

**LITTLE FALLS
CITY SCHOOL DISTRICT**

Little Falls, New York

FINANCIAL REPORT

**For the Year Ended
June 30, 2022**



LITTLE FALLS CITY SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Little Falls City School District (the School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

During the year ended June 30, 2022, the School District adopted Government Accounting Standards Board (GASB) Statement No. 87, "Leases." As discussed in Note 17 to the financial statements, assets and liabilities and net position as of June 30, 2021 for the governmental activities was restated to reflect this change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; budgetary comparison schedules; the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans; the Schedules of the School District's Proportionate Share of the Net Pension (Asset)/Liability; Schedule of Changes in the District's Total OPEB Liability and Related Ratios; and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedules of Change from Adopted Budget to Final Budget and the Real Property Tax Limit; Schedule of Project Expenditures - Capital Projects Fund; Schedule of Net Investment in Capital Assets; Balance Sheet - Non-Major Governmental Funds; Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds (supplementary information); and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2022, on our consideration of the School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District’s internal control over financial reporting and compliance.

Respectfully submitted,

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

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 12, 2022

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

The following is a discussion and analysis of the Little Falls City School District's (the School District) financial performance for the fiscal year ended June 30, 2022. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows of resources related to the OPEB plan in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in an increase of District-wide expenses of \$2,567,870, compared to an increase of \$1,523,227 in 2021, and a net liability of \$60,342,770 at year-end.
- The School District ended the year with a total net deficit of \$39,985,332, an increase in the deficit of \$361,999 from the prior year. The year-end net position was composed of \$1,651,710 in restricted, \$13,705,533 in net investment in capital assets, and \$55,342,575 in unrestricted net deficit. The unrestricted net deficit increased \$906,777 compared to the prior year.
- Expenses exceeded revenues by \$361,999 in 2022, compared to expenses exceeding revenues by \$2,399,816 in 2021.
- The School District had \$29,841,312 in outstanding debt and lease liabilities at year end, a decrease of \$2,047,478 from the prior year, primarily due to debt repayment.
- Capital asset additions including intangible assets during 2022 amounted to \$5,672,649 for the purchase of vehicles, equipment, intangible assets, and construction in progress expenditures. Depreciation expense was \$1,512,662 for the current year.
- The General Fund budgeted expenditures, including carry-over encumbrances and other financing uses, were underspent by \$485,347, while revenues and other financing sources were under budget by \$990,109.
- Total General Fund balance, including reserves, was \$3,593,998 at June 30, 2022. Unassigned fund balance amounted to \$2,997,882, which was subject to and above the maximum limit (4% of 2022-2023 appropriations) permitted under New York State Real Property Tax Law.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year; Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plans; Schedules of the School District's Proportionate Share of the Net Pension (Asset)/Liability; and a Schedule of Changes in the School District's total OPEB Liability and Related Ratios related to the School District's unfunded actuarial liability for postemployment benefits.

District-Wide Financial Statements

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

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

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Governmental Fund Financial Statements

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

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

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net deficit for the fiscal year ended June 30, 2022 increased by \$361,999. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2022</i>	<i>2021</i>	
<i>Current Assets</i>	\$ 5,613,302	\$ 11,647,083	\$ (6,033,781)
<i>Noncurrent Assets</i>	9,191,255	1,160,256	8,030,999
<i>Capital Assets, Net</i>	43,831,543	39,948,923	3,882,620
<i>Total Assets</i>	58,636,100	52,756,262	5,879,838
<i>Deferred Charges on Defeased Debt</i>	13,400	22,338	(8,938)
<i>Pensions</i>	5,725,952	5,875,423	(149,471)
<i>Other Postemployment Benefits</i>	12,319,574	14,364,451	(2,044,877)
<i>Total Deferred Outflows of Resources</i>	18,058,926	20,262,212	(2,203,286)
<i>Current Liabilities</i>	4,771,056	33,631,571	(28,860,515)
<i>Noncurrent Liabilities</i>	97,161,893	69,115,695	28,046,198
<i>Total Liabilities</i>	101,932,949	102,747,266	(814,317)
<i>Pensions</i>	10,786,529	2,976,209	7,810,320
<i>Other Postemployment Benefits</i>	3,960,880	6,918,332	(2,957,452)
<i>Total Deferred Inflows of Resources</i>	14,747,409	9,894,541	4,852,868
<i>Net Investment in Capital Assets</i>	13,705,533	13,652,209	53,324
<i>Restricted</i>	1,651,710	1,160,256	491,454
<i>Unrestricted</i>	(55,342,575)	(54,435,798)	(906,777)
<i>Total Net (Deficit)</i>	\$ (39,985,332)	\$ (39,623,333)	\$ (361,999)

The decrease in current assets is primarily due to a decrease in cash based on results of operations and capital outlay for ongoing projects. The increase in capital assets, net, stems from capital outlay exceeding depreciation expense and net book value of disposed assets. The increase in noncurrent assets is primarily due to changes in the actuarially determined proportionate share of the pension systems plans, net pension (asset)/liabilities.

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

Current liabilities decreased and noncurrent liabilities increased primarily due to decreases in BANs payable which was converted to long term debt.

Net investment in capital assets increased based on capital outlay, debt proceeds, principal payments and depreciation/amortization expense for the current year. Restricted resources increased primarily due to the addition of restricted fund balances in the capital fund. Unrestricted net deficit increased due to results of operations partially offset by changes in other net position classifications. Our analysis in *Figure 2* considers the operations of the School District's activities.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2022</i>	<i>2021</i>	
<i>REVENUES</i>			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 290,643	\$ 193,491	\$ 97,152
<i>Operating Grants</i>	4,053,548	1,637,594	2,415,954
<i>Capital Grants</i>	62,369	614,670	(552,301)
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	7,621,963	7,482,072	139,891
<i>Real Property Tax Items</i>	1,678,908	1,705,320	(26,412)
<i>Unrestricted State Sources</i>	14,885,106	12,689,259	2,195,847
<i>Use of Money and Property</i>	25,774	25,314	460
<i>Other General Revenues</i>	315,399	481,518	(166,119)
<i>Total Revenues</i>	\$ 28,933,710	\$ 24,829,238	\$ 4,104,472
<i>PROGRAM EXPENDITURES</i>			
<i>General Support</i>	\$ 4,005,284	\$ 4,056,527	\$ (51,243)
<i>Instruction</i>	22,786,267	20,830,123	1,956,144
<i>Pupil Transportation</i>	1,664,493	1,403,501	260,992
<i>School Lunch Program</i>	684,437	607,526	76,911
<i>Interest on Debt</i>	155,228	331,377	(176,149)
<i>Total Expenditures</i>	\$ 29,295,709	\$ 27,229,054	\$ 2,066,655
<i>INCREASE IN NET POSITION</i>	\$ (361,999)	\$ (2,399,816)	\$ 2,037,817

Total revenues for the School District's Governmental Activities increased by \$4,104,472, or 16.53%, and total expenses increased by \$2,066,655, or 7.59%. Charges for services increased due to increases in school lunch sales. Operating grants and contributions increased primarily due to increases in CARES Act funding expended during the current year. Capital grants decreased based on SMART School State aid for capital projects. State sources increased primarily due to decreases in general aid. Property tax increased based on increases in the voter approved tax levy, while other tax items decreased due to decreased STAR payments. Other general revenues decreased due to net book value of disposed assets.

Expenses increased due to increases in salaries, inflation, and reimbursable grants awarded in the current year.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Figures 3 and 4 show the sources of revenue for 2022 and 2021.

Figure 3
Sources of Revenue for 2022

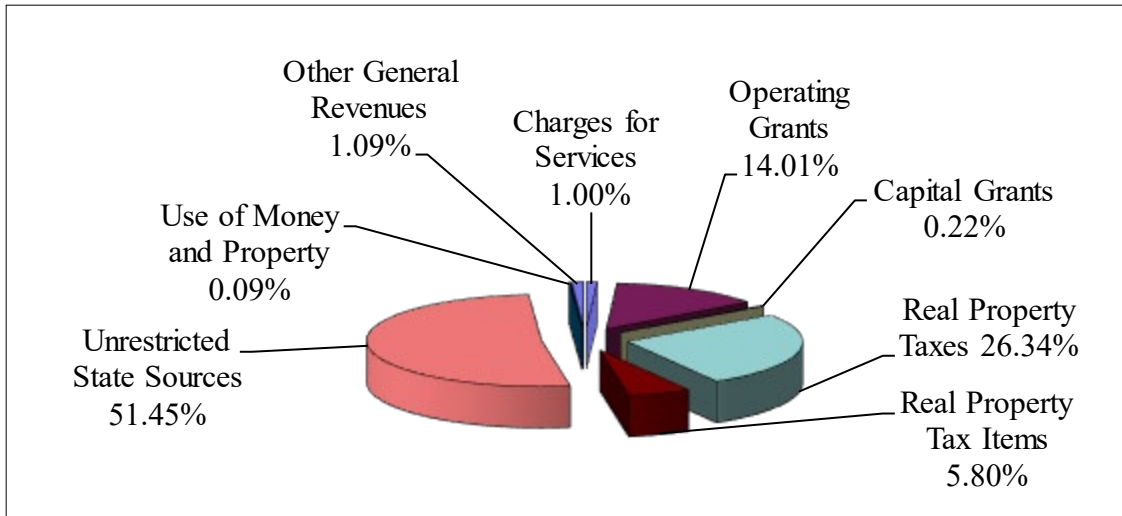
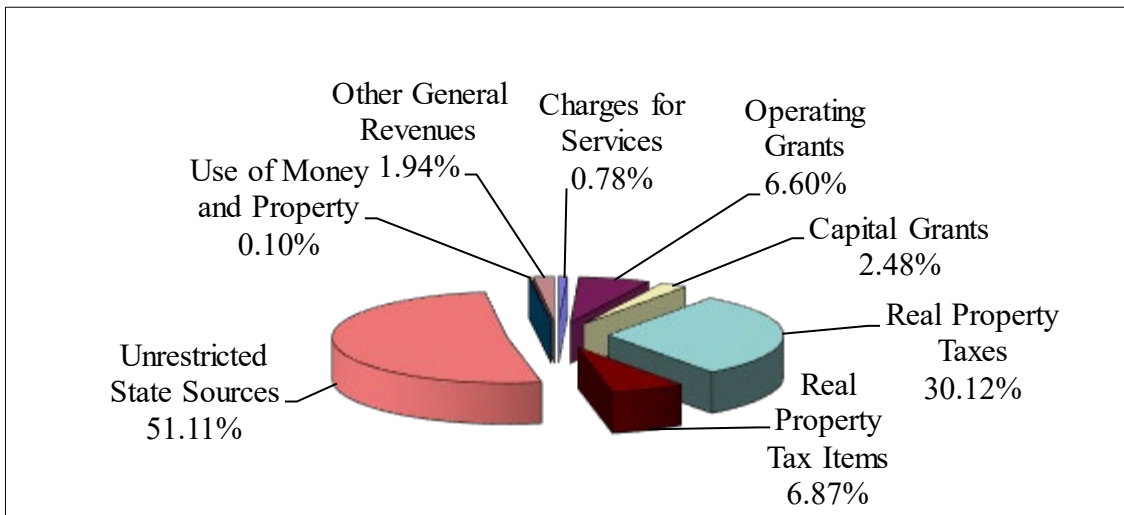


Figure 4
Sources of Revenue for 2021



LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Figures 5 and 6 present the cost of each of the School District's programs for 2022 and 2021.

