

AGENDA

BOARD OF EDUCATION • LEVITTOWN, NEW YORK

LEVITTOWN UNION FREE SCHOOL DISTRICT • TOWN OF HEMPSTEAD • LEVITTOWN, NEW YORK
www.levittownschools.com

AUDIT COMMITTEE MEETING

LEVITTOWN MEMORIAL EDUCATION CENTER

Wednesday, November 18, 2015

6:30 PM Meeting convenes with anticipated adjournment to Executive Session

7:30 PM Meeting reconvenes in Audit Committee Meeting

Success for Every Student

CALL TO ORDER

Enclosure

- I. 6:30 P.M. - Anticipated Motion to move to Executive Session.

Recommended Motion: "BE IT RESOLVED, that the Levittown Board of Education does, hereby, move to Executive Session to discuss the following items: legal and/or personnel items."

- II. 7:30 P.M. Reconvene Public Session

1. Pledge of Allegiance

2. Moment of Silence

- III. Audit Committee Meeting

- IV. Risk Assessment

- V. Adjourn

Levittown Union Free School District
Risk Assessment Update Report
Date, 2015

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

Risk Assessment Update Report

To the Board of Education and Audit Committee
Levittown Union Free School District
Levittown, New York

We have performed the annual risk assessment update of the Levittown Union Free School District (District) as required by Chapter 263 of the Laws of New York, 2005 and as per our agreement of July 1, 2015.

This engagement is in accordance with auditing standards generally accepted in the United States of America and the applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have also considered the guidelines promulgated by the New York State Education Department in connection with such risk assessments.

Specifically, we performed the following:

- Developed an understanding of the critical business processes of the District. These critical business processes included but were not limited to:
 - Governance and planning
 - Accounting and reporting
 - Revenue and cash management
 - Payroll
 - Human resources
 - Benefits
 - Purchasing and related expenditures
 - Grants and special education
 - Facilities and capital projects
 - Capital assets
 - Food Services
 - Extraclassroom activity fund
 - Information technology
 - Student related data and services
- Identified the key risks based on our understanding of these business processes.
- Identified the stated controls that are currently in place to address those risks.

These procedures were accomplished through interviewing District management and accounting and other departmental personnel to determine the flow of accounting information and controls placed in operation. The scope of our engagement did not include testing the operating effectiveness of such controls.

Our procedures were not designed to express an opinion on the internal controls of the District, and we do not express such an opinion. Additionally, because of inherent limitations of any internal control, errors or fraud may occur and not be prevented or detected by internal controls. Also, projections of an evaluation of the accounting system and controls to future periods are subject to the risk that procedures may become inadequate because of changed conditions.

We would like to express our appreciation for the cooperation and assistance that we received from the District's administration and other employees during our audit, especially the Business Office personnel.

This report is intended solely for the use and information of the Board of Education and its Audit Committee and the management of the District, and is not intended to be and should not be used by anyone other than these specified parties.

Date, 2015

LEVITTOWN UNION FREE SCHOOL DISTRICT

Introduction

Date, 2015

Chapter 263 of the Laws of New York, 2005 requires most districts to create an internal audit function. The creation of this function requires districts to engage either a qualified audit firm or individual to make an initial risk assessment of the design of the district's internal controls; annually update this assessment; and, periodically test these controls for operational effectiveness and efficiency. This report addresses the second requirement, which is an annual risk assessment update.

Internal controls are the checks and balances over the various processes or functions that comprise the operations of a district. One key element in any internal control system is the concept of **segregation of duties**. This concept ensures that one person cannot execute a transaction without at least one other individual checking his or her work. Of course, where segregation of duties is not feasible, the district can employ compensating controls.

Nevertheless, there are some important concepts that should be understood when reviewing internal controls. These concepts are:

- An internal control system is designed to provide reasonable but not absolute assurance in safeguarding the assets of the district.
- The concept of reasonable assurance recognizes that the cost of the internal control should not exceed the benefits derived.
- There are inherent limitations that should be recognized in considering the potential effectiveness of any internal control system, e.g., errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. More importantly, it is **collusion** that poses the greatest threat to any internal control system. If two employees collude in order to circumvent the controls set up by the district, they could perpetrate a fraud.

The initial risk assessment required the internal auditor to obtain an understanding of both the inherent and control risks associated with the various functions within the District. The risk assessment update requires the internal auditor to identify the changes in procedures, policies, personnel, and systems that may have an impact on these risks and possibly alter the initial risk assessment's level of control risk.

Control risk measures the adequacy of internal controls designed to mitigate the inherent risk within the process. In this engagement, we have assessed the control risk based upon our interview process. The testing of the controls, which is performed during the detailed testwork, could support the lowering of the initial control risk assessment associated with individual processes and sub-functions.

We have organized this report into the following two sections:

The first section is a risk assessment table. In this table, we identify the processes or functions that we have reviewed. This table includes our assessment of the control risk associated with each process. There are two control risk columns to reflect the prior year risk assessment level and the current year risk assessment level based on the results of the risk assessment update as well as the detailed testwork performed for selected processes. **Since the testing of controls has not been done for all processes, it is important to note that this table should not be viewed as the final assessment of the District's control environment.** The Risk Assessment Table also includes our suggestions for processes to be tested during the coming year. However, the decision of which processes to review in detail is at the discretion of the Audit Committee.

LEVITTOWN UNION FREE SCHOOL DISTRICT

Introduction (Continued)

Date, 2015

The second section of this report consists of any changes from the prior year risk assessment related to key policies, procedures and/or controls of the functions we reviewed. Also included in this section are any new recommendations and the status of any prior year recommendations (note that this text is in *italics*), for areas of potential improvement in the District's internal controls or operations. The status of prior year recommendations from the following reports was addressed in this year's risk assessment:

Report Type	Issue Date	Area(s)
Risk Assessment	October 17, 2014	District-wide
Agreed-Upon Procedures	March 31, 2014	Purchasing and Special Education

The changes and recommendations have been considered in the assessment of the level of control risk. Some of the recommendations may require a reassignment of duties and/or an addition to District personnel. However, any enhancement of controls should be done after a careful cost-benefit analysis.

Corrective Action Plan

Commissioner of Education Regulation §170.12(e)(4) requires that a corrective action plan, approved by the board of education, must be filed within 90 days of issuance with the New York State Education Department.

The District should send the Corrective Action Plan (CAP) along with the respective Internal Audit Report via mail or email to the addresses listed below. The report needs to accompany the CAP to allow the Office of Audit Services (OAS) to reconcile the District's CAP to the report to ensure all items have been addressed (i.e., CAP is not missing any recommendations).

Submission Information – Mail & Email

New York State Education Department (NYSED)
Office of Audit Services (OAS)
89 Washington Avenue
Room 524 EB
Albany, NY 12234
Fsanda133@mail.nysed.gov

Contact

Office of Audit Services
(518) 473-4516

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT

Risk Assessment Table

Date, 2015

(L=Low, M=Moderate, H=High)

Business Process Area	Date of Detailed Testing	Control Risk			Proposed Detailed Testing
		Prior Year		Current Year	
Governance and Planning					
Governance & Control Environment			M		M
Budget Development, Administration, and Fund Balance Management			M		M
Accounting and Reporting					
Financial Accounting and Reporting *	11/24/10	L			L
Auditing			M		M
Revenue and Cash Management					
Revenue Management			M		M
Billings, Collections and Posting of Receipts	06/29/15		M		M
Cash and Investments Management			M		M
Bank Reconciliations			M		M
Payroll					
Sick Day Buy Backs **	05/25/11	L			L
Payroll Accounting and Reporting ***	11/28/11	L			L
Tax Filings and Reconciliations ***	11/28/11	L			L
Payroll Distribution ***	11/28/11	L			L
Overtime and Timesheets	06/29/15		M		M
Human Resources					✓
Employment Recruitment and Hiring			M		M
Employee Administration and Termination			M		M
Employee Attendance			M		M
Benefits					
Administration ***	11/28/11		M		L
Payments and Cost Sharing ***	11/28/11		M		L
Purchasing and Related Expenditures					
Purchasing System and Process	03/31/14		M		M
Payment Process	03/31/14		M		L
Credit Cards		L			L
Grants and Special Education					
General Processing/Monitoring			M		M
Special Education	05/28/13		M		L
Facilities and Capital Projects					
Facilities Maintenance & Operations			M		M
Capital Projects			M		M

* Indicates the issuance date of an agreed-upon procedures (AUP) report related to that area.

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LEVITTOWN UNION FREE SCHOOL DISTRICT

Risk Assessment Table (Continued)

Date, 2015

(L=Low, M=Moderate, H=High)

Business Process Area	Date of Detailed Testing	Control Risk			Proposed Detailed Testing
		Prior Year		Current Year	
Capital Assets					
Acquisition and Disposal		M		M	
Maintenance and Inventories		M		M	
School Lunch					
Sales Cycle and System		M		M	
Purchasing and Inventory		M		M	
Federal and State Reimbursements		M		M	
Free and Reduced Lunch		M		M	
Extracurricular Activity Fund					
General Controls and Administration	05/28/13	M		M	
Cash Receipts	05/28/13	M		M	
Cash Disbursements	05/28/13	L		L	
Information Technology					
Governance		M		M	
Network Security		M		M	
Financial Application Security		M		M	
Disaster Recovery		M		M	
Student Related Data and Services					
Student Attendance Data		M		M	
Student Performance Data		M		M	
Student Transportation		M		M	
Student Safety and Security		M		M	

* Indicates the issuance date of an agreed-upon procedures (AUP) report related to that area.

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LEVITTOWN UNION FREE SCHOOL DISTRICT
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Date, 2015

GOVERNANCE AND PLANNING

Governance and Control Environment

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District was active with reviewing, revising and adding Board policies as necessary including new policies related to data privacy and protection.

Budget Development, Administration and Fund Balance Management

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District improved the budget process by showing revisions within the budget section of the website which increases transparency.

Recommendation – Risk Assessment Update 2013

Revising Budget Codes – We recommended that the District consider revising the budget codes to provide more data related to the schools by breaking out certain district-wide budget amounts (e.g., salaries) by school. This would facilitate reporting and analysis at the school level, which is more commonly used at other districts. In addition, the classification of certain expenditures should be revised. For example, the health insurance buy-out option is included as salary expenditures instead of benefits.

Risk Assessment Update – 2014

We noted that the District began reviewing the chart of accounts and planned to revise and/or add budget codes with the goal of completion for the 2015-16 budget.

Risk Assessment Update – 2015 (This item is now closed)

We found that the District has revised and added budget codes to provide better reporting.

ACCOUNTING AND REPORTING

Financial Accounting and Reporting

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Auditing (External, Internal, and Claims)

Control Risk Level: Moderate

LEVITTOWN UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
Date, 2015

Policies, procedures and controls considered to determine the level of control risk:

- The District issued requests for proposals related to external, internal and claims auditors. The District engaged the same external and internal auditors and engaged a new claims auditor.

REVENUE AND CASH MANAGEMENT

Revenue Management

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Billings, Collections and Posting of Receipts

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

Recommendation – Risk Assessment 2014

Segregation of Duties – We recommended that the District establish proper segregation of duties by assigning the duty of posting receipts to the accounts receivable module to someone independent of invoicing, and opening the mail.

Risk Assessment Update –2015 (This item has moved to another report)

We performed an agreed-upon procedures engagement related to billing and accounts receivable processes, which included this recommendation as part of the scope of work. Refer to our “Independent Accountant’s Report On Applying Agreed-Up On Procedures” dated June 29, 2015, for more information. The recommendations from that report will be included in next year’s 2016-17 Risk Assessment Update Report.

Cash and Investment Management

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There is a new District Treasurer and the previous district treasurer has been assigned the role of Deputy District Treasurer. The new District Treasurer has been assigned duties that include wire transfers, collateral reporting and monthly reports.

Bank Reconciliations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The new District Treasurer has been assigned the responsibility for bank reconciliations as noted in the following comment:

LEVITTOWN UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
Date, 2015

Recommendation – Risk Assessment 2014

Bank Reconciliations – We recommended that the District consider assigning the District Treasurer the responsibility of completing the bank reconciliations for the PaySchools and MySchoolBucks activities, which includes agreeing the book balances to the respective bank statements.

Risk Assessment Update – 2015 (This item is now closed)

We note that the District has assigned this responsibility to the new District Treasurer.

PAYROLL

Sick Day Buy Backs

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Payroll Accounting and Reporting

Control Risk Level: Low

Policies, procedures and controls considered to determine the level of control risk:

- All Civil Service Employees Association (CSEA) employees received a one-time bonus of \$850 for signing the collective bargaining unit contract.
- The District offered a retirement incentive for the teachers bargaining unit and the administrators bargaining unit.

Tax Filings and Reconciliations

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Payroll Distribution

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Overtime and Timesheets

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

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Date, 2015

HUMAN RESOURCES

Employment Recruitment and Hiring

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District was active with recruiting and hiring over 70 new employees for the 2015-16 year with most positions being filled due to retirements, as a result of incentives, and other separations.

Employee Administration and Separations/Terminations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has set up StaffTrac, a comprehensive web-based evaluation management system, which assists with the Annual Professional Performance Review (APPR) requirements for observations, Student Learning Objectives (SLOs) and evaluations. We have been informed that this has resulted in efficiencies and a paperless, comprehensive process.

Finding and Recommendation – Risk Assessment 2015

User Accounts – We understand that procedures related to user accounts require improvement, since there were instances when the communications to the Information Technology (IT) Department were not timely. This results in new employees starting at the District when their user account has not been set up and separated employees still having active user accounts after their last day of employment.

1. We recommend that the District establish procedures to notify the IT Department about staff changes (i.e., new hires, separations, leaves of absence, and transfers) in a timely manner to ensure that user accounts are revised promptly and appropriately.

Recommendation – Risk Assessment Update 2013

Overtime Procedures and Approval – We recommended that the District improve the overtime procedures and strengthen controls to ensure that these activities are properly approved, plus pre-approved when required, and the reason for the overtime is fully documented on the forms (e.g., transportation staff, clerical employees) and proper documentation to support the reason for the additional overtime hours is attached. We also recommended that the District establish procedures to determine and formally document which employees were eligible to earn overtime compensation (e.g., transportation staff, clerical workers, etc.)

Risk Assessment Update – 2014

We noted that the District had improved the overtime procedures by establishing new forms and requiring approvals of all overtime by the appropriate administrative personnel. We understood that the procedures were based on the two types of overtime hours: advanced notice overtime and emergency overtime. The former required a standard form to be properly completed and approved in advance of the employee working the overtime. The latter required a verbal confirmation by the Director of Maintenance and Grounds or the Superintendent prior to the employee working the emergency overtime. In addition, the Director of Maintenance and Grounds made a presentation in June 2014 to the Board that included historical and

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Risk Assessment Update Report (Continued)
Date, 2015

projected overtime hours. We understood that the District planned to continue efforts to assess and improve procedures related to overtime and timesheets. We recommended that the District consider selecting this area as part of the agreed-upon procedures work for the 2014-15 year.

Risk Assessment Update –2015 (This item has moved to another report)

We performed an agreed-upon procedures engagement related to overtime processes, which included this recommendation as part of the scope of work. Refer to our "Independent Accountant's Report On Applying Agreed-Upon Procedures" dated June 29, 2015, for more information. The recommendations from that report will be included in next year's 2016-17 Risk Assessment Update Report.

Recommendation – Agreed-Upon Procedures 2011

Termination Payments – We recommended that the District modify the CSEA contract to clearly delineate termination payments made to employees. The contract would include the items to be included in daily rate of pay (e.g., stipends) and how to compute the number of days to include in the calculation.

Risk Assessment Update – 2012 through 2014

We noted that the District was in contract negotiations with the CSEA bargaining unit.

Risk Assessment Update – 2015 (This item is now closed)

We found that the District completed the contract negotiations with the CSEA; however, this was not addressed in the new agreement. We understand that the District will consider including these proposed modifications during the next contract negotiation.

Employee Attendance

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

Finding and Recommendation – Risk Assessment 2015

Attendance Process – We found that there are opportunities to improve the attendance process, since the current procedures require manual efforts and include duplication of efforts. There are employees at the schools manually recording staff attendance and this data needs to be entered into the financial system by different employees. The District uses a substitute teacher system called Aesop, which has the functionality to be used for tracking staff attendance. However, Aesop is only being used to assist the District with filling teacher absences.

2. We recommend that the District investigate utilizing the Aesop system to track staff attendance of all employees and to systematically update the financial system periodically with the attendance data. This would result in significant efficiencies, streamlined processes, improved timeliness, enhanced reporting and reductions of potential manual errors related to the current attendance procedures.

Recommendation – Risk Assessment 2013

Time Cards and Time Sheets – We recommended that the District investigate biometric time management technology and perform a cost/benefit analysis of installing this type of system to improve operations and strengthen controls related to recording, tracking and reporting employees' time. As biometric technology

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Date, 2015

becomes more affordable, biometric hand-reader and fingerprint scanning solutions offer an attractive alternative to conventional time and attendance time clocks. Biometric time clock systems aid in reducing errors from processing inaccurate employee time cards plus eliminate the common and potential abuse related to the "buddy system" concern. The implementation of a biometric time management system would result in significant operational efficiencies, particularly the units that consist of hourly employees, since the process to calculate the hours for these employees is very labor intensive and has potential for errors.

Risk Assessment Update – 2014

We noted that the District had investigated options related to a biometric time management system including the Finance Manager system's Timepiece module and other financial software that provide other timekeeping systems. We understood that the District planned to investigate this matter further during the 2014-15 year, which included consideration for requiring all employees to use the system and eliminating the manual time sheets.

Risk Assessment Update - 2015

3. *We understand that the District will continue efforts to investigate biometric time management systems that are cost effective and would interface with the financial system.*

BENEFITS

Administration

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls related to this function.

Recommendation – Risk Assessment 2014

Health Insurance Waiver Process – We recommended that the District improve the health insurance waiver process related to calculating the payouts by utilizing an Excel spreadsheet that contains each of the various scenarios based on the respective bargaining unit contracts.

Risk Assessment Update – 2015 (This item is now closed)

We note that the District has created an Excel spreadsheet that incorporates the various scenarios, which facilitates the payout calculations related to the health insurance waivers.

Recommendation – Agreed-Upon Procedures 2011

Develop Written, Formal Procedures – We recommended that the District develop written, formal procedures to address the following processes within the benefits function:

- a) Reconciling insurance provider invoices to the District's records.
- b) Developing the annual matrix of deduction amounts for active enrollees and billing amounts for retired enrollees.
- c) Updating the deduction tables in Finance Manager.
- d) Administering leaves of absence, Medicare Part B reimbursements, and health insurance waivers.

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- e) Handling late payments by enrollees for reimbursements owed to the District.
- f) Verifying the accuracy of benefit changes made each payroll cycle.
- g) Ensuring retired enrollees are not deceased.

Risk Assessment Update – 2012

We noted that the District planned to develop written, formal procedures within the benefits function.

Risk Assessment Update – 2013

We understood that the District planned to address this item during the 2013-14 year.

Risk Assessment Update – 2014

We found that the District had established processes related to each item above and planned to start developing written, formal procedures related to these activities during the 2014-15 year.

Risk Assessment Update – 2015

4. *We discussed the process for developing written, formal procedures with the Benefits Clerk and provided templates for each of the recommended procedures noted above. We understand that the District has started to develop these procedures and plans to complete this initiative during the 2015-16 year.*

Recommendation – Agreed-Upon Procedures 2011

Billing and Receipts – Segregation of Duties – We recommended that the District establish a standard billing schedule (e.g., monthly, quarterly, etc.) applicable to obtaining reimbursement (e.g., retirees, COBRA, employees out on a leave of absence, etc.) to the District for payments made for health insurance premiums on behalf of these enrollees. The District would invoice these enrollees from the Finance Manager system according to the schedule and a Finance Manager system-generated “Aging of Receivables Report” should be reviewed periodically. In addition, we recommended that the District develop a process to have all funds be received by someone other than the Benefits Clerk or the person who is responsible to update the Cash Receipts Log.

Risk Assessment Update – 2012

We noted that the District planned to address this recommendation.

Risk Assessment Update – 2013

We noted that the District had established a standard monthly billing schedule applicable to obtaining reimbursement (e.g., retirees, COBRA, employees out on a leave of absence, etc.) to the District for payments made for health insurance premiums on behalf of these enrollees. However, the District still needed to develop a process to have someone independent receive the funds because it had been unable to assign this task due to staffing reductions and transitions in the benefits function. We recommended assigning the duty of receiving the funds to someone other than the person handling the invoicing of health insurance premiums to enrollees to establish proper segregation of duties.

LEVITTOWN UNION FREE SCHOOL DISTRICT Risk Assessment Update Report (Continued)

Date, 2015

Risk Assessment Update – 2014

We understood that the District planned to establish a standard monthly billing schedule during the 2014-15 year. The District was also in the process of reviewing the staffing duties related to benefits, invoicing and accounts receivables and would be segregating those duties to enhance internal controls.

Risk Assessment Update –2015 (This item has moved to another report)

We performed an agreed-upon procedures engagement related to billing and accounts receivable processes, which included this recommendation as part of the scope of work. Refer to our "Independent Accountant's Report On Applying Agreed-Upon Procedures" dated June 29, 2015, for more information. The recommendations from that report will be included in next year's 2016 Risk Assessment Update Report.

Benefits Payments and Cost Sharing

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

PURCHASING AND RELATED EXPENDITURES

Purchasing System and Process

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has hired a new purchasing agent and this employee appears to understand internal controls, and proper segregation of duties related to purchasing processes.
- The District has consolidated the reimbursement policy into Board Policy #5410 – Purchasing.

Recommendation – Agreed Upon Procedures 2014

Contracts and Bids – We recommended that the District establish consistent, formal procedures related to bids and contracts that require these supporting records to be included in the voucher package or at least written notation that an employee has verified the pricing to the respective bid or contract. In addition, we recommended that the District clearly assign the responsibility of verifying pricing related to purchases off of contracts and bids (i.e., Purchasing Department, Accounts Payable Department or the requisitioners).

Risk Assessment update 2015 (This item is now closed)

We note that the District has established procedures to ensure that the bid number and a copy of the bid are included in the voucher package or clearly documented on the supporting documentation. We also found that the District has assigned the responsibility of verifying pricing to the requisitioners whose work is then reviewed by the Purchasing Agent.

Recommendation – Agreed Upon Procedures 2014

Quotations Properly Submitted – We recommended that the District establish procedures to include the standard quote sheet with the voucher package to support that the written quotations were properly obtained in compliance with Board Policy #5410. At a minimum, we recommended that the District include

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information on the purchase order (PO) that states the written quotations were properly submitted and review of the information found that the appropriate vendor was selected.

Risk Assessment Update – 2015

5. *We found that the standard quote sheet is not being used on a consistent basis. We understand that the District plans to address this item during the 2015-16 year.*

Recommendation – Agreed Upon Procedures 2014

Sole Source Vendors – We recommended that the District develop procedures to maintain documentation related to sole source vendors by requiring the departments to attach the following items to the requisition: the vendor letter claiming they are a sole source provider and documentation indicating that two additional vendors have been contacted and were unable to provide the required items for those sole source purchases as per Board Policy # 5410 – Purchasing.

Risk Assessment update 2015 (This item is now closed)

We note that the District revised existing forms to include sole source documentation. The forms were sent to the appropriate staff along with the required procedures to attach the items as recommended above.

Recommendation – Agreed Upon Procedures 2014

Document Scanning System – We recommended that the District perform a cost/benefit analysis related to a document scanning system to facilitate the submission of documents (e.g., bids, contracts, quotes, etc.) by the requisitioners to the Purchasing Department. The installation of a document scanning solution would improve operational efficiencies and assist the District with its corrective action plan related to previous recommendations.

Risk Assessment Update – 2015

6. *We understand that the District plans to address this item during the 2015-16 year, which includes discussing this matter with requisitioners and colleagues.*

Recommendation – Agreed Upon Procedures 2014

Purchases in the Aggregate – We recommended that the District establish procedures to determine if expenditures in the aggregate related to similar items would require quotes or bids when the annual purchases reach these thresholds. The Board Policy #5410 states that “although quotes are not required on single item purchases below \$500, every attempt should be made to procure the lowest price possible” and that “quotations may be requested at the discretion of the Purchasing Agent to ensure that the District is receiving the best possible pricing.” We suggested that the District consider competitive pricing for these purchases to be more fiscally prudent. We also recommended that the District consider revising Board Policy #5410 to coincide with any changes in the procedures.

Risk Assessment Update – 2015

7. *We found that the District has begun developing a bid schedule, which will include expenditures in the aggregate. In addition, the Purchasing Agent is working with multiple cooperative bidding groups.*

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Date, 2015

Recommendation – Agreed Upon Procedures 2014

Deputy Purchasing Agent – We recommended that the District inquire with legal counsel about Board Policy #5410 – Purchasing and the annual reorganizational meeting related to the appointment of a “deputy” purchasing agent (i.e., the Assistant Superintendent for Business and Finance) to act as Purchasing Agent. The Board may not appoint a “deputy” purchasing agent to act in the absence of the purchasing agent because the purchasing agent is the only person legally authorized to commit the District for a purchase.

Risk Assessment update 2015

8. *We understand that the District plans to set up a resolution to appoint a deputy purchasing agent that includes the wording “in the absence of the purchasing agent, the Assistant Superintendent for Business and Finance shall fill this role”. We again recommend that the District inquire with legal counsel about the appointment of a “deputy” purchasing agent (i.e., the Assistant Superintendent for Business and Finance) to act as Purchasing Agent because the purchasing agent is the only person legally authorized to commit the District for a purchase, as per the Fiscal Accountability Checklist developed by the NYSED.*

Recommendation – Agreed Upon Procedures 2014

Purchasing Meetings – We recommended that the District improve the communications between the Purchasing Department and the other departments, particularly the areas that submit many requisitions (e.g., transportation, facilities, information technology) by establishing periodic meetings to update staff on their responsibilities and clearly define the documentation requirements based on the type of requisitions. It would have been useful to establish an annual meeting for all of the departments to get together with the Purchasing Department to discuss these issues in detail and explain the requirement of creating a PO before services are performed or goods are ordered and the importance of processing invoices timely.

Risk Assessment update 2015 (This item is now closed)

We note that the District has improved communications between the Purchasing Department and the other departments by scheduling periodic meetings.

Recommendation – Agreed Upon Procedures 2014

Preventing Confirming POs – We recommended that the District continue with efforts to create POs in advance of receiving goods or services to prevent instances of confirming POs and to ensure timely payments of invoices. We recommended that the District send a letter to the vendors stating that the District requires a PO to be issued in advance of any vendor providing goods or services as per General Municipal Law (GML), Board policy and purchasing procedures. The letter should note that a PO number must be included in the vendor invoice and any instance of non-compliance with these requirements may result in the District withholding the payment.

Risk Assessment update 2015 (This item is now closed)

We found that the District has updated the confirming PO letter. We also found that the letters sent to new vendors now include language regarding the purchasing guidelines that requires a PO to be issued in advance of providing goods or services, a PO number must be included in the vendor invoice, and any instance of non-compliance with these requirements may result in the District withholding the payment.

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
Date, 2015

Recommendation – Agreed Upon Procedures 2014

Capital Asset Tagging – We recommended that the District develop procedures to ensure that all capital assets and IT inventory are properly tagged upon receipt, and before these items are placed in service. The process needed to include all purchases, capital assets and IT inventory regardless of the account code and department.

Risk Assessment update 2015

9. *We note that the District has formal procedures in place for IT inventory and plans to expand this process to include all capital assets.*

Recommendation – Agreed Upon Procedures 2014

Employee Reimbursements – We recommended that the District revise procedures related to reimbursements paid to employees (e.g., travel, mileage, conferences, etc.) to process these payments through payroll to enhance operational efficiencies by eliminating these POs and disbursement checks.

Risk Assessment update 2015 (This item is now closed)

We understand that the District has considered this recommendation, but decided to maintain the existing procedures to process employee reimbursements through accounts payable due to the complexities of processing these payments through payroll.

Payment Process

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Credit Cards

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

GRANTS AND SPECIAL EDUCATION

General Processing and Monitoring

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Special Education

Control Risk Level: Low

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT Risk Assessment Update Report (Continued)

Date, 2015

Policies, procedures and controls considered to determine the level of control risk:

- The District has a new Assistant to the Superintendent for Pupil Services, which is a newly created position, and this employee replaced the previous Director of Special Education. The Administrator demonstrates a good understanding and is knowledgeable of the Department's financial operations.
- The District has improved procedures relating to the System to Track and Account for Children (STAC) process for students receiving services within the District that included streamlining the process for obtaining data needed to prepare STAC forms related for students receiving services in-district.
- The Assistant to the Superintendent for Pupil Services and the Transportation Supervisor are working collaboratively to identify savings related to transportation needs for special education students.

Recommendation – Agreed-Upon Procedures 2014

Complete Thorough Review – We recommended that the District continue efforts to complete the thorough review of outstanding provider invoices; filing of STAC forms for the 2013-14 year; re-applying STAC forms for the 2014-15 year and reviewing all POs to ensure accuracy and completeness.

Risk Assessment Update – 2015 (This item is now closed)

We found that the District has completed the review of outstanding provider invoices, filed the STAC forms for the 2013-14 year, re-applied STAC forms for the 2014-15 year, and reviewed all POs.

Recommendation – Agreed-Upon Procedures 2014

Create Documents – We recommended that the District create documents (e.g., Excel spreadsheets) to assist the Account Clerk with the completion of their financially related responsibilities including the review of service providers' invoices, the determination of filing STAC forms for students' based on their IEPs, and the creation of POs prior to receiving goods or services.

Risk Assessment Update – 2015 (This item is now closed)

We note that the District has created Excel spreadsheets as recommended.

Recommendation – Agreed-Upon Procedures 2013

Software Training – We recommended that the District provide Department staff with formal training for the IEP Direct software and in Microsoft Excel. This would include:

- a) Running various queries.
- b) Gaining an understanding of the Reporting Module and the information that each report contains.
- c) Exporting reports directly into Excel, so that the financial component could be typed in which would save time in developing or updating supporting spreadsheets.

Risk Assessment Update – 2014

We noted that the Department had provided IEP Direct training to the employees and planned to provide formal training in Microsoft Excel during the 2014-15 year.

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
Date, 2015

Risk Assessment Update – 2015 (This item is now closed)

We found that the District has utilized existing staff to provide Excel training for the Special Education employees.

FACILITIES AND CAPITAL PROJECTS

Facilities Maintenance and Operations

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- There has been continued improvement related to overtime including a reduction of \$75,000 in the annual amount paid to the facilities staff during the 2014-15 year compared to the 2013-14 year and compliance with the employees submitting pre-approvals for overtime when required.
- The District established formal procedures that require the facilities staff to prepare the vehicle inspection and maintenance report in compliance with Board Policy #5630 – Facilities: Inspection, Operation and Maintenance.

Finding and Recommendation – Risk Assessment 2015

***Preventative Maintenance Work** – We understand that the preventative maintenance work on the cafeteria equipment for this 2015-16 year was started just before the schools opened and there wasn't sufficient time to complete this work prior to the cafeterias opening for the school year.*

- 10.** *We recommend that the District establish procedures to complete preventative maintenance work on the cafeteria equipment in advance of the school year starting to provide ample time to address any repairs or replacements.*

Capital Projects

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

CAPITAL ASSETS

Acquisition and Disposal

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Maintenance and Inventories

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
Date, 2015

FOOD SERVICES

Sales Cycle and System

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District changed food service providers starting in the 2015-16 school year (Chartwells has replaced Aramark).
- The contract with the food service provider guarantees a minimum profit of \$150,000 annually to be earned by the District.

Purchasing and Inventory

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Federal and State Reimbursements

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Free and Reduced Lunch

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

EXTRACLASSROOM ACTIVITY FUNDS

General Controls and Administration

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

Recommendation – Agreed-Upon Procedures 2013

Establish Uniformity and Consistency – We recommended that the District establish uniformity and consistency within the District that included:

- a) Standardizing the procedures and documents within the District to establish uniformity and consistency at each school. We recommended creating district-wide processes and documents that would cover receipts, disbursements, club meetings, club account reconciliations, and fund raising activities, to name a few. The standard receipts and disbursement forms should include areas for proper signatures and include at least the student treasurer and club advisor. In addition, there should be procedures to ensure that the club transactions include proper supporting documentation.

LEVITTOWN UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)

Date, 2015

- b) Requiring each club to maintain a financial ledger and to confirm in writing that ledger with the central treasurers at least once during the year and at the end of the year.
- c) Considering the purchase of specialized software to handle the accounts more efficiently, automate consolidated schedules at the schools and district-wide, establish standardization in the District and reduce the potential of manual errors, which exist with the current processes.

Risk Assessment Update – 2014

We understood that the District was in the process of addressing the previous items. We provided a sample general ledger and a draft procedure related to confirming account balances to assist the District with implementing this recommendation.

Risk Assessment Update – 2015

11. *We understand that the District plans to complete this implementation during the 2015-16 year.*

Recommendation – Agreed-Upon Procedures 2013

Checking Accounts at Elementary Schools – We recommended the District address the checking account that is used to handle extraclassroom activities at the elementary schools by considering the establishment of bona fide clubs at these schools, account for within the Trust and Agency Fund and/or assigning events to the Parent-Teacher Association (PTA).

Risk Assessment Update 2014

We noted that the District was addressing this item and was considering the development of procedures to have the Student Activity Club at the elementary schools handle these transactions.

Risk Assessment Update – 2015

12. *We understand that the District plans to complete this implementation during the 2015-16 year.*

Recommendation – Agreed-Upon Procedures 2013

Club Fundraising – We recommended that the District improve the monitoring and tracking of fundraising events by developing a schedule of approved fundraisers to be maintained at each school building that includes the event date, so the central treasurers could ensure the timeliness of the respective receipts by the clubs. We recommended maintaining this schedule on the District intranet or a shared drive to establish access for appropriate employees. In addition, the schedule should have contained a column for tracking the date of approval and the name of the person who authorized the fundraising event (i.e., the school principal).

Risk Assessment Update – 2014

We noted that the District had investigated the use of the SchoolDude facilities request management tool for this purpose. The software required building principal approval for the use of any building space, so this potentially had the ability to accomplish this goal. We were informed that the District planned to close this item during the 2014-15 year.

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
Date, 2015

Risk Assessment Update – 2015 (This item is now closed)

We note that the District has improved the monitoring and tracking of fundraising events by developing a schedule of approved fundraisers to be maintained at each school building.

Recommendation – Agreed-Upon Procedures 2013

School Store Operations – We recommended that the District improve the school store operations at the schools by considering the following:

- Upgrade the current cash registers to newer technology (e.g., POS system) and consider a robust system that includes scanning functionality.
- Ensure that all cash registers or POS terminals are capable of printing out sales reports and establish procedures to ensure that the monies collected each day agree to the sales reports, which should be reconciled to the funds submitted to the central treasurers.
- Perform periodic physical inventories, at least quarterly, and document the results.

Risk Assessment Update 2014

We noted that the Business Office investigated the cost of cash registers and the District was in the process of determining how the costs would be covered. We understood that the District planned to present a suggestion related to covering the costs of the cash registers to the Board for review and approval during the 2014-15 year.

Risk Assessment Update 2015

13. *We understand that the District plans to complete this implementation during the 2015-16 year.*

Cash Receipts

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

Recommendation – Agreed-Upon Procedures 2013

Strengthen Controls Related to Receipts – We recommended that the District strengthen controls related to receipts, particularly cash, at the club level since the collection of funds had a high level of inherent risk. In order to facilitate the pre-audit and recording of receipts, statements should be made by those collecting money. Such a statement should, on its face, include all of the essential data for a complete check and audit of the receipts. We recommended that the forms used to account for transactions be revised to provide an expanded comment or description section in which the club advisor can fully explain the transaction and completely account for the items by documenting the purchase information and utilize pre-numbered receipts or tickets (i.e., number of items purchased, number of items sold, the number of left over items and the status of the remaining items). We provided the District with a sample deposit form to assist with addressing this recommendation.

LEVITTOWN UNION FREE SCHOOL DISTRICT Risk Assessment Update Report (Continued) Date, 2015

Risk Assessment Update – 2014

We found that the District still needed to revise the deposit form. We understood that the central treasurers were scheduled to participate in a full-day training session on September 30, 2014. We understood that the District planned to develop a district-wide standard deposit form during the 2014-15 year. We provided the District with a sample deposit form and draft cash receipts procedure to assist with addressing this recommendation.

Risk Assessment Update – 2015 (This item is now closed)

We note that the Business Office met with the central treasurers for the training session on September 30, 2014 and developed a district-wide standard deposit form. The form requires information to support the amount of the receipts.

Cash Disbursements

Control Risk Level: Low

No change in risk level, policies, procedures and/or controls and no findings related to this function.

INFORMATION TECHNOLOGY

Governance

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District is working with a vendor (IntraLogic) to assist with mapping of the phone system.
- The District set up a “One-to-One” initiative where every ninth grade student and the necessary teachers were provided a digital tablet. There will be management software installed on each device to assist with tracking and monitoring of these tablets.

Network Security

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Financial Application Security

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls related to this function.

Recommendation – Initial Risk Assessment 2011

Financial System User Accounts – We recommended that the District review the user accounts in the Finance Manager system to ensure that permissions are aligned with the respective employee’s job duties.

LEVITTOWN UNION FREE SCHOOL DISTRICT Risk Assessment Update Report (Continued)

Date, 2015

Risk Assessment Update – 2012

We understood that the District had begun the process of reviewing the user accounts and permissions in the Finance Manager system and planned to complete this initiative during the 2012-13 year.

Risk Assessment Update – 2013

We noted that the Director of Computer and Media Services/IT Manager is the system administrator responsible for creating and inactivating user accounts and the Business Office controls the user permissions. In the event that an employee separates from the District, the Director of Computer and Media Services/IT Manager inactivates the user and removes all permissions. We also understood that the Business Office established a new process to review the user accounts and permissions annually to ensure staff changes were properly reflected in the Finance Manager system. During this year's annual review of permissions, we had been informed that there were many modifications to user permissions to align them with their job duties given the changes with employees.

Risk Assessment Update – 2014

We found that the District still needed to complete the review of user accounts to ensure the permissions are aligned with the employee's job duties. We also found that there were some employee changes in the District (i.e., purchasing agent and special education clerk); however, the permissions of those employees were not updated timely. In addition, we recommended that the IT Department create a specific folder for emails related to requests for changes to user accounts.

Risk Assessment Update – 2015

14. *We understand that the District plans to complete this implementation during the 2015-16 year.*

Disaster Recovery

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

STUDENT RELATED DATA AND SERVICES

Student Attendance Data

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Student Performance Data

Control Risk Level: Moderate

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Student Transportation

Control Risk Level: Moderate

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT
Risk Assessment Update Report (Continued)
Date, 2015

No change in risk level, policies, procedures and/or controls and no findings related to this function.

Student Safety and Security

Control Risk Level: Moderate

Policies, procedures and controls considered to determine the level of control risk:

- The District has installed new exterior and interior surveillance cameras at the schools. In addition, the existing cameras were upgraded with PanTel zoom units.
- The District engaged Nassau BOCES to provide the Health and Safety Training Assistant service to assist with ensuring compliance related to these requirements (e.g., OSHA, PSHA, etc.)
- A GPS tracking system (i.e., Zonar) was installed on all security vehicles and the facilities administrators monitor these activities.

Attachment: RA Report 15 - draft to Audit Committee (2041 : CALL TO ORDER)

**LEVITTOWN UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Attachment: LEVITTOWN ECAF (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT
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INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

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Attachment: LEVITTOWN ECAF (2041 : CALL TO ORDER)

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Levittown Union Free School District

We have audited the accompanying financial statements of Levittown Union Free School District's Extraclassroom Activity Funds, as of and for the fiscal year ended June 30, 2015, and the related note to the financial statements, which collectively comprise the Levittown Union Free School District's Extraclassroom Activity Funds basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note B; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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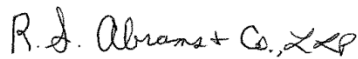
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of the Levittown Union Free School District's Extraclassroom Activity Funds, for the fiscal year ended June 30, 2015, in accordance with the basis of accounting as described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.



R.S. Abrams & Co., LLP
Islandia, New York
November 4, 2015

**LEVITTOWN UNION FREE SCHOOL DISTRICT
DIVISION AVENUE HIGH SCHOOL
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Extracurriculum Account	Balance July 1, 2014	Receipts	Disbursements	Balance June 30, 2015
Class of 2015	\$5,845	\$26,002	\$31,847	\$-
Class of 2016	1,068	16,109	15,476	1,701
Class of 2017	841	3,181	1,623	2,399
Class of 2018	-	1,069	87	982
SGOF-Field Trip	850	14,569	14,639	780
SGOF-General	14,434	1,188	281	15,341
SGOF-Soda	12,978	4,055	2,411	14,622
Art Club	1,039	1,910	2,378	571
Athletic Association	725	210	594	341
Best Buddies	2,612	6,390	7,087	1,915
C.D. Club	768	1,803	1,813	758
Cheerleading Squad	1			1
Cooking Club	46			46
DECA	87	917	996	8
Guidance	4,275	48,557	47,471	5,361
Humanitarian Club	319			319
Key Club	654	2,339	2,343	650
Kickline	405	150	181	374
Multimedia	1,400		165	1,235
Music	18,589	17,917	12,717	23,789
National Honor Society	779	605	300	1,084
Newspaper Club	1,084		87	997
Robotics Club	714		398	316
SADD	55			55
School Store	290	8,358	6,654	1,994
Science Olympiad	68	940	568	440
Science Honor Society	3,380		1,050	2,330
Student Council	6,952	10,278	11,729	5,501
Sunshine Club	472	471	882	61
Track Club	1,119			1,119
Tri-M	1,319	332	984	667
Wellness club	-	441	441	-
World Language Honor Society	1,576	490	474	1,592
Yearbook	2,665	3,620		6,285
Total	\$87,409	\$171,901	\$165,676	\$93,634

Attachment: LEVITTOWN ECAF (2041 : CALL TO ORDER)

**LEVITTOWN UNION FREE SCHOOL DISTRICT
MACARTHUR HIGH SCHOOL
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Extracurriculum Account	Balance July 1, 2014	Receipts	Disbursements	Balance June 30, 2015
Class of 2015	\$19,010	\$41,799	\$54,750	\$6,059
Class of 2016	3,208	9,772	7,769	5,211
Class of 2017	1,022	4,176	1,083	4,115
Class of 2018	-	10,470	8,323	2,147
ABA	136	590	667	59
Amnesty International	96	824	869	51
Art Club	651	2,615	1,804	1,462
Athletics Club	2,256	1,660	1,540	2,376
Badminton	176			176
Basketball Club	10		10	-
Brick Walkway	-	3,355	415	2,940
Broadcast Club	9,690	1,530	1,295	9,925
Business Honor Society	211	676	691	196
Drama Club	1,907	832	710	2,029
Guidance	7,256	71,841	69,403	9,694
Gay-Straight Alliance	-	85	85	-
Habitat for Humanity	-	2,736	2,700	36
International Club	33			33
ITS	604		243	361
Key Club	1,915	3,070	3,117	1,868
Kickline	823	2,126	1,996	953
Math Honor Society	477		105	372
Music Band	3,811	1,304	2,193	2,922
Music Chorus	6,547	325	5,591	1,281
Music Department	2,110		195	1,915
Music Orchestra	1,878			1,878
Musical	11,966	9,373	14,498	6,841
National Honor Society	2,928	1,233	2,070	2,091
Pink-Out	-	14,884	14,884	-
Renaissance	1,574	4,132	2,000	3,706
School Store	3,312	6,092	6,677	2,727
Science Research	2,011		1,553	458
Student Organization	2,532	15,502	14,835	3,199
Sunshine	97	751	777	71
Swim	-	1,082	1,082	-
Tri-M Music Honor Society	415	255	100	570
Volleyball	-	1,400	1,400	-
Walden Classes	339		339	-
World Lang. Hon. Soc.	1,277	2,312	1,317	2,272
Wrestling Club	610	3,275	3,123	762
Yearbook	3,717	8,131	8,037	3,811
Total	\$94,605	\$228,208	\$238,246	\$84,567

Attachment: LEVITTOWN ECAF (2041 : CALL TO ORDER)

**LEVITTOWN UNION FREE SCHOOL DISTRICT
JONAS E. SALK MIDDLE SCHOOL
EXTRACLASROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Extraclassroom Account	Balance July 1, 2014	Receipts	Disbursements	Balance June 30, 2015
Athletic Account	\$362	\$1,018	\$806	\$574
Drama Club	18	4,066	3,704	380
Friends/Family	468	1,020	1,488	-
General Organization/Student Activity	4,393	77,032	74,288	7,137
Recreation Club	-	4,692	2,209	2,483
Science Club 6th	49			49
Student Book Club	3,682	6,304	5,924	4,062
Tri-M	750	780	547	983
Yearbook	2,331	2,721	2,318	2,734
Total	\$12,053	\$97,633	\$91,284	\$18,402

Attachment: LEVITTOWN ECAF (2041 : CALL TO ORDER)

**LEVITTOWN UNION FREE SCHOOL DISTRICT
GERALD R. CLAPS CAREER & TECHNICAL CENTER
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Extraclassroom Account	Balance July 1, 2014	Receipts	Disbursements	Balance June 30, 2015
Honor Society	\$2,012	\$5,074	\$5,659	\$1,427
Key Club	2,198	3,822	5,392	628
Skills USA	40,452	15,641	23,658	32,435
Total	\$44,662	\$24,537	\$34,709	\$34,490

Attachment: LEVITTOWN ECAF (2041 : CALL TO ORDER)

**LEVITTOWN UNION FREE SCHOOL DISTRICT
WISDOM LANE MIDDLE SCHOOL
EXTRACLASSROOM ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Extraclassroom Account	Balance July 1, 2014	Receipts	Disbursements	Balance June 30, 2015
6th Grade	\$2,662	\$3,424	\$4,968	\$1,118
7th Grade	615	2,997	3,237	375
8th Grade	3,875	9,854	8,821	4,908
Athletic Club	1,523	3,003	3,392	1,134
Drama Club	6,739	7,614	8,808	5,545
Drug Awareness	968		41	927
Earth & Science	3,089	512	1,219	2,382
Foreign Language	-	5,481	5,458	23
General Organization	4,540	33,859	31,714	6,685
National Jr. Honor Society	455	4,967	2,461	2,961
IDC Club	10,331	3,349	2,534	11,146
School Store	1,007	2,234	1,482	1,759
Yearbook	-	7,367	7,367	-
Total	\$35,804	\$84,661	\$81,502	\$38,963

Attachment: LEVITTOWN ECAF (2041 : CALL TO ORDER)

**LEVITTOWN UNION FREE SCHOOL DISTRICT
EXTRACLASSROOM ACTIVITY FUNDS
NOTE TO FINANCIAL STATEMENTS
JUNE 30, 2015**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The extraclassroom activity funds represent funds of the students of the Levittown Union Free School District (the "District"). Although the extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management, the Board of Education exercises general oversight of these funds. Based on this criterion, the extraclassroom activity funds are included in the Districts reporting entity. The District reports these assets held by it as agent for the extraclassroom organizations in an agency fund in the Statement of Fiduciary Net Position – Fiduciary Funds.

B. Basis of Accounting

The accounts of the extra classroom activity funds are maintained on a cash basis, and the statement of cash receipts and disbursements reflects only cash received and disbursed. Therefore, receivables and payables, inventory, long-lived assets, and accrued income and expenses, which would be recognized under accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statements.

**LEVITTOWN UNION FREE SCHOOL DISTRICT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

LEVITTOWN UNION FREE SCHOOL DISTRICT

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**R.S. ABRAMS & CO., LLP***Accountants & Consultants for Over 75 years*Marianne E. Van Duyne, CPA
Alexandria M. Battaglia, CPA**INDEPENDENT AUDITOR'S REPORT**

To the Board of Education
Levittown Union Free School District

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the fiduciary funds of Levittown Union Free School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary funds of Levittown Union Free School District, as of June 30, 2015, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter - Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, Levittown Union Free School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress, schedule of District's proportionate share of the net pension liability, and the schedule of District's contributions on pages 3 through 15 and 50 through 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Boards, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Levittown Union Free School District's basic financial statements. The other supplementary financial information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2015 on our consideration of Levittown Union Free School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Levittown Union Free School District's internal control over financial reporting and compliance.

R. S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, NY
November 4, 2015

LEVITTOWN UNION FREE SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The Levittown Union Free School District's discussion and analysis of the financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2015 in comparison with the year ended June 30, 2014, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2015 are as follows:

- The District's total net position, as reflected in the district-wide financial statements, increased by \$4,464,211. This was due to an excess of revenues over expenses based on the accrual basis of accounting.
- The District's total net position at June 30, 2014 was restated and increased by \$16,767,609 as a result of the required implementation of the new GASB accounting standards during the 2015 fiscal year. These new GASB accounting standards have no impact on the governmental funds financial statements.
- The District's expenses for the year, as reflected in the district-wide financial statements, totaled \$194,228,167. Of this amount, \$12,178,009 was offset by program charges for services and operating grants. General revenues of \$186,514,369 amount to 93.87% of total revenues, and were adequate to cover the balance of program expenses.
- The District received \$3,939,848 in operating grants to support instructional programs.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$1,185,216. This was due to an excess of expenditures over revenues based on the modified accrual basis of accounting.
- The District's 2015 property tax levy of \$133,280,952 was a 1.62% increase over the 2014 tax levy. The District's property tax cap was 1.62%.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

A. District-Wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

A. Net Position

The District's total net position increased by \$4,464,211 between fiscal year 2015 and 2014, as restated. A summary of the District's Statements of Net Position follows. The June 30, 2014 net position has been increased by \$16,767,609 resulting from the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. Additionally, the June 30, 2014 balances reflect net pension assets and liabilities and deferred outflows of resources in accordance with the new GASB statements.

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

	2015	As Restated 2014	Increase (Decrease)	Percentage Change
Current and Other Assets	\$ 85,233,601	\$ 84,022,764	\$ 1,210,837	1.44 %
Capital Assets, Net	65,864,510	65,183,711	680,799	1.04 %
Net Pension Asset - Proportionate Share	<u>67,790,868</u>	<u>4,028,234</u>	<u>63,762,634</u>	1582.89 %
Total Assets	<u>218,888,979</u>	<u>153,234,709</u>	<u>65,654,270</u>	42.85 %
Deferred Outflows of Resources	<u>18,073,538</u>	<u>16,099,633</u>	<u>1,973,905</u>	12.26 %
Current and Other Liabilities	23,034,012	21,779,346	1,254,666	5.76 %
Long-Term Liabilities	21,909,354	24,925,498	(3,016,144)	(12.10)%
Net Other Postemployment Benefits Obligation	126,395,072	107,286,953	19,108,119	17.81 %
Net Pension Liability - Proportionate Share	<u>2,081,918</u>	<u>2,784,848</u>	<u>(702,930)</u>	(25.24)%
Total Liabilities	<u>173,420,356</u>	<u>156,776,645</u>	<u>16,643,711</u>	10.62 %
Deferred Inflows of Resources	<u>46,520,253</u>	<u></u>	<u>46,520,253</u>	100.00 %
Net Position				
Net Investment in Capital Assets	48,964,453	46,317,079	2,647,374	5.72 %
Restricted	43,720,031	37,728,149	5,991,882	15.88 %
Unrestricted (Deficit)	<u>(75,662,576)</u>	<u>(71,487,531)</u>	<u>(4,175,045)</u>	5.84 %
Total Net Position	<u>\$ 17,021,908</u>	<u>\$ 12,557,697</u>	<u>\$ 4,464,211</u>	35.55 %

Current and other assets increased by \$1,210,837, as compared to the prior year. The increase is primarily related to an increase in amounts due from state and federal in excess of a decrease in cash.

Capital assets increased by \$680,799, as compared to the prior year. This increase is primarily due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 10 "Capital Assets" provides additional information.

Net pension asset - proportionate share increased by \$63,762,634, as compared to the prior year. This asset represents the District's share of the New York State Teachers' Retirement System's collective net pension asset at June 30, 2014, the measurement date.

Deferred outflows of resources represents the amount of deferred charges from a prior year bond refunding that is being amortized over the remaining term of the bonds, in accordance with GASB Statement No. 65, and, more significantly, contributions to the retirement plans subsequent to the measurement dates and actuarial adjustments at the plan level that will be amortized in future years.

Current and other liabilities increased by \$1,254,666, as compared to the prior year. This increase is primarily due to the District's liability to the teachers' retirement system for the current year's contribution at an increased contribution rate.

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

Long-term liabilities decreased by \$3,016,144, as compared to the prior year. This decrease is the result of the repayment of the current maturity of the bond indebtedness and a decrease in workers' compensation liability.

Net other postemployment benefits (OPEB) obligation increased by \$19,108,119, as compared to the prior year. This increase is the result of the current year OPEB costs on the full accrual basis of accounting in excess of the amount reflected in the governmental funds on the modified accrual basis (pay as you go). The accompanying Notes to Financial Statements, Note 15 "Postemployment Benefits", provides additional information.

Net pension liability - proportionate share decreased by \$702,930 in the current year. This liability represents the District's share of the New York State Employees' Retirement System's collective net pension liability at March 31, 2015, the measurement date.

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

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

	Increase (Decrease)
Capital asset additions	\$ 3,569,951
Principal debt reduction of construction bonds	2,350,000
Depreciation expense	(2,889,152)
Amortization of deferred amounts from bond refunding	135,810
Change in unspent bond proceeds	(519,235)
	<u>\$ 2,647,374</u>

The restricted amount of \$43,720,031 relates to the District's workers' compensation, unemployment insurance, retirement contribution, employee benefit accrued liability and capital reserves. This number increased over the prior year by \$5,991,882 principally due to a Board approved transfer into the capital reserves in the amount of \$6,107,506.

The unrestricted deficit amount of \$(75,662,576) relates to the balance of the District's net position. This balance does not include the District's reserves, which are classified as restricted. Additionally, in accordance with state guidelines, the District is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the net OPEB obligation. The unrestricted deficit also reflects the cumulative impact of the new GASB standards affecting pension costs, which has reduced the deficit by \$36,771,151 at June 30, 2015.

The District's total net position increased by \$4,464,211 or 35.55%; \$17,021,908 at June 30, 2015, compared to \$12,557,697 at June 30, 2014.

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

B. Changes in Net Position

The results of this year's operations as a whole are reported in the Statement of Activities in a programmatic format. In the accompanying financial statements STAR (school tax relief) revenue is included in the other tax items line. However, in this MD&A, STAR revenue has been combined with property taxes. A summary of this statement for the years ended June 30, 2015 and 2014 is as follows:

	2015	2014	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 7,408,715	\$ 7,916,265	\$ (507,550)	(6.41)%
Operating Grants	4,769,294	4,128,402	640,892	15.52 %
General Revenues				
Property Taxes and STAR	133,377,035	131,259,308	2,117,727	1.61 %
State Sources	51,029,064	48,368,513	2,660,551	5.50 %
Other	2,108,270	1,853,909	254,361	13.72 %
Total Revenues	<u>198,692,378</u>	<u>193,526,397</u>	<u>5,165,981</u>	2.67 %
Expenses				
General Support	21,299,294	23,453,324	(2,154,030)	(9.18)%
Instruction	162,630,238	180,973,557	(18,343,319)	(10.14)%
Pupil Transportation	6,382,078	6,880,293	(498,215)	(7.24)%
Community Service	1,059,986	1,134,873	(74,887)	(6.60)%
Debt Service - Interest	574,594	644,012	(69,418)	(10.78)%
Food Service Program	2,281,977	2,424,637	(142,660)	(5.88)%
Total Expenses	<u>194,228,167</u>	<u>215,510,696</u>	<u>(21,282,529)</u>	(9.88)%
Increase/(Decrease) in Net Position	<u>\$ 4,464,211</u>	<u>\$ (21,984,299)</u>	<u>\$ 26,448,510</u>	(120.31)%

The District's net position increased by \$4,464,211 and decreased by \$21,984,299 for the years ended June 30, 2015 and 2014, respectively.

The District's revenues increased by \$5,165,981 or 2.67%. The major factors that contributed to the increase were:

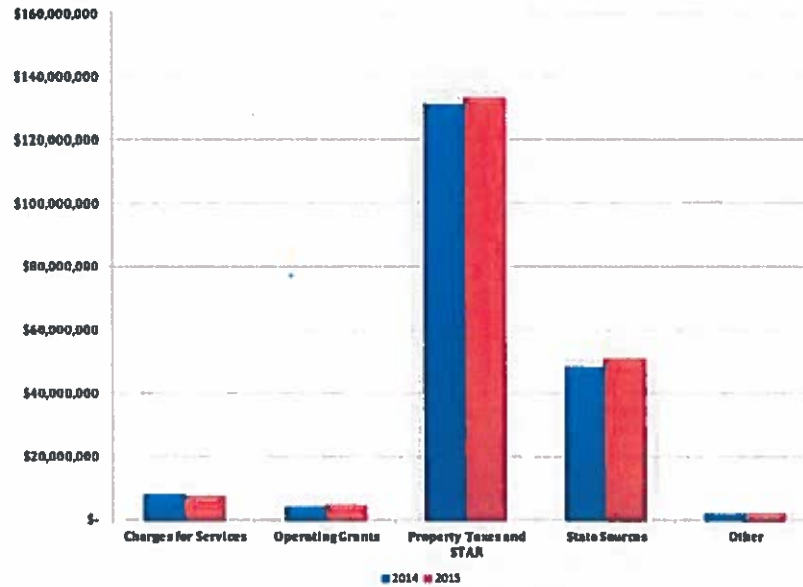
- Property taxes and STAR revenues increased by \$2,117,727.
- The District received more state aid than in the prior year, which was also more than anticipated.

The District's expenses for the year decreased by \$21,282,529 or 9.88%. The major contributing factor to this decrease was a decrease in pension expense as a result of the implementation of GASB 68 and 71, which reduced expenses \$20,003,542. The 2014 summary of changes in net position was not restated as information regarding the changes from 2013 was not available from the retirement systems.

As indicated on the graphs that follow, real property taxes and STAR is the largest component of revenues recognized (i.e., 67.1% and 67.8% of the total for the years 2015 and 2014, respectively). Instruction expenses is the largest category of expenses incurred (i.e., 83.7% and 84.0% of the total for the years 2015 and 2014, respectively).

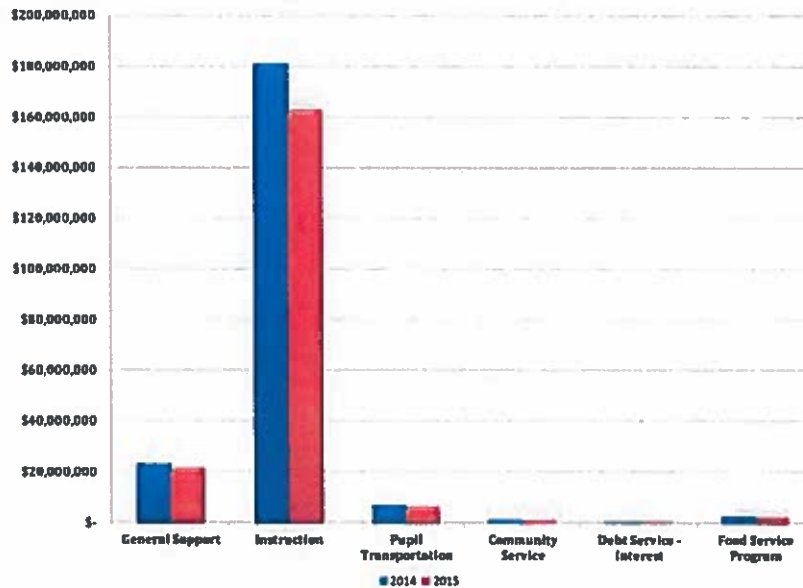
**LEVITTOWN UNION FREE SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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



	Charges for Services	Operating Grants	Property Taxes and STAR	State Sources	Other
2014	4.1%	2.1%	67.8%	25.0%	1.0%
2015	3.7%	2.4%	67.1%	25.7%	1.1%

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



	General Support	Instruction	Pupil Transportation	Community Service	Debt Service - Interest	Food Service Program
2014	10.9%	84.0%	3.2%	0.5%	0.3%	1.1%
2015	11.0%	83.7%	3.3%	0.5%	0.3%	1.2%

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

4. FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At June 30, 2015, the District's governmental funds reported a combined fund balance of \$62,426,441, which is a decrease of \$44,934 from the prior year. This decrease is due to an excess of expenditures over revenues based upon the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	2015	2014	Increase (Decrease)
General Fund			
Restricted			
Workers' compensation	\$ 5,035,059	\$ 5,024,299	\$ 10,760
Unemployment insurance	2,946,811	2,940,514	6,297
Retirement contribution	15,493,602	15,460,493	33,109
Employee benefit accrued liability	6,021,176	6,017,081	4,095
Capital	8,910,158	6,796,663	2,113,495
Assigned:			
Appropriated fund balance	4,807,646	8,434,826	(3,627,180)
Unappropriated fund balance	889,862	815,724	74,138
Unassigned: Fund balance	8,072,710	7,872,640	200,070
	<u>52,177,024</u>	<u>53,362,240</u>	<u>(1,185,216)</u>
Special Aid Fund			
Assigned: Unappropriated fund balance	<u>385,463</u>	<u>655,897</u>	<u>(270,434)</u>
School Lunch Fund			
Nonspendable: Inventory	12,904	11,641	1,263
Assigned: Unappropriated fund balance	<u>1,192,601</u>	<u>977,345</u>	<u>215,256</u>
	<u>1,205,505</u>	<u>988,986</u>	<u>216,519</u>
Debt Service Fund			
Restricted: Debt service	<u>1,403,268</u>	<u>1,489,099</u>	<u>(85,831)</u>
Capital Projects Fund			
Restricted:			
Capital	3,909,957		3,909,957
Unspent bond proceeds	871,756	1,390,991	(519,235)
Assigned: Unappropriated fund balance	<u>2,473,468</u>	<u>4,584,162</u>	<u>(2,110,694)</u>
	<u>7,255,181</u>	<u>5,975,153</u>	<u>1,280,028</u>
Total Fund Balance	<u>\$ 62,426,441</u>	<u>\$ 62,471,375</u>	<u>\$ (44,934)</u>

A. General Fund

The net change in the general fund – fund balance is a decrease of \$1,185,216 compared to an increase of \$363,307 in 2014. Revenues increased \$4,816,385 over the prior year, mainly due to property taxes increasing \$2,720,694 and state sources increasing \$2,660,551, offset by the decrease in charges for services of \$494,779. Expenditures increased \$6,364,908 over the prior year, mainly due to a voter

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

approved transfer of \$4,000,000 from the capital reserve to the capital projects fund for various capital projects.

The District expects to appropriate \$3,500,000 from the retirement contribution reserve during 2015-16.

B. Special Aid Fund

The net change in the special aid fund – fund balance is a decrease of \$270,434, which was the result of the District purchasing tablets for the One to One Windows 10 initiative. These tablets will be provided to each 9th grade student beginning in the 2015-16 year.

C. School Lunch Fund

The net change in the school lunch fund – fund balance is an increase of \$216,519, which was the operating profit of the school lunch fund.

D. Debt Service Fund

The net change in the debt service fund – fund balance is a decrease of \$85,831. The District transferred \$100,000 to the general fund for debt payments, which was offset by interest of \$14,169.

E. Capital Projects Fund

The net change in the capital projects fund – fund balance is an increase of \$1,280,028. The District transferred \$4,000,000 into the capital projects fund for various capital projects and incurred \$2,719,972 of capital expenditures. The District has several ongoing projects.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2014-15 Budget

The District's general fund adopted budget for the year ended June 30, 2015 was \$198,758,768. This amount was increased by encumbrances carried forward from the prior year in the amount of \$815,724 and a budget revision in the amount of \$4,002,000 for a total final budget of \$203,576,492.

The budget was funded through a combination of revenues and appropriated fund balance. The majority of this funding source was \$133,280,952 in estimated property taxes and STAR and \$49,163,299 in state sources.

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

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

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

Opening, Unassigned Fund Balance	\$ 7,872,640
Revenues Over Budget	2,133,240
Expenditures and Encumbrances Under Budget	9,042,232
Change to Restricted Reserves	(6,107,506)
Allocation to Reserves	(60,250)
Appropriated for the 2015-16 Budget	<u>(4,807,646)</u>
Closing, Unassigned Fund Balance	<u>\$ 8,072,710</u>

Opening, Unassigned Fund Balance

The \$7,872,640 shown in the table is the portion of the District's June 30, 2014 fund balance that was retained as unassigned. This was 3.96% of the District's 2014-15 approved operating budget of \$198,758,768.

Revenues Over Budget

The 2014-15 final budget for revenues was \$190,325,942. Actual revenues received for the year were \$192,459,182. The excess of actual revenue over estimated or budgeted revenue was \$2,133,240, mainly due to state sources receiving \$1,865,765 more in revenues than anticipated. This change contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Expenditures and Encumbrances Under Budget

The 2014-15 final budget for expenditures, including prior year open encumbrances of \$815,724 and a budget revision of \$4,002,000 was \$203,576,492. Actual expenditures as of June 30, 2015 were \$193,644,398 and outstanding encumbrances were \$889,862. Combined, the expenditures plus encumbrances for 2014-15 were \$194,534,260. The final budget was under expended by \$9,042,232, mainly due to expenditures being less than budgeted in the following areas: central services, special items, teaching regular school, programs for students with disabilities, pupil services and employee benefits. This under expenditure contributes directly to the change to the general fund unassigned fund balance from June 30, 2014 to June 30, 2015.

Change to Restricted Reserves

The decrease of \$6,107,506 is due to the Board approved transfer to the capital reserve.

Allocation to Reserves

Revenues such as interest earned on a general fund reserve increase the reserve and, therefore, decrease the unassigned portion of the general fund – fund balance.

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

The \$(60,250) shown in the table represents interest earned in the workers' compensation reserve (\$10,760), the employee benefit accrued liability reserve (\$4,095), the unemployment reserve (\$6,297), the capital reserve (\$5,989), and the retirement contribution reserve (\$33,109).

Appropriated Fund Balance

The District has chosen to use \$4,807,646 of its available June 30, 2015 unassigned fund balance to partially fund its 2015-16 approved operating budget. As such, the June 30, 2015 unassigned fund balance must be reduced by this amount.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the table, the unassigned fund balance at June 30, 2015 was \$8,072,710. This amount equals 4.0% of the 2015-16 budget and is at the statutory limit.

6. CAPITAL ASSETS AND DEBT ADMINISTRATION

A. Capital Assets

At June 30, 2015, the District had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$3,569,951 less depreciation of \$2,889,152 recorded for the year ended June 30, 2015. A summary of the District's capital assets, net of depreciation at June 30, 2015 and 2014 is as follows:

	2015	2014	Increase (Decrease)
Land	\$ 2,449,525	\$ 2,449,525	\$ -
Construction in progress	1,262,005	296,815	965,190
Building & building improvements	57,068,439	57,100,882	(32,443)
Land improvements	1,224,937	1,404,466	(179,529)
Furniture and equipment	3,859,604	3,932,023	(72,419)
Capital assets, net	<u>\$ 65,864,510</u>	<u>\$ 65,183,711</u>	<u>\$ 680,799</u>

The District is continuing to make significant capital expenditures for capital improvements to District facilities. These improvements consist of roofing, masonry work, cafeteria renovations, locker room renovations, and cooling stations.

B. Debt Administration

At June 30, 2015, the District had total bonds payable of \$16,905,000. The bonds were issued for school building improvements and the refunding of bonds originally issued for school building improvements. The decrease in outstanding debt represents principal payments. There were no new issuances of long-term debt during the year ended June 30, 2015. A summary of the outstanding debt at June 30, 2015 and 2014 is as follows:

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

Issue Date	Interest Rate	2015	2014	Increase (Decrease)
4/15/2006	4.13%	\$	\$ 865,000	\$ (865,000)
8/15/2009	3.00-4.75%	1,285,000	1,890,000	(605,000)
7/14/2011	2.0-3.5%	4,010,000	4,275,000	(265,000)
6/12/2013	2.0-5.0%	11,610,000	12,225,000	(615,000)
		<u>\$ 16,905,000</u>	<u>\$ 19,255,000</u>	<u>\$ (2,350,000)</u>

Included in the District's long-term liabilities are the estimated amounts due for workers' compensation liability and net other postemployment benefits obligation. The workers' compensation liability, in the amount of \$3,646,457, is based on an actuary study in accordance with GASB Statement No. 10. The net other postemployment benefits obligation is based on an actuarially determined amount in accordance with GASB Statement No. 45 in the amount of \$126,395,072.

The District's latest underlying, long-term credit rating from Moody's Investors Service, Inc. is Aa2. The District's outstanding serial bonds at June 30, 2015 are approximately 4.0% of the District's debt limit.

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The general fund budget, the only fund with a legally adopted budget, as approved by the voters on May 19, 2015, for the year ending June 30, 2016, is \$201,817,794. This is an increase of \$3,059,026 or 1.54% over the previous year's budget. The increase is principally in the teaching (\$1,168,134) and special education (\$1,331,344) areas of the budget.

The District budgeted revenues other than property taxes and STAR at a \$764,853 increase over the prior year's estimate, which is principally due to an estimated increase in state aid. The assigned, appropriated fund balance applied to the budget in the amount of \$4,807,646 is a \$3,627,180 decrease from the previous year. Additionally, the District has elected to appropriