Net Change in Fund Balance			344,706	
Fund Balance (Deficit) - Beginning of Year			<u>(649,003)</u>	
Fund Balance (Deficit) - End of Year			<u>\$ (304,297)</u>	

Note to Required Supplementary Information

Budget Basis of Accounting

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

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2016

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2015	-	\$ 7,378,343	\$ 7,378,343	0%	\$ 3,537,352	208.6%
July 1, 2012	-	6,933,100	6,933,100	0%	3,314,846	209.2%
July 1, 2009	-	6,195,652	6,195,652	0%	2,963,872	209.0%

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2016

Teachers' Retirement System

	2016	2015
District's proportion of the net pension asset	0.0204230%	0.0209000%
District's proportionate share of the net pension asset	\$ 2,121,287	\$ 2,328,087
District's covered payroll	\$ 3,107,525	\$ 3,136,066
District's proportionate share of the net pension asset as a percentage of its covered payroll	68.26 %	74.24 %
Plan fiduciary net position as a percentage of the total pension liability	110.46%	111.48%

Employees' Retirement System

	2016	2015
District's proportion of the net pension liability	0.0024083%	0.0023086%
District's proportionate share of the net pension liability	\$ 386,536	\$ 77,990
District's covered payroll	\$ 543,909	\$ 578,682
District's proportionate share of the net pension liability as a percentage of its covered payroll	71.07 %	13.48 %
Plan fiduciary net position as a percentage of the total pension liability	90.68%	97.95%

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
June 30, 2016

Teachers' Retirement System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 407,919	\$ 537,785	\$ 501,670	\$ 342,515	\$ 338,882	\$ 265,937	\$ 170,508	\$ 216,835	\$ 234,981	\$ 206,631
Contributions in relation to the contractually required contribution	407,919	537,785	501,670	342,515	338,882	265,937	170,508	216,835	234,981	188,761
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,870
District's covered payroll	\$ 3,115,034	\$ 3,107,525	\$ 3,136,066	\$ 2,922,566	\$ 3,076,622	\$ 3,130,387	\$ 2,775,115	\$ 2,858,841	\$ 2,736,389	\$ 2,476,097
Contributions as a percentage of covered payroll	13%	17%	16%	12%	11%	8%	6%	8%	9%	8%

Employees' Retirement System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually required contribution	\$ 91,963	\$ 109,630	\$ 101,455	\$ 105,967	\$ 110,872	\$ 66,186	\$ 66,383	\$ 78,730	\$ 84,884	\$ 32,414
Contributions in relation to the contractually required contribution	91,963	109,630	101,455	105,967	110,872	66,186	66,383	78,730	84,884	32,414
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 510,325	\$ 603,333	\$ 539,650	\$ 526,851	\$ 552,456	\$ 519,059	\$ 529,773	\$ 622,332	\$ 637,816	\$ 357,232
Contributions as a percentage of covered payroll	18%	18%	19%	20%	20%	13%	13%	13%	13%	9%

LITTLE FLOWER UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2016

Capital assets, net	<u>\$ 1,601,058</u>
Net Investment in Capital Assets	<u><u>\$ 1,601,058</u></u>

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Little Flower Union Free School District (District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Little Flower Union Free School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Little Flower Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Little Flower Union Free School District's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Education, Audit Committee and management of the Little Flower Union Free School District in a separate letter dated October 3, 2016.

Purpose of this Report

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

Cullen & Danowski, LLP

October 3, 2016