Figure 5
Cost of Programs for 2022

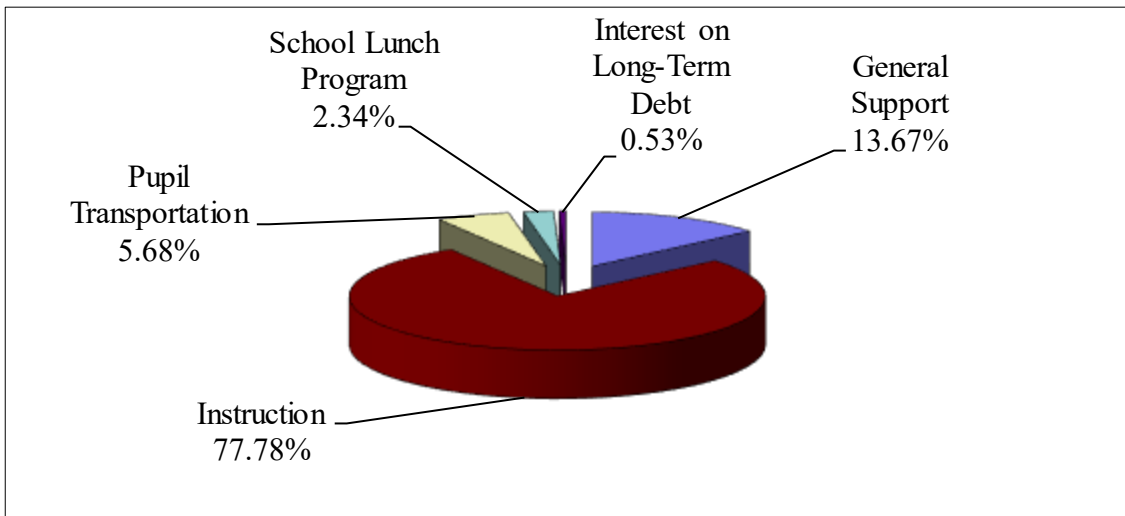
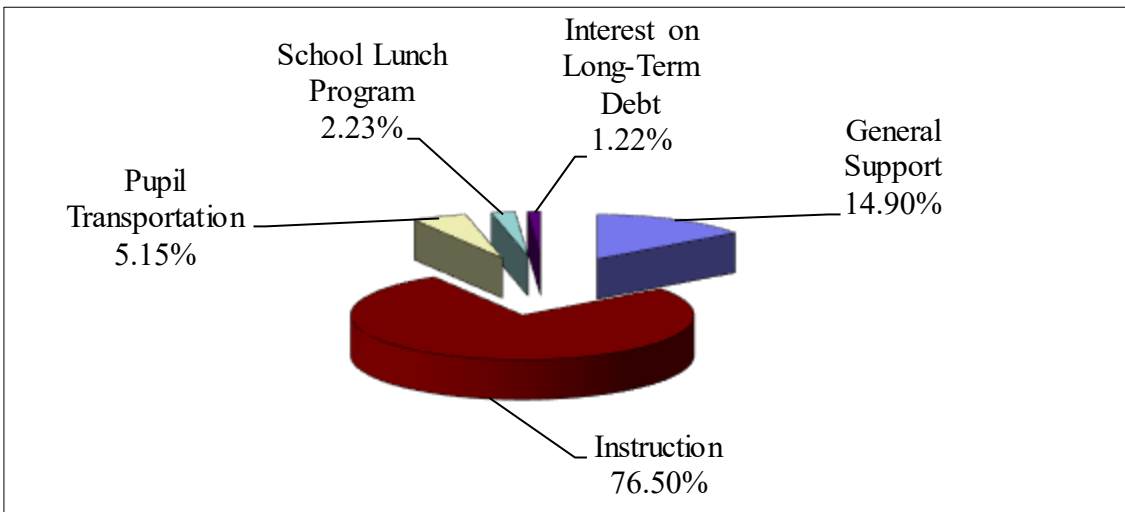


Figure 6
Cost of Programs for 2021



LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the change in the School District's fund balances for the year.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported combined fund balance of \$4,711,804. Capital Projects Fund increased as a result of new bonds issued to pay off BANS and finance capital projects.

Figure 7

<i>Governmental Fund Balances (Deficit)</i>	<i>2022</i>	<i>2021</i>	<i>Total Dollar Change</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 3,593,998	\$ 4,129,913	\$ (535,915)
<i>Capital Projects Fund</i>	646,687	(23,124,868)	23,771,555
<i>Non-Major Funds:</i>			
<i>School Lunch Fund</i>	79,046	(118,909)	197,955
<i>Debt Service Fund</i>	-	223,500	(223,500)
<i>Miscellaneous Special Revenue Fund</i>	392,073	381,195	10,878
<i>Total Governmental Funds Fund Balance (Deficit)</i>	\$ 4,711,804	\$ (18,509,169)	\$ 23,220,973

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The School District received \$990,109 less in General Fund revenues and other financing sources than was budgeted, primarily due to less than expected State sources. Expenditures and other financing uses were lower than the revised budget (with carryover encumbrances) by \$485,347. This is primarily due to lower than expected costs related to general support, and instruction.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ended June 30, 2022.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2022</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real Property Taxes</i>	\$ 9,046,365	\$ 9,046,365	\$ 7,621,963	\$ (1,424,402)
<i>Other Tax Items</i>	241,192	241,192	1,678,908	1,437,716
<i>State Sources</i>	15,918,975	15,918,975	14,949,753	(969,222)
<i>Federal Sources</i>	-	-	36,300	36,300
<i>Other, Including Financing Sources</i>	982,370	982,370	911,869	(70,501)
Total Revenues and Other Financing Sources	\$ 26,188,902	\$ 26,188,902	\$ 25,198,793	\$ (990,109)
Encumbrances	\$ 71,607	\$ 71,607		
EXPENDITURES				
<i>General Support</i>	\$ 3,401,867	\$ 3,192,297	\$ 3,017,480	\$ 174,817
<i>Instruction</i>	10,797,775	11,199,393	11,108,249	91,144
<i>Pupil Transportation</i>	1,243,760	1,311,696	1,266,188	45,508
<i>Employee Benefits</i>	7,446,835	7,452,987	7,383,672	69,315
<i>Debt Service</i>	3,258,272	2,992,136	2,992,136	-
<i>Other Financing Uses</i>	112,000	112,000	7,437	104,563
Total Expenditures and Other Financing (Uses)	\$ 26,260,509	\$ 26,260,509	\$ 25,775,162	\$ 485,347

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2022, the School District had invested in a broad range of capital assets. Capital assets, net of related depreciation and amortization, increased \$3,882,620 during 2022.

Figure 9

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2022</i>	<i>2021</i>	
<i>Land</i>	\$ 477,202	\$ 477,202	\$ -
<i>Construction in Progress</i>	29,799,978	24,730,338	5,069,640
<i>Improvements Other Than Buildings, Net</i>	298,694	379,838	(81,144)
<i>Buildings, Net</i>	11,982,895	13,209,883	(1,226,988)
<i>Equipment, Net</i>	792,459	950,120	(157,661)
<i>Intangible Lease Assets, Net</i>	480,315	201,542	278,773
Total	\$ 43,831,543	\$ 39,948,923	\$ 3,882,620

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

Capital asset activity for the year ended June 30, 2022 included the following:

Construction in Progress	\$ 5,115,640
Intangible Lease Asset	362,451
Equipment	194,558
Total Additions	5,672,649
Less Net Book Value of Disposed Assets	(193,689)
Less Depreciation Expense	(1,512,662)
Less Amortization Expense	(83,678)
Net Change in Capital Assets	\$ 3,882,620

Debt Administration

Debt, both short and long-term, including lease liabilities, considered a liability of Governmental Activities, decreased by \$2,047,478 in 2022, as shown in *Figure 10*. Total indebtedness represented 183.05% of the constitutional debt limit, exclusive of building aid estimates. The District received consent from the New York State Comptroller to issue obligations in excess of the allowable limit, pursuant to paragraph c of §104.00 of the Local Finance Law.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2022</i>	<i>2021</i>	
Bonds Payable	\$ 29,712,481	\$ 2,003,254	\$ 27,709,227
Installment Purchase Debt	24,253	31,483	(7,230)
Lease Liabilities	104,578	170,453	(65,875)
Bond Anticipation Notes	-	29,683,600	(29,683,600)
<i>Total</i>	\$ 29,841,312	\$ 31,888,790	\$ (2,047,478)

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

The School District's bond rating is A1.

LITTLE FALLS CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2022

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- On May 2018, School District residents approved the roughly \$30 million capital project. The first year of construction was due to be completed in December 2020, with the second and final phase to be completed in the Fall of 2021. Repayment of the capital project begins in the 2022-2023 school year.
- The School District has experienced steady enrollment numbers while neighboring districts are losing population.
- The special needs population has been growing consistently over the past three years and now constitutes just over 21% of the student body. The cost of providing services is not always predictable and will require building some flexibility into future budgets if the trend continues in the coming years.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

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

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2022

ASSETS

Current Assets

Cash and Cash Equivalents - Unrestricted	\$ 1,436,328
Cash and Cash Equivalents - Restricted	703,975
Due from State and Federal Governments	2,621,273
Due from Other Governments	680,939
Other Receivables	149,029
Inventories	21,758
Total Current Assets	5,613,302

Noncurrent Assets

Restricted Cash	768,212
Restricted Investments	179,523
Net Pension Asset - Proportionate Share	8,243,520
Capital Assets, Net:	
Nondepreciable	30,277,180
Intangible Lease Assets, Net	480,315
Depreciable Capital Assets, Net	13,074,048
Total Noncurrent Assets	53,022,798

Total Assets	58,636,100
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DEFERRED OUTFLOWS OF RESOURCES

Pensions	5,725,952
OPEB	12,319,574
Deferred Charges on Defeased Debt	13,400
Total Deferred Outflows of Resources	18,058,926

LIABILITIES

Current Liabilities

Accounts Payable	599,865
Accrued Liabilities	122,463
Retainage Payable	261,296
Bond Interest and Matured Bonds	251,507
Overpayments and Collections in Advance	56,803
Unearned Revenues - Other	102,646
Due to Teachers' Retirement System	866,254
Due to Employees' Retirement System	101,202

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION (Continued) JUNE 30, 2022

LIABILITIES (Continued)

Current Portion of Long-Term Liabilities

Bonds Payable	\$ 2,284,379
Capital lease obligation	<u>7,338</u>
Due to Retirement Systems	<u>49,730</u>
Lease Liabilities	<u>67,573</u>
Total Current Liabilities	<u>4,771,056</u>

Noncurrent Liabilities and Obligations

Bonds Payable	27,428,102
Capital lease obligation	<u>16,915</u>
Due to Retirement Systems	<u>50,472</u>
Lease Liabilities	<u>37,005</u>
Compensated Absences	<u>927,935</u>
Other Postemployment Benefits Liability	<u>68,701,464</u>
Total Noncurrent Liabilities and Obligations	<u>97,161,893</u>

Total Liabilities	<u>101,932,949</u>
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DEFERRED INFLOWS OF RESOURCES

Pensions	10,786,529
OPEB	<u>3,960,880</u>

Total Deferred Inflows of Resources	<u>14,747,409</u>
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NET POSITION

Net Investment in Capital Assets	13,705,533
Restricted	<u>1,651,710</u>
Unrestricted Net (Deficit)	<u>(55,342,575)</u>

Total Net (Deficit)	<u>\$ (39,985,332)</u>
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See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants		Capital Grants
General Support	\$ 4,005,284	\$ -	\$ -	\$ -	\$ (4,005,284)
Instruction	22,786,267	188,499	3,304,713	62,369	(19,230,686)
Pupil Transportation	1,664,493	-	-	-	(1,664,493)
School Lunch Program	684,437	102,144	748,835	-	166,542
Interest on Debt	155,228	-	-	-	(155,228)
Total Functions and Programs	<u>\$ 29,295,709</u>	<u>\$ 290,643</u>	<u>\$ 4,053,548</u>	<u>\$ 62,369</u>	<u>(24,889,149)</u>

GENERAL REVENUES

Real Property Taxes	7,621,963
Real Property Tax Items	1,678,908
Use of Money and Property	25,774
Unrestricted State Sources	14,885,106
Sale of Property	(171,024)
Miscellaneous	486,423
Total General Revenues	<u>24,527,150</u>
Change in Net Position	<u>(361,999)</u>
Total Net (Deficit) - Beginning of Year	<u>(39,623,333)</u>
Total Net (Deficit) - End of Year	<u>\$ (39,985,332)</u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2022

	Major Funds			Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Special Aid Fund	Capital Projects Fund		
ASSETS					
Cash and Cash Equivalents - Unrestricted	\$ 1,070,875	\$ 172,841	\$ -	\$ 192,612	\$ 1,436,328
Cash and Cash Equivalents - Restricted	1,080,013	-	122,336	269,838	1,472,187
Investments - Restricted	-	-	-	179,523	179,523
Due From Other Funds	1,327,907	388,970	563,475	46,071	2,326,423
Due From State and Federal Governments	1,304,308	1,112,913	62,369	141,683	2,621,273
Due From Other Governments	680,939	-	-	-	680,939
Other Receivables	139,839	-	-	9,190	149,029
Inventories	-	-	-	21,758	21,758
Total Assets	<u>\$ 5,603,881</u>	<u>\$ 1,674,724</u>	<u>\$ 748,180</u>	<u>\$ 860,675</u>	<u>\$ 8,887,460</u>
LIABILITIES					
Accounts Payable	\$ 220,647	\$ 331,294	\$ 36,802	\$ 11,122	\$ 599,865
Accrued Liabilities	107,962	-	-	14,501	122,463
Due to Other Funds	657,015	1,240,784	64,691	363,933	2,326,423
Due to Teachers' Retirement System	866,254	-	-	-	866,254
Due to Employees' Retirement System	101,202	-	-	-	101,202
Overpayments and Collections in Advance	56,803	-	-	-	56,803
Total Liabilities	<u>2,009,883</u>	<u>1,572,078</u>	<u>101,493</u>	<u>389,556</u>	<u>4,073,010</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenues	-	102,646	-	-	102,646
Total Deferred Inflows of Resources	<u>-</u>	<u>102,646</u>	<u>-</u>	<u>-</u>	<u>102,646</u>
FUND BALANCES					
Nonspendable	-	-	-	21,758	21,758
Restricted	555,662	-	646,687	449,361	1,651,710
Assigned	40,454	-	-	-	40,454
Unassigned	2,997,882	-	-	-	2,997,882
Total Fund Balances (Deficit)	<u>3,593,998</u>	<u>-</u>	<u>646,687</u>	<u>471,119</u>	<u>4,711,804</u>
Total Liabilities and Fund Balances	<u>\$ 5,603,881</u>	<u>\$ 1,674,724</u>	<u>\$ 748,180</u>	<u>\$ 860,675</u>	<u>\$ 8,887,460</u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2022

Fund Balances - Total Governmental Funds **\$ 4,711,804**

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

Capital assets, net of accumulated depreciation and amortization, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total Historical Cost	\$ 72,748,269	
Less Accumulated Depreciation	(28,623,319)	
Less Accumulated Amortization	<u>(293,407)</u>	43,831,543

The School District's proportionate share of the Employee Retirement Systems' collective net pension (asset) or liability is not reported in the funds.

ERS Net Pension (Asset)/Liability - Proportionate Share	\$ 625,472	
TRS Net Pension (Asset)/Liability - Proportionate Share	<u>7,618,048</u>	8,243,520

Deferred outflows of resources, including deferred charges on defeased debt, OPEB, and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including OPEB and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Charges on Defeased Debt	\$ 13,400	
Deferred Outflows of Resources - OPEB	12,319,574	
Deferred Inflows of Resources - OPEB	(3,960,880)	
ERS Deferred Outflows of Resources - Pension	1,303,021	
ERS Deferred Inflows of Resources - Pension	(2,155,358)	
TRS Deferred Outflows of Resources - Pension	4,422,931	
TRS Deferred Inflows of Resources - Pension	<u>(8,631,171)</u>	3,311,517

Long-term liabilities, including bonds payable, lease liabilities, employee retirement incentive, compensated absences, and amounts due for other postemployment employee benefits are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	\$ (29,631,565)	
Unamortized Bond Premium	(80,916)	
Installment Purchase Debt	(24,253)	
Lease Liabilities	(104,578)	
Retainage Payable	(261,296)	
Compensated Absences	(927,935)	
Other Postemployment Benefits Liabilities	(68,701,464)	
Due to Retirement Systems	<u>(100,202)</u>	(99,832,209)

Interest is accrued on outstanding balances of debt obligations in the District-wide financial statements.

Accrued Interest on Long-Term Debt		<u>(251,507)</u>
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Net (Deficit) of Governmental Activities **\$ (39,985,332)**

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2022

	Major Funds			Total Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Special Aid Fund	Capital Projects Fund		
REVENUES					
Real Property Taxes	\$ 7,621,963	\$ -	\$ -	\$ -	\$ 7,621,963
Real Property Tax Items	1,678,908	-	-	-	1,678,908
Charges for Services	77,649	-	-	-	77,649
Use of Money and Property	25,760	-	-	14	25,774
Sale of Property and Compensation for Loss	22,665	-	-	-	22,665
Miscellaneous	451,445	-	-	57,522	508,967
State Sources	14,949,753	182,629	62,369	12,964	15,207,715
Medicaid Reimbursement	110,850	-	-	-	110,850
Federal Sources	36,300	3,021,137	-	735,871	3,793,308
Sales - School Lunch	-	-	-	79,600	79,600
Total Revenues	24,975,293	3,203,766	62,369	885,971	25,923,633
EXPENDITURES					
General Support	3,012,790	-	-	-	3,012,790
Instruction	11,072,485	2,949,154	-	362,430	14,384,069
Pupil Transportation	1,266,188	52,502	-	-	1,318,690
Employee Benefits	7,383,672	209,547	-	24,396	7,617,615
Debt Service					
Principal	2,467,244	-	-	0	2,467,244
Interest	524,892	-	-	0	524,892
Cost of Sales	-	-	-	290,312	290,312
Capital Outlay	-	-	6,448,153	-	6,448,153
Total Expenditures	25,727,271	3,211,203	6,448,153	677,138	32,852,562
Excess (Deficiency) of Revenues Over Expenditures	(751,978)	(7,437)	(6,385,784)	208,833	(6,928,929)
OTHER FINANCING SOURCES AND (USES)					
BANs Redeemed From Appropriations	-	-	1,506,369	-	1,506,369
Proceeds of Obligations	-	-	28,650,970	-	28,650,970
Operating Transfers In	223,500	7,437	-	-	230,937
Operating Transfers (Out)	(7,437)	-	-	(223,500)	(230,937)
Total Other Sources (Uses)	216,063	7,437	30,157,339	(223,500)	30,149,902
Net Change in Fund Balance	(535,915)	-	23,771,555	(14,667)	23,220,973
Fund Balances - Beginning of Year	4,129,913	-	(23,124,868)	485,786	(18,509,169)
Fund Balances (Deficit) - End of Year	\$ 3,593,998	\$ -	\$ 646,687	\$ 471,119	\$ 4,711,804

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022

Net Change in Fund Balances - Total Governmental Funds **\$ 23,220,973**

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

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

Capital Outlay	\$ 5,672,649	
Net Book Value of Disposed Assets	(193,689)	
Amortization Expense	(83,678)	
Depreciation Expense	<u>(1,512,662)</u>	3,882,620

Bond and lease proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and lease principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, BAN premiums are recognized as revenue in the fund financial statements, but are amortized against interest expense in the Government-wide statements.

Installment Purchase Payment	\$ 7,230	
BAN Premium	377,270	
Proceeds of Leases	(362,451)	
Principal Payment - Leases	428,326	
Proceeds of Debt	(28,288,519)	
Principal Payments and Refunded Debt	<u>525,319</u>	(27,312,825)

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

Other Postemployment Benefits Liabilities	\$ (2,567,870)	
Employee Retirement Incentive	49,730	
Retainage Payable	775,504	
Compensated Absences	<u>41,354</u>	(1,701,282)

Interest expense reported in the Statement of Activities includes changes in accrued interest, premiums on obligations, and deferred charges from advance refunding of bonds. These items are not included in interest expense in the Governmental Fund financial statements.

Amortization of Bond Premium	\$ 53,973	
Amortization of Deferred Amounts on Refunded Debt	(8,938)	
Change in Accrued Interest	<u>(52,641)</u>	(7,606)

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

TRS	\$ 1,269,693	
ERS	<u>286,428</u>	<u>1,556,121</u>

Net Change in Net Position of Governmental Activities **\$ (361,999)**

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2022

	Custodial Funds
ASSETS	
Cash - Unrestricted	<u>\$ 60,383</u>
Total Assets	<u>\$ 60,383</u>
NET POSITION	
Extraclassroom Activity Funds Balance	<u>\$ 60,383</u>
Total Net Position	<u>\$ 60,383</u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2022

	Custodial Funds
ADDITIONS	
Extraclass Receipts	<u>\$ 105,411</u>
Total Additions	<u>105,411</u>
DEDUCTIONS	
Extraclass Disbursements	<u>97,667</u>
Change in Net Position	7,744
Net Position - Beginning of Year	<u>52,639</u>
Net Position - End of Year	<u><u>\$ 60,383</u></u>

See Notes to Basic Financial Statements

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

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

Reporting Entity

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

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

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended:

- The primary government, which is the Little Falls City School District;
- Organizations for which the primary government is financially accountable; and
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

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

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

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Joint Venture

The Little Falls City School District is one of the component school districts in the Herkimer/Fulton/Hamilton/Otsego Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of School Districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

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

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

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

Basis of Presentation - District-Wide Financial Statements

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

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Governmental Fund Financial Statements

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

The School District reports the following Major Governmental Funds:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Capital Projects Fund:** Accounts for the financial resources used for the renovation of the School District's educational complex.
- **Special Revenue Funds -** Accounts for the proceeds of specific revenue sources (other than capital projects) legally restricted to expend for specific purposes.
 - **Special Aid Fund:** Accounts for the proceeds of specific revenue sources, such as federal, state, and local grants, legally restricted to expenditures for specified purposes, and other activities whose funds are restricted as to use. These legal restrictions may be imposed either by governments that provide the funds, or by outside parties.

The School District reports the following Non-Major Governmental funds:

- **Special Revenue Funds -** Accounts for the proceeds of specific revenue sources (other than capital projects) legally restricted to expend for specific purposes
 - **School Lunch Fund:** Accounts for revenues and expenditures in connection with the School District's food service program.
 - **Miscellaneous Special Revenue Fund:** Accounts for Scholarship Funds awarded to individual students.
- **Debt Service Fund:** Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.

Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Custodial Fund:** Assets are held by the school District as agent for Extraclassroom Activity funds.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Measurement Focus and Basis of Accounting

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

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

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

Cash and Investments

The School District's cash, and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities and districts. Investments are stated at fair value.

Accounts Receivable

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Due To/From Other Funds

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

Inventories and Prepaid Items

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

A portion of fund balance equal to inventories and prepaid amounts is reported as nonspendable, as these assets are not in spendable form in the current period.

Capital Assets

Capital assets are reported at actual cost for acquisitions, including the right to use assets acquired through financed lease arrangements, subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at acquisition value at the time received.

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

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

The School District utilizes the straight-line method of depreciation, including amortization of intangible lease assets.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports a deferred charge on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions and Other Postemployment Benefits (OPEB) plans in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions, and OPEB plans are described in Note 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District sometimes reports unavailable revenues under the modified accrual basis of accounting in the Balance Sheet - Governmental Funds. In the Statement of Net Position, the School District also reports deferred inflows of resources related to pensions and OPEB plans which are further described in Note 10 and 11, respectively.

Leases

The School District determines if an arrangement is or contains a lease at inception. The School District records assets and lease obligations for leases, which are initially based on the discounted future minimum lease payments over the term of the lease. The School District uses the rate implicit in the lease agreements. In some cases the implicit rate is not easily determinable, and the School District elects to use its incremental borrowing rate in calculating present value of lease payments.

Lease term is defined as the non-cancelable period of the lease plus any options to extend the lease when it is reasonably certain that it will be exercised. For leases with a term, including renewals, of 12 months or less, no intangible lease assets or lease obligations are recorded on the Statement of Net Position and the School District will recognize short-term lease expense for these leases on a straight-line basis over the lease term.

The School District's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Amortization expense for leases is recognized on the same basis as payments on the lease liabilities and is included in the education expense function. Interest expense is recognized using the effective interest method. Variable payments, short-term rentals, and payments associated with non-lease components are expensed as incurred.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Unearned and Unavailable Revenues

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

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

Vested Employee Benefits - Compensated Absences

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

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

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

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

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

Accrued Liabilities and Long-Term Obligations

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

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Other Postemployment Benefits (OPEB)

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

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

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

Restricted Resources

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

Equity Classifications - District-Wide Financial Statements

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

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Equity Classifications - Governmental Fund Financial Statements

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

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

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Equity Classifications - Governmental Fund Financial Statements - Continued

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

Legally Adopted Reserves

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

- Retirement Contribution Reserve (GML §6-r): Used for the purpose of financing retirement contributions to the New York State and Local Employees' Retirement System. This reserve is established by Board resolution and is funded by budgetary appropriation and such other reserves and funds that may be legally appropriated. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. Effective April 1, 2019, a Board may adopt a resolution establishing a sub-fund for contributions to the New York State Teachers' Retirement System. During a fiscal year, the Board may authorize payment into the sub-fund of up to 2% of the total covered salaries paid during the preceding fiscal year, with the total amount funded not to exceed 10% of the total covered salaries during the preceding fiscal year. The sub-fund is separately administered, but must comply with all the existing provisions of GML §6-r. These reserves are accounted for in the General Fund.
- Employee Benefit Accrued Liability Reserve (GML §6-p): Used to reserve funds for payment of accrued employee benefits upon termination of an employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- Mandatory Reserve for Debt Service (GML §6-l) - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvements that were financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvements. This reserve is accounted for in the Debt Service Fund.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1. For the year ended June 30, 2022, the tax lien was issued on August 18, 2021. Taxes were collected during the period September 1, 2021 to November 30, 2021.

Uncollected real property taxes are subsequently enforced by the city and county in which the School District is located. An amount representing uncollected real property taxes must be transmitted by the city to the School District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of year end, less similar amounts collected during this period in the preceding year, are recognized as revenue. Otherwise, deferred inflows of resources offset real property taxes receivable. There were no taxes receivable or associated deferred inflows of resources at June 30, 2022.

Interfund Transfers

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

Use of Estimates

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

New Accounting Standards

The School District adopted and implemented the following current Statement of the GASB effective for the year ended June 30, 2022:

- GASB Statement No. 87, "Leases."

Future Changes in Accounting Standards

- GASB has issued Statement No. 96, "Subscription-Based Information Technology Arrangements," effective for the year ending June 30, 2023.
- GASB has issued Statement No. 101, "Compensated Absences," effective for the year ending June 30, 2025.

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 2 Participation in BOCES

During the year ended June 30, 2022, the School District's share of BOCES income amounted to \$1,179,716. The School District was billed \$3,798,308 for BOCES administration and program costs. Financial statements for the Herkimer County BOCES are available from the BOCES administrative office at 352 Gros Blvd, Herkimer, NY 13350-1446.

Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate, and Foreign Currency Risks

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

The School District's aggregate bank balances of \$3,359,252 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash and cash equivalents consisted of the following at June 30, 2022:

Restricted for Capital Projects	\$ 646,687
Restricted for School Lunch	57,288
Restricted for General Fund Reserves	555,662
Restricted for Scholarships	<u>212,550</u>
Total	<u>\$ 1,472,187</u>

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks - Continued

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

<u>Investments</u>	<u>Cost</u>	<u>Carrying Amount Fair Value</u>	<u>Type of Investment</u>	<u>Level</u>
Miscellaneous Special Revenue Fund	\$ 104,795	\$ 104,795	U.S. Mortgage Backed Securities	1
Miscellaneous Special Revenue Fund	<u>74,728</u>	<u>74,728</u>	Certificate of Deposit	2
Total	<u>\$ 179,523</u>	<u>\$ 179,523</u>		

The certificate of deposit is a one-year certificate of deposit maturing on November, 2022 at an interest rate of 0.10%.

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

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

Note 4 Interfund Balances and Activity

Interfund balances at June 30, 2022 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
Major Funds:				
General Fund	\$ 1,327,907	\$ 657,015	\$223,500	\$ 7,437
Capital Projects Fund	563,475	64,691	-	-
Non-Major Funds:				
Special Aid Fund	388,970	1,240,784	7,437	-
School Lunch Fund	46,071	363,933	-	-
Debt Service Fund	-	-	-	<u>223,500</u>
Total	<u>\$ 2,326,423</u>	<u>\$ 2,326,423</u>	<u>\$230,937</u>	<u>\$ 230,937</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 4 Interfund Balances and Activity - Continued

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects.

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

Note 5 Capital Assets

Capital asset balances and activity for the year ended June 30, 2022, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Reclassifications</u>	<u>Ending Balance</u>
Capital Assets That Are Not Depreciated:				
Land	\$ 477,202	\$ -	\$ -	\$ 477,202
Construction in Progress	24,730,338	5,115,640	(46,000)	29,799,978
Total Nondepreciable Historical Cost	<u>25,207,540</u>	<u>5,115,640</u>	<u>(46,000)</u>	<u>30,277,180</u>
Capital Assets That Are Depreciated:				
Buildings	38,519,046	-	(34,455)	38,484,591
Improvements Other Than Buildings	926,837	-	-	926,837
Furniture and Equipment	2,213,285	194,558	(121,904)	2,285,939
Total Depreciable Historical Cost	<u>41,659,168</u>	<u>194,558</u>	<u>(156,359)</u>	<u>41,697,367</u>
Intangible Lease Assets				
Equipment	411,271	362,451	-	773,722
Total Historical Cost	<u>67,277,979</u>	<u>5,672,649</u>	<u>(202,359)</u>	<u>72,748,269</u>
Less Accumulated Depreciation:				
Buildings	(25,309,163)	(1,194,830)	2,297	(26,501,696)
Improvements Other Than Buildings	(546,999)	(81,144)	-	(628,143)
Furniture and Equipment	(1,263,165)	(236,688)	6,373	(1,493,480)
Total Accumulated Depreciation	<u>(27,119,327)</u>	<u>(1,512,662)</u>	<u>8,670</u>	<u>(28,623,319)</u>
Accumulated Amortization				
Equipment	(209,729)	(83,678)	-	(293,407)
Total Historical Cost, Net	<u>\$ 39,948,923</u>	<u>\$ 4,076,309</u>	<u>\$ (193,689)</u>	<u>\$ 43,831,543</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 5 Capital Assets - Continued

Depreciation and amortization expense was charged to governmental functions as follows:

General Support	\$ 59,584
Instruction	1,458,781
Pupil Transportations	72,865
School Lunch Program	<u>5,110</u>
Total Depreciation/Amortization Expense	<u><u>\$ 1,596,340</u></u>

Note 6 Leases

The School District enters into lease agreements for certain equipment that are considered leases. The School District is not party to any material short term leases, and current leases do not require any material variable payments. At June 30, 2022, the School District reported \$773,722 in intangible lease assets, offset by accumulated amortization of \$293,407.

At June 30, 2022, the School District reported \$451,467 in intangible lease assets, offset by accumulated amortization of \$75,730, that were not included in the lease liability below. The following is a summary of the School District's intangible leases for the year ended June 30, 2022:

<u>Description of Lease</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Discount Rate</u>	<u>Outstanding June 30, 2022</u>
IPA 2019	2/1/2019	2/1/2023	3.39%	\$ 49,198
IPA 2021	7/1/2020	7/1/2024	0.46%	55,380
Total				<u><u>\$ 104,578</u></u>

The following is a summary of the maturity of lease liabilities:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 67,573	\$ 1,925	\$ 69,498
2024	18,460	172	18,632
2025	18,545	86	18,631
Total	<u><u>\$ 104,578</u></u>	<u><u>\$ 2,183</u></u>	<u><u>\$ 106,761</u></u>

Interest paid for the current year amounted to \$3,623.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 7 Short-Term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

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

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

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2021 BAN	1.50%	02/04/2022	\$ 29,306,330	\$ -	\$ 29,306,330	\$ -
BAN			<u>377,270</u>	<u>-</u>	<u>377,270</u>	<u>-</u>
Total			<u>\$ 29,683,600</u>	<u>\$ -</u>	<u>\$ 29,683,600</u>	<u>\$ -</u>

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

Interest Paid	\$ 439,596
Less Amortization of BAN Premium	(377,270)
Less Interest Accrued in the Prior Year	(177,059)
Plus Interest Accrued in the Current Year	<u>-</u>
Total	<u>\$ (114,733)</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 8 Long-Term Debt

At June 30, 2022, the total outstanding indebtedness of the School District represented 183.05% of its statutory debt limit, exclusive of building aid. District received consent from the New York State Comptroller to issue obligations in excess of the allowable limit, pursuant to paragraph c of §104.00 of the Local Finance Law. Long-term debt is classified as follows:

- Serial Bonds and Statutory Installment Bonds (SIBs) - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. SIBs are sometimes issued directly with a financial institution or investor and are not offered for public sale. There are no terms that present additional risk to the School District associated with these direct borrowings or placements.
- Installment Purchase Debt: The School District leases equipment with intent to purchase. Accumulated depreciation and net book value of equipment under capital leases at June 30, 2022 is \$21,724 and \$32,586, respectively.

The following is a summary of the School District's long-term debt for the year ended June 30, 2022:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2022</u>
Bonds				
2019 Refunding Bond	07/18/2019	04/15/2025	5.00%	\$ 1,250,000
2022 Serial Bond	02/03/2022	02/01/2037	2-2.375%	28,156,330
2018 SIB	09/22/2017	09/22/2022	2.60%	24,646
2019 SIB	08/21/2019	08/21/2024	3.40%	68,400
2021 SIB	12/22/2021	12/22/2026	2.50%	132,189
Total Bonds				<u>29,631,565</u>
Installment Purchase Debt				
2020 Bobcat	08/24/2020	10/01/2025	1.49%	<u>24,253</u>
Plus Premium on Refinancing				<u>80,916</u>
Total Indebtedness				<u><u>\$ 29,736,734</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 8 Long-Term Debt - Continued

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

Interest Paid	\$ 81,673
Less Interest Accrued in the Prior Year	(21,807)
Plus Interest Accrued in the Current Year	251,507
Plus Amortization of Deferred Charges on Defeased Debt	8,938
Less Amortization of Bond Premium	<u>(53,973)</u>
 Total	 <u><u>\$ 266,338</u></u>

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

Long-term debt balances and activity for the year are summarized as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds	\$ 1,868,365	\$ 28,288,519	\$ (525,319)	\$ 29,631,565	\$ 2,240,211
Installment Purchase Debt	31,483	-	(7,230)	24,253	7,338
Plus: Premium on Refunded Debt	134,889	-	(53,973)	80,916	44,168
Total	<u><u>\$ 2,034,737</u></u>	<u><u>\$ 28,288,519</u></u>	<u><u>\$ (586,522)</u></u>	<u><u>\$ 29,736,734</u></u>	<u><u>\$ 2,291,717</u></u>

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2019 Refunding Bonds	\$ 22,338	\$ -	\$ (8,938)	\$ 13,400	\$ 7,314
Total Deferred Charges on Defeased Debt	<u><u>\$ 22,338</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (8,938)</u></u>	<u><u>\$ 13,400</u></u>	<u><u>\$ 7,314</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 8 Long-Term Debt - Continued

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 2,247,549	\$ 664,872	\$ 2,912,421
2024	2,271,686	608,372	2,880,058
2025	2,076,798	547,589	2,624,387
2026	1,818,345	497,101	2,315,446
2027	1,851,440	460,611	2,312,051
2028-2032	9,705,000	1,731,900	11,436,900
2033-2037	9,685,000	621,888	10,306,888
Total	<u>\$ 29,655,818</u>	<u>\$ 5,132,333</u>	<u>\$ 34,788,151</u>

On July 18, 2019, the School District issued \$2,620,000 in general obligation bonds, with interest rates ranging between 2.0% and 5.0%. The School District issued the bonds to advance refund the \$2,770,000 outstanding general obligation bonds with an interest rate of 5.00%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$2,770,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$1,340,000 at June 30, 2022.

Note 9 Other Long-Term Obligations

- Compensated absences represent the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.
- Due to Retirement Systems: Represents amounts to be amortized for a portion of the School District's prior years' required contributions to the New York State Employees' Retirement system. This liability is liquidated from the General and School Lunch Funds. See Note 10 for further information.

Other Long-Term Obligation balances and activity are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Compensated Absences	\$ 969,289	\$ -	\$ (41,354)	\$ 927,935	\$ -
Due to Retirement Systems	149,932	-	(49,730)	100,202	49,730
Total Long-Term Obligations	<u>\$ 1,119,221</u>	<u>\$ -</u>	<u>\$ (91,084)</u>	<u>\$ 1,028,137</u>	<u>\$ 49,730</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 9 Other Long-Term Obligations - Continued

Changes to other long-term obligations are reported net, as it is impractical to individually determine the amount of additions and deletions during the year.

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

Fiscal Year	Principal
Ending June 30,	
2023	\$ 49,730
2024	34,242
2025	16,230
Total	\$ 100,202

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

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS) (System)

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Plan Descriptions and Benefits Provided - Continued

Teachers' Retirement System (TRS) (System) - Continued

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

Employees' Retirement System (ERS) (System)

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Plan Descriptions and Benefits Provided - Continued

Employees' Retirement System (ERS) (System) - Continued

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

Summary of Significant Accounting Policies

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

Contributions

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

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2022	\$ 364,764	\$ 711,092
2021	335,542	688,565
2020	412,118	824,077

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

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

At June 30, 2022, the School District reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of March 31, 2022 for ERS and June 30, 2021 for TRS. The total pension (asset)/liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The School District's proportionate share of the net pension (asset)/liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	ERS	TRS
Actuarial Valuation Date	4/1/2021	6/30/2020
Net Pension (Asset)/Liability	\$ (8,174,858,678)	\$ (17,329,041,946)
School District's Proportionate Share of the Plan's Total Net Pension (Asset)/Liability	(625,472)	(7,618,048)
School District's Share of the Net Pension (Asset)/Liability	0.007651%	0.043961%

For the year ended June 30, 2022, the School District recognized pension expense of \$72,279 for ERS and \$466,791 for TRS in the District-wide financial statements. At June 30, 2022, the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 47,368	\$ 1,050,067	\$ 61,439	\$ 39,579
Changes of Assumptions	1,043,843	2,505,735	17,614	443,729
Net Differences Between Projected and Actual Earnings on Pension Plan Investments	-	-	2,048,159	7,973,076
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	110,608	64,618	28,146	174,787
School District's Contributions Subsequent to the Measurement Date	101,202	802,511	-	-
Total	\$ 1,303,021	\$ 4,422,931	\$ 2,155,358	\$ 8,631,171

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u>	<u>ERS</u>	<u>TRS</u>
2023	\$ (126,270)	\$ (1,013,449)
2024	(209,033)	(1,191,415)
2025	(519,361)	(1,488,285)
2026	(98,875)	(1,936,247)
2027	-	358,325
Thereafter	-	260,320

Actuarial Assumptions

The total pension (Asset)/Liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension (Asset)/Liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement Date	March 31, 2022	June 30, 2021
Actuarial Valuation Date	April 1, 2021	June 30, 2020
Investment Rate of Return	5.9%	6.95%
Salary Increases	4.4%	1.95% - 5.18%
Cost of Living Adjustments	4.4%	1.3%
Inflation Rate	2.7%	2.4%

For ERS, annuitant mortality rates are based on April 1, 2015 - March 31, 2020 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2020, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 - March 31, 2020. For TRS, the actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2020.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Actuarial Assumptions - Continued

For ERS, the long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expect 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. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

Measurement Date	ERS	TRS
	March 31, 2022	June 30, 2021
Asset Type		
Domestic Equities	3.30%	6.80%
International Equities	5.85%	7.60%
Global Equities	0.00%	7.10%
Real Estate	4.95%	6.50%
Private Equity/Alternative Investments	6.50%	10.00%
Opportunistic Portfolio	4.10%	-
Real Assets	5.58%	-
Cash	(1.00)%	-
Credit	3.78%	-
Domestic Fixed Income Securities	-	1.30%
Global Fixed Income Securities	-	0.80%
Private Debt	-	5.90%
Real Estate Debt	-	3.30%
High-Yield Fixed Income Securities	-	3.80%
Short-Term	-	(0.20)%

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Discount Rate

The discount rate used to calculate the total pension (asset)/liability was 5.9% for ERS and 6.95% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially determined. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset)/liability.

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

The following presents the School District's proportionate share of the net pension (asset)/liability calculated using the discount rate of 5.9% for ERS and 6.95% for TRS, as well as what the School District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower or higher than the current rate:

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
School District's Proportionate Share of the Net Pension (Asset)/Liability	\$ 1,609,959	\$ (625,472)	\$ (2,495,302)
TRS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
School District's Proportionate Share of the Net Pension (Asset)/Liability	\$ (799,403)	\$ (7,618,048)	\$ (13,348,625)

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Pension Plan Fiduciary Net Position

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

	Dollars in Thousands	
	ERS	TRS
Measurement Date	March 31, 2022	June 30, 2021
Employers' Total Pension	\$ 223,874,888	\$ 130,819,415
Plan Net Position	(232,049,473)	(148,148,457)
Employers' Net Pension (Asset)/Liability	\$ (8,174,585)	\$ (17,329,042)
Ratio of Plan Net Position to the Employers' Total Pension (Asset)/Liability	103.6%	113.2%

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$101,202.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October, and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2022 amounted to \$866,254.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Effect on Net Position

Changes in the net pension (asset)/liability and deferred outflows and inflows of resources for the year ended June 30, 2022 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension (Asset)/Liability	\$ 7,155	\$ (632,627)	\$ (625,472)
Deferred Outflows of Resources	(1,612,691)	309,670	(1,303,021)
Deferred Inflows of Resources	2,118,829	36,529	2,155,358
Subtotal	513,293	(286,428)	226,865
TRS			
Net Pension (Asset)/Liability	1,265,237	(8,883,285)	(7,618,048)
Deferred Outflows of Resources	(4,262,732)	(160,199)	(4,422,931)
Deferred Inflows of Resources	857,380	7,773,791	8,631,171
Subtotal	(2,140,115)	(1,269,693)	(3,409,808)
Total Effect on Net Position	\$ (1,626,822)	\$ (1,556,121)	\$ (3,182,943)

Note 11 Postemployment Benefits Other than Pensions (OPEB)

General Information About the OPEB Plan

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

General Information About the OPEB Plan - Continued

Employees Covered by Benefit Terms - At June 30, 2022, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	173
Active Employees Enrolled in the Plan	<u>184</u>
Total	<u><u>357</u></u>

Total OPEB Liability

The School District's total OPEB liability of \$68,701,464 was measured as of July 1, 2021 and was determined by an actuarial valuation as of July 1, 2020.

Actuarial Assumptions and Other Inputs - The total OPEB liability as of June 30, 2022 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate	2.14%
Single Discount Rate	2.14%
Salary Scale	3.50%
Rate of Inflation	2.50%
Dental Trend	4.00%
Marital Assumption	70.00%
Participation Rate	100.00% for Retirees 85.00% for Spouses
Healthcare Cost Trend Rates	7.00% for 2022, decreasing to an ultimate rate of 4.04% for 2091 and later years

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

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2020 mortality improvement scale on a fully generational basis.

Rates of turnover and retirement rates are based on rates of decrement due to turnover and retirement based on the experience under the New York State and Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation (August 2020). Please refer to Exhibits 6-1 through 6-4 for the complete turnover tables.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Total OPEB Liability - Continued

Election percentage: It was assumed that 100% of future retirees eligible for coverage will elect retiree group benefits

Spousal Coverage: It was assumed that 85% of future retirees will elect spousal coverage upon retirement.

The annual rate of increase in healthcare costs were developed using the baseline projection of the SOA Long-Run Medical Cost Trend Model (v2020_b). The short term (first 4 years) trend rates were based on the recent premium rate history for Little Falls CSD. The long-term (after 4 years) trend rates were based on various assumptions.

Health Care Cost Trend rates were developed using the baseline projection of the SOA Long Run Medical Cost Trend Model (v2020_b). The short term (first 4 years) bend rates were based on the recent premium rate history for Little Falls CSD. The long-term (after 4 years) Trend rates were based on the following assumptions:

- Rate of Inflation: 2.5%
- Rate of Growth in Real Income / GDP per Capita: 1.5%
- Extra Trend due to Technology and Other Factors: 1.1%
- Health Share of GDP Resistance Point 25%

The actuarial assumptions used in the July 1, 2020 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	\$ 65,221,019
Changes for the Year	
Service Cost	2,480,674
Interest Cost	1,477,538
Changes of Benefit Terms	416,174
Differences Between Expected and Actual Experience	-
Changes in Assumptions or Other Inputs	795,613
Benefit Payments	(1,689,554)
Net Change	3,480,445
Balance at June 30, 2022	\$ 68,701,464

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

Changes in the Total OPEB Liability - Continued

Changes of assumptions and other inputs reflect a change in the discount rate from 2.21% percent in 2021 to 2.14% in 2022.

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

	1% Decrease (1.14%)	Discount Rate (2.14%)	1% Increase (3.14%)
Total OPEB Liability	\$ 81,827,537	\$ 68,701,464	\$ 58,315,608

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

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 56,056,594	\$ 68,701,464	\$ 85,521,418

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

For the year ended June 30, 2022, the School District recognized OPEB expense of \$4,285,157.

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,435,130
Changes in Assumptions or Other Inputs	10,602,287	2,525,750
Contributions Subsequent to Measurement Date	1,717,287	-
Total	\$ 12,319,574	\$ 3,960,880

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

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

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	Amount
<u>Ending June 30,</u>	
2023	\$ 608,777
2024	1,235,899
2025	2,819,967
2026	1,869,396
2027	107,368
Thereafter	-

Effect on Net Position

Changes in the OPEB liability and deferred outflows and inflows of resources for the year ended June 30, 2022 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Other Postemployment Benefits Liability	\$ 65,221,019	\$ 3,480,445	\$ 68,701,464
Deferred Outflows of Resources	(14,364,451)	2,044,877	(12,319,574)
Deferred Inflows of Resources	6,918,332	(2,957,452)	3,960,880
Total Effect on Net Position	\$ 57,774,900	\$ 2,567,870	\$ 60,342,770

Note 12 Commitments and Contingencies

Worker's Compensation

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

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

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

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

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

During the year ended June 30, 2022, the School District incurred premiums or contribution expenditures totaling \$-0-.

Risk Financing and Related Insurance - General Information

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

Other Items

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

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 13 Fund Balance Detail

At June 30, 2022, nonspendable, restricted, and assigned fund balance in the governmental funds was as follows:

	<u>Major Funds</u>		<u>Non-Major Funds</u>	
	<u>General Fund</u>	<u>Capital Fund</u>	<u>School Lunch Fund</u>	<u>Misc. Special Revenue Fund</u>
Nonspendable				
Inventory	\$ -	\$ -	\$ 21,758	\$ -
Total Nonspendable Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,758</u>	<u>\$ -</u>
Restricted				
Reserve for Retirement Contributions - ERS	\$ 225,244	\$ -	\$ -	\$ -
Reserve for Retirement Contributions - TRS	155,901	-	-	-
Employee Benefit Accrued Liability Reserve	174,517	-	-	-
School Lunch	-	-	57,288	-
Capital Project Fund	-	646,687	-	-
Scholarships	-	-	-	392,073
Total Restricted Fund Balance	<u>\$ 555,662</u>	<u>\$ 646,687</u>	<u>\$ 57,288</u>	<u>\$ 392,073</u>
Assigned				
Encumbered for:				
General Support	\$ 4,690	\$ -	\$ -	\$ -
Instruction	35,764	-	-	-
Total Assigned Fund Balance	<u>\$ 40,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned				
Remaining Unassigned	\$ 2,997,882	\$ -	\$ -	\$ -
Total Unassigned Fund Balance	<u>\$ 2,997,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2022

Note 14 Restricted Fund Balances

Portions of restricted fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity of the General Fund reserves, for the year ended June 30, 2022, were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Reserve for Retirement Contributions - ERS	\$ 225,203	\$ -	\$ 41	\$ -	\$ 225,244
Reserve for Retirement Contributions - TRS	155,873	-	28	-	155,901
Employee Benefit Accrued Liability Reserve	174,485	-	32	-	174,517
Total Restricted Fund Balance	<u>\$ 555,561</u>	<u>\$ -</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 555,662</u>

Note 15 Stewardship, Compliance, and Accountability

Compliance With Real Property Tax Law §1318

As described in Note 1, Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year’s budgetary appropriations. The School District’s unexpended surplus at June 30, 2022 exceeded this limit by \$1,887,219. The excess was largely the result of unanticipated revenue and cost savings. School District management has discussed several options to address the excess fund balance issue.

Deficit Net Position

At June 30, 2022, the District-wide Statement of Net Position had a deficit net position of \$39,985,332. This is primarily the result of the requirement to record other postemployment benefits liability with no requirement or mechanism to fund this liability (see Note 11). This deficit is not expected to be eliminated during the normal course of operations.

Note 16 Tax Abatements

For the year ended June 30, 2022, property in the School District was subject to property tax abatements negotiated by the Herkimer County IDA (HCIDA).

HCIDA enters into various property tax abatement programs for the purpose of economic development. School District property tax revenue was reduced by \$178,623, and the School District subsequently received payment in lieu of taxes (PILOT) payments totaling \$227,759.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

Note 17 Restatement

During the year, the District adopted GASB Statement No. 87. The School District's June 30, 2021 net position, capital assets, and lease liabilities for governmental funds has been restated to reflect the following:

	<u>Capital Assets Net</u>	<u>Lease Liabilities</u>	<u>Net Position (Deficit)</u>
Balance Beginning of Year, as Previously Reported	\$ 39,703,933	\$ -	\$ (39,666,387)
GASB Statement No. 87 Implementation	<u>244,990</u>	<u>201,936</u>	<u>43,054</u>
Balance Beginning of Year, as Restated	<u><u>\$ 39,948,923</u></u>	<u><u>\$ 201,936</u></u>	<u><u>\$ (39,623,333)</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-U.S. GAAP) GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real Property Taxes	\$ 9,046,365	\$ 9,046,365	\$ 7,621,963	\$ (1,424,402)
Other Tax Items	241,192	241,192	1,678,908	1,437,716
Charges for Services	115,000	115,000	77,649	(37,351)
Use of Money and Property	30,000	30,000	25,760	(4,240)
Sale of Property and Compensation for Loss	-	-	22,665	22,665
Miscellaneous	421,000	421,000	451,445	30,445
Interfund Revenues	60,000	60,000	110,850	50,850
Total Local Sources	<u>9,913,557</u>	<u>9,913,557</u>	<u>9,989,240</u>	<u>75,683</u>
State Sources	15,918,975	15,918,975	14,949,753	(969,222)
Federal Sources	-	-	36,300	36,300
Total Revenues	<u>25,832,532</u>	<u>25,832,532</u>	<u>24,975,293</u>	<u>(857,239)</u>
OTHER FINANCING SOURCES				
Operating Transfers In	356,370	356,370	223,500	(132,870)
Total Revenues and Other Financing Sources	<u>26,188,902</u>	<u>26,188,902</u>	<u>\$ 25,198,793</u>	<u>\$ (990,109)</u>
Encumbrances Carried Forward From Prior Year	<u>71,607</u>	<u>71,607</u>		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u><u>\$ 26,260,509</u></u>	<u><u>\$ 26,260,509</u></u>		

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-U.S. GAAP) GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
EXPENDITURES					
General Support					
Board of Education	\$ 52,650	\$ 57,588	\$ 57,261	\$ -	\$ 327
Central Administration	233,335	246,382	246,382	-	-
Finance	496,450	497,888	497,596	-	292
Staff	45,222	42,352	41,314	-	1,038
Central Services	1,931,554	1,690,962	1,631,061	4,690	55,211
Special Items	642,656	657,125	539,176	-	117,949
Total General Support	3,401,867	3,192,297	3,012,790	4,690	174,817
Instruction					
Instruction, Administration, and Improvement	799,318	791,118	791,117	-	1
Teaching - Regular School Programs for Children With Handicapping Conditions	5,865,662	6,088,017	6,061,067	17,789	9,161
Occupational Education	2,267,497	2,381,141	2,342,087	2,869	36,185
Teaching - Special School	550,940	622,758	622,758	-	-
Instructional Media	58,000	18,527	15,370	-	3,157
Pupil Services	485,285	483,562	468,332	10,476	4,754
Total Instruction	10,797,775	11,199,393	11,072,485	35,764	91,144
Pupil Transportation	1,243,760	1,311,696	1,266,188	-	45,508
Employee Benefits	7,446,835	7,452,987	7,383,672	-	69,315
Debt Service					
Principal	2,871,244	2,467,244	2,467,244	-	-
Interest	387,028	524,892	524,892	-	-
Total Debt Service	3,258,272	2,992,136	2,992,136	-	-
Total Expenditures	26,148,509	26,148,509	25,727,271	40,454	380,784
OTHER FINANCING USES					
Operating Transfers Out	112,000	112,000	7,437	-	104,563
Total Expenditures and Other Financing Uses	\$ 26,260,509	\$ 26,260,509	25,734,708	\$ 40,454	\$ 485,347
Net Change in Fund Balance			(535,915)		
Fund Balance - Beginning of Year			4,129,913		
Fund Balance - End of Year			\$ 3,593,998		

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 364,764	\$ 335,542	\$ 412,118	\$ 403,630	\$ 405,905	\$ 394,211	\$ 427,807	\$ 421,959	\$ 388,379	\$ 422,210
Contributions in Relation to the Contractually Required Contribution	(364,764)	(335,542)	(412,118)	(403,630)	(405,905)	(394,211)	(427,807)	(421,959)	(388,379)	(422,210)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School District's Covered Payroll for Year Ended June 30,	2,429,549	2,432,967	2,447,085	2,448,230	2,434,303	2,275,351	2,099,339	2,059,887	*	*
Contributions as a Percentage of Covered Payroll	15.0%	13.8%	16.8%	16.5%	16.7%	17.3%	20.4%	20.5%	*	*

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contribution	\$ 802,511	\$ 711,092	\$ 688,565	\$ 824,077	\$ 724,907	\$ 801,495	\$ 866,818	\$ 1,107,491	\$ 986,605	\$ 684,687
Contributions in Relation to the Contractually Required Contribution	(802,511)	(711,092)	(688,565)	(824,077)	(724,907)	(801,495)	(866,818)	(1,107,491)	(986,605)	(684,687)
Contribution Deficiency (Excess)	-	-	-	-	-	-	-	-	-	-
School District's Covered Payroll for Year Ended June 30,	8,188,888	7,461,616	7,771,614	7,759,670	7,397,010	6,838,695	6,537,089	6,317,690	6,071,415	5,782,829
Contributions as a Percentage of Covered Payroll	9.80%	9.53%	8.86%	10.62%	9.80%	11.72%	13.26%	17.53%	16.25%	11.84%

* Information not available

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

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

	2022	2021	2020	2019	2018	2017	2016	2016
School District's Proportion of the Net Pension (Asset)/Liability	0.007651%	0.007185%	0.007489%	0.007796%	0.0076400%	0.0074516%	0.0074028%	0.0075344%
School District's Proportionate Share of the Net Pension (Asset)/Liability	\$ (625,472)	\$ 7,155	\$ 1,983,009	\$ 552,371	\$ 246,439	\$ 700,172	\$ 1,188,176	\$ 254,530
School District's Covered Payroll	2,371,698	2,416,359	2,457,327	2,353,165	2,308,940	2,174,139	2,074,406	2,055,407
School District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	(26.4%)	0.3%	80.7%	23.5%	10.7%	32.2%	57.3%	12.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	103.7%	99.9%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%

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

	2022	2021	2020	2019	2018	2017	2016	2016
School District's Proportion of the Net Pension (Asset)/Liability	0.043961%	0.04579%	0.044420%	0.043194%	0.041557%	0.041266%	0.041060%	0.041060%
School District's Proportionate Share of the Net Pension (Asset)/Liability	\$(7,618,048)	\$ 1,265,237	\$(1,153,943)	\$ (781,056)	\$ (315,876)	\$ 441,974	\$ (4,368,490)	\$ (4,573,873)
School District's Covered Payroll	7,461,616	7,771,614	7,759,670	7,397,010	6,838,695	6,537,089	6,317,690	6,071,415
School District's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	(102.1%)	16.3%	(14.9%)	(10.6%)	(4.6%)	6.8%	(69.1%)	(75.3%)
Plan Fiduciary Net Position as a Percentage of the Total Pension (Asset)/Liability	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Service Cost	\$ 2,480,674	\$ 1,643,100	\$ 1,540,763	\$ 1,537,744	\$ 1,959,674	\$ *	\$ *	\$ *	\$ *	\$ *
Interest Cost	1,477,538	1,796,559	1,799,275	1,927,950	1,678,908	*	*	*	*	*
Changes of Benefit Terms	416,174	-	-	640,307	-	*	*	*	*	*
Differences Between Expected and Actual Experience	-	(224,410)	-	(3,891,138)	-	*	*	*	*	*
Changes in Assumptions or Other Inputs	795,613	13,057,117	2,819,911	(5,832,461)	(7,057,636)	*	*	*	*	*
Benefit Payments	<u>(1,689,554)</u>	<u>(1,476,935)</u>	<u>(1,372,960)</u>	<u>(1,520,477)</u>	<u>(1,507,240)</u>	*	*	*	*	*
	3,480,445	14,795,431	4,786,989	(7,138,075)	(4,926,294)	*	*	*	*	*
Total OPEB Liability - Beginning	<u>65,221,019</u>	<u>50,425,588</u>	<u>45,638,599</u>	<u>52,776,674</u>	<u>57,702,968</u>	*	*	*	*	*
Total OPEB Liability - Ending	<u>\$ 68,701,464</u>	<u>\$ 65,221,019</u>	<u>\$ 50,425,588</u>	<u>\$ 45,638,599</u>	<u>\$ 52,776,674</u>	<u>\$ 57,702,968</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>
Covered Employee Payroll	\$ 7,907,494	\$ 7,158,931	\$ 7,697,766	\$ 8,117,060	8,118,849	\$ *	\$ *	\$ *	\$ *	\$ *
Total OPEB Liability as a Percentage of Covered Payroll	869%	911%	655%	562%	650%	*	*	*	*	*
Discount Rate	2.14%	2.21%	3.50%	3.87%	3.60%					

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

See Notes to Required Supplementary Information

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2022

Note 1 Budgetary Procedures and Budgetary Accounting

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

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

The following supplemental appropriations occurred during the year:

Adopted Budget	\$ 26,188,902
Carryover Encumbrances	<u>71,607</u>
Original Budget	<u>26,260,509</u>
Final Budget	<u><u>\$ 26,260,509</u></u>

Budgets are adopted annually on a basis consistent with U.S. GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid, School Lunch and Miscellaneous Special Revenue). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for the School Lunch Fund and Miscellaneous Special Revenue Fund are established internally.

Note 2 Reconciliation of the General Fund Budget Basis to U.S. GAAP

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

Note 3 Schedule of Changes in the School District's Total OPEB Liability and Related Ratios

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. No changes in experience were recognized for this measurement period. Contributions for teachers were changed to 13% for individual coverage and 8% for family coverage. Cost sharing provisions were changes.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2022

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

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

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

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2021 actuarial valuation.

Changes of Assumptions

2021: The demographic assumptions (pensioner mortality and active member decrements) were updated based on the System's experience from April 1, 2015 through March 31, 2020, the mortality improvement assumption was updated to Society of Actuaries Scale MP-2020, inflation was updated to 2.7%, cost-of-living updated to 1.4%, salary scale updated to 4.4%, and the interest rate assumption was reduced to 5.9% for the April 1, 2020 actuarial valuation.

2020: The interest rate assumption was reduced to 6.8% and the mortality improvement assumption was updated to Societies of Actuaries' Scale MP-2018 for the April 1, 2019 actuarial valuation.

2019: The salary scales for both plans used in the April 1, 2018 actuarial valuation were increased by 10%.

2016: There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2015 actuarial valuation.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2022

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

NYSLRS - Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2020 actuarial valuation determines the employer rates for contributions payable in fiscal year 2022. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	5-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	4.5% in ERS, indexed by service.
Investment Rate of Return	6.8% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.
Active Member Decrements	Based upon FY 2016-2020 experience.
Pensioner Mortality	Gender/Collar specific tables based upon FY2016-2020 experience.
Mortality Improvement	Society of Actuaries' Scale MP-2019.

NYSTRS

Changes in Benefit Terms

None.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2022

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

NYSTRS - Continued

Changes of Assumptions

Actuarial assumptions are revised periodically to reflect more closely actual, as well as anticipated, future experience. The actuarial assumptions were revised and adopted by the Retirement Board on October 29, 2015 and first used in the 2016 determination of the Total Pension (Asset) Liability. Current proposed assumptions are used in the 2021 determination of the Total Pension (Asset) Liability.

The System's long-term rate of return assumption for purposes of the NPL is 6.95%, effective with the 2021 actuarial valuation. For the 2020 and 2019 actuarial valuations, the System's long-term rate of return assumption was 7.10%. For the 2018 and 2017 actuarial valuation, the System's long-term rate of return assumption was 7.25%. For the 2016 actuarial valuation, the System's long-term rate of return assumption was 7.50%. Prior to the 2016 actuarial valuation, the System's long-term rate of return was 8.0%.

The System's assumed annual inflation rate is 2.40% for 2021 and 2.20% for 2019 and 2020. For the 2018 and 2017 actuarial valuations, the System's annual inflation assumption was 2.25%. For the 2016 actuarial valuation, the System's annual inflation assumption was 2.5%. Prior to the 2016 actuarial valuation, the System's annual inflation assumption was 3.0%.

Effective with the 2019 actuarial valuation, COLAs are projected to increase at a rate of 1.30% annually. Effective with the 2015 actuarial valuation, COLAs were projected to increase at a rate of 1.50% annually. Prior to the 2015 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually.

Effective with the 2021 actuarial valuation, the assumed scale for mortality improvement was changed from MP2019 to MP2020. Effective with the 2020 actuarial valuation, the assumed scale for mortality improvement was changed from MP2018 to MP2019. Effective with the 2019 actuarial valuation, the assumed scale for mortality improvement was changed from MP2014 to MP2018.

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2022

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

NYSTRS - Continued

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School District's Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine school districts' contributions in 2022. For assumptions and plan provisions used in contributions reported for years prior to 2022, refer to the Annual Actuarial Report for two years prior to the end of the fiscal year in which contributions are reported.

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.										
Asset Valuation Method	Five-year phased-in deferred recognition of each year's net investment income/loss in excess of (or less than) the assumed valuation rate of interest at a rate of 20% per year, until fully recognized after five years.										
Inflation	2.20%										
Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.										
	<table border="0"> <thead> <tr> <th style="text-align: center;"><u>Service</u></th> <th style="text-align: center;"><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5</td> <td style="text-align: center;">4.72%</td> </tr> <tr> <td style="text-align: center;">15</td> <td style="text-align: center;">3.46%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">2.37%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">1.90%</td> </tr> </tbody> </table>	<u>Service</u>	<u>Rate</u>	5	4.72%	15	3.46%	25	2.37%	35	1.90%
<u>Service</u>	<u>Rate</u>										
5	4.72%										
15	3.46%										
25	2.37%										
35	1.90%										
Valuation Rate of Interest	7.10% compounded annually, net of investment expenses, including inflation.										
Cost of Living Adjustments	1.3% compounded annually.										

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2022

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 26,188,902
Prior Year's Encumbrances	<u>71,607</u>
Original Budget	<u>26,260,509</u>
Final Budget	<u><u>\$ 26,260,509</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next Year's Budget is a Voter Approved Budget	<u><u>\$ 27,766,583</u></u>	
Maximum Allowed (4% of the 2022-2023 Budget)		\$ 1,110,663
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		
Unrestricted Fund Balance:		
Assigned Fund Balance	\$ 40,454	
Unassigned Fund Balance	<u>2,997,882</u>	
Total Unrestricted Fund Balance	<u><u>3,038,336</u></u>	
Less:		
Appropriated Fund Balance	\$ -	
Encumbrances Included in Assigned Fund Balance	<u>40,454</u>	
Total Adjustments	<u><u>40,454</u></u>	
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		<u><u>\$ 2,997,882</u></u>
Actual Percentage		10.8%

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND JUNE 30, 2022

PROJECT TITLE	Expenditures					Unexpended (Overexpended) Balance	Methods of Financing			Fund Balance (Deficit) June 30, 2022	
	Original Budget	Revised Budget	Prior Years	Current Year	Total		Proceeds of Obligations	State Aid	Local Sources		Total
Benton Hall Elementary 001-012	\$ 10,448,113	\$ 10,448,113	\$ 6,802,606	\$ 3,114,338	\$ 9,916,944	\$ 531,169	\$ 9,653,242	\$ -	\$ 517,295	\$10,170,537	\$ 253,593 *
Middle/High School 008-014	19,182,735	19,182,735	16,006,311	2,750,793	18,757,104	425,631	17,723,353	568,670	949,754	19,241,777	484,673 *
School Bus Garage 5003-003	794,153	794,153	838,621	26,013	864,634	(70,481)	733,735	-	39,320	773,055	(91,579) *
2021-2022 Bus	132,189	132,189	-	132,189	132,189	-	132,189	-	-	132,189	-
SMART Schools Project	62,369	62,369	-	62,369	62,369	-	-	62,369	-	62,369	-
Lease Liabilities	362,451	362,451	-	362,451	362,451	-	362,451	-	-	362,451	-
Subtotal	30,982,010	30,982,010	23,647,538	6,448,153	30,095,691	886,319	28,604,970	631,039	1,506,369	30,742,378	646,687
Total	\$ 30,982,010	\$ 30,982,010	\$ 23,647,538	\$ 6,448,153	\$ 30,095,691	\$ 886,319	\$28,604,970	\$ 631,039	\$ 1,506,369	\$30,742,378	\$ 646,687

* Architectural and State Approved Budget Modification for Sub-Project Reallocations Not Yet Finalized and Were Unavailable at This Report Date.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS JUNE 30, 2022

Capital Assets, Net	<u>\$ 43,831,543</u>
Add:	
Amount Deferred on Refunding	<u>13,400</u>
Deduct:	
Premium on Serial Bonds	<u>(80,916)</u>
Payables on Capital Projects	<u>(36,802)</u>
Short-Term Portion of Bonds Payable	<u>(2,240,211)</u>
Long-Term Portion of Bonds Payable	<u>(27,391,354)</u>
Retainage Payable	<u>(261,296)</u>
Short-term Portion of Lease Liabilities	<u>(67,573)</u>
Long-term Portion of Lease Liabilities	<u>(37,005)</u>
Short-term Portion of Capital Leases	<u>(7,338)</u>
Long-term Portion of Capital Leases	<u>(16,915)</u>
Net Investment in Capital Assets	<u><u>\$ 13,705,533</u></u>

LITTLE FALLS CITY SCHOOL DISTRICT

BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2022

	Special Revenue Funds			Non-Major Governmental Funds
	School Lunch Fund	Miscellaneous Special Revenue Fund	Debt Service Fund	
ASSETS				
Cash and Cash Equivalents -				
Unrestricted	\$ 192,612	\$ -	\$ -	\$ 192,612
Cash and Cash Equivalents -				
Restricted	57,288	212,550	-	269,838
Investments - Restricted	-	179,523	-	179,523
Due From Other Funds	46,071	-	-	46,071
Other Receivables, Net	9,190	-	-	9,190
Governments due from state and federal	141,683	-	-	141,683
Inventories	21,758	-	-	21,758
Total Assets	\$ 468,602	\$ 392,073	\$ -	\$ 860,675
LIABILITIES				
Payables				
Accounts Payable	\$ 11,122	\$ -	\$ -	\$ 11,122
Accrued Liabilities	14,501	-	-	14,501
Due to Other Funds	363,933	-	-	363,933
Total Liabilities	389,556	-	-	389,556
FUND BALANCES				
Nonspendable	21,758	-	-	21,758
Restricted	57,288	392,073	-	449,361
Unassigned	-	-	-	0
Total Fund Balances	79,046	392,073	-	471,119
Total Liabilities and Fund Balances	\$ 468,602	\$ 392,073	\$ -	\$ 860,675

LITTLE FALLS CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE NON-MAJOR GOVERNMENTAL FUNDS JUNE 30, 2022

	Special Revenue Funds			Non-Major Governmental Funds
	School Lunch Fund	Miscellaneous Special Revenue Fund	Debt Service Fund	
REVENUES				
Use of Money and Property	\$ 14	\$ -	\$ -	\$ 14
Miscellaneous	22,544	34,978	-	57,522
State Sources	12,964	-	-	12,964
Federal Sources	735,871	-	-	735,871
Sales - School Lunch	79,600	-	-	79,600
Total Revenues	850,993	34,978	-	885,971
EXPENDITURES				
Instruction	338,330	24,100	-	362,430
Employee Benefits	24,396	-	-	24,396
Cost of Sales	290,312	-	-	290,312
Total Expenditures	653,038	24,100	-	677,138
Excess (Deficiency) of Revenues Over Expenditures	197,955	10,878	-	208,833
OTHER FINANCING SOURCES AND (USES)				
Operating Transfers (Out)	-	-	(223,500)	(223,500)
Total Other Sources (Uses)	-	-	(223,500)	(223,500)
Net Change in Fund Balances	197,955	10,878	(223,500)	(14,667)
Fund Balances - Beginning of Year	(118,909)	381,195	223,500	485,786
Fund Balances - End of Year	\$ 79,046	\$ 392,073	\$ -	\$ 471,119

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Little Falls City School District (the School District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 12, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-002 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the Schedule of Findings and Questioned Costs as items 2022-001.

School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 12, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Little Falls City School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2022. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Respectfully submitted,



Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
October 12, 2022

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass -Through Grantor Program Title	Federal ALN #	Pass -Through Grantor #	Passed -Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021221125	\$ -	\$ 383,401
Title I Grants to Local Educational Agencies	84.010	0021211125	-	4,762
		Subtotal	-	388,163
Special Education Cluster				
Special Education - Grants to States	84.027	0032220306	-	265,777
Special Education - Grants to States	84.027	0032210306	-	1,205
(COVID-19) Special Education - Grants to States	84.027X	5532220306	-	29,890
Special Education - Preschool Grants	84.173	0033220306	-	10,513
		Subtotal	-	307,385
Total Special Education Cluster				
Supporting Effective Instruction State Grants	84.367	0147221125	-	46,323
Rural Education Achievement Program	84.358	0016221125	-	17,705
Title IV Student Support and Academic Enrichment	84.424	0204211125	-	22,858
Education Stabilization Fund (ESF)				
(COVID-19) Elementary and Secondary School Emergency Relief (ESSER2)	84.425D	5891221125	-	384,813
(COVID-19) Elementary and Secondary School Emergency Relief (ARP ESSER3)	84.425U	5880211125	-	1,722,102
(COVID-19) Elementary and Secondary School Emergency Relief (ARP ESSER3)	84.425U	5882211125	-	90,992
(COVID-19) Elementary and Secondary School Emergency Relief (ARP ESSER3)	84.425U	5883211125	-	40,796
(COVID-19) Governor's Emergency Education Relief (GEER) Fund	84.425C	5895211125	-	36,300
		Subtotal	-	2,275,003
Total U.S. Department of Education				
			-	3,057,437
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	Unknown	-	547,981
School Breakfast Program	10.553	Unknown	-	160,691
		Subtotal	-	708,672
Total Child Nutrition Cluster				
(COVID-19) Pandemic EBT Food Benefits	10.542	Unknown	-	1,202
(COVID-19) State Pandemic Electronic Benefit Transfer Administrative Costs Grant	10.649	Unknown	-	25,997
Total U.S. Department of Agriculture				
			-	735,871
Total Expenditures of Federal Awards			\$ -	\$ 3,793,308

LITTLE FALLS CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2022

Note 1 **Basis of Presentation**

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

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

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

Note 4 **Matching Costs**

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

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2022, the School District received \$54,074 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

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

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

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2022

Section I Summary of Auditors' Results

Financial Statements

Type of Auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes _____ none reported

Noncompliance material to financial statements noted? yes _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516(a) of Uniform Guidance? _____ yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.425C, 84.425D, 84.425U</u>	<u>Education Stabilization Fund</u>

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk? _____ yes no

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2022

Section II Financial Statement Findings

2022-001 Fund Balance Limitation

Condition:

At June 30, 2022, unassigned fund balance in the General Fund was \$1,887,219 in excess of the allowable limit.

Criteria:

The School District is allowed, under New York State Real Property Tax Law §1318, to retain up to 4% of the succeeding year's budget in unassigned fund balance.

Cause:

For several years, revenues have exceeded expenditures, which has resulted in an accumulation of fund balance in the General Fund. For the year ended June 30, 2022, expenditures and other financing uses exceeded revenues and other financing sources by \$535,915. While the School District has funded some reserves, it has chosen to maintain more than the allowable limit in unassigned fund balance for reasons discussed below.

Effect:

The School District is not in compliance with New York State Real Property Tax Law §1318.

Recommendation:

We recommend continued formal long-term (three to five years) budgetary planning in conjunction with the annual budgetary process. We also recommend current fund balance reserve accounts be reviewed to determine appropriate levels from both a short-term and long-term planning perspective. As part of the budgeting process, we recommend the School District estimate the amount of unassigned fund balance anticipated at year end in order to determine amounts which should be used to reduce the tax levy in accordance with New York State Real Property Tax Law (Code §1318).

Management's Response:

The School District completed bonding for long-term debt on the capital project towards the end of the 2021-22 fiscal year of financing for a capital project at a favorable rate due to the soundness of the financial position presented to bond rating entities, a factor that had been noted in the past in the District's reluctance to reserve excessive fund balance amounts. The district remains acutely aware of the limitations placed upon it as a Small City School District in terms of the constitutional debt limit, an issue that will become of pressing concern as payments on a recently approved BOCES capital project are scheduled to begin in the 2023-24 school year. This will be in addition to the district's own debt service obligations, all while being significantly restricted in future borrowing.

In response to the above factors, the School District will work with its financial advisors to put reserves in place that will reserve a portion of the fund balance to making sure all debt service obligations resulting from both the District's and BOCES' capital projects can be met without placing undue pressure on taxpayers or requiring excessive additional borrowing.

LITTLE FALLS CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2022

Section II Financial Statement Findings - Continued

2022-002 - Inaccurate and Untimely Financial Information

Condition:

During our current year audit numerous audit adjustments were required to correct misstatements. Professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Audit adjustments that, either individually or in the aggregate, may have a significant effect on the School District's financial reporting process were reviewed, approved, and posted by management.

Criteria

Management is charged with maintaining fiscal integrity and stewardship. This includes providing accurate and timely financial information.

Cause/Effect:

The Treasurers Office is responsible for maintaining the School District's financial books and records. Over the last several years, the Treasurer's office has experienced a significant turnover in staffing and roles. This turnover resulted in a lack of experience and familiarity with the School District's year end accounting entries, leading to material accounting errors.

Recommendation:

We recommend monthly reconciliation of general ledger balances be performed and reviewed by a responsible official. Differences should be investigated and adjustments made to ensure accurate and timely financial reporting.

Management Response:

The district accepts the audit findings, and concurs with the recommendation for greater oversight through a monthly reconciliation process. The district will take immediate steps to make sure the issues stated to not recur in the 2022-23 school year, and in subsequent years thereafter.

Section III Federal Award Findings and Questioned Costs

None.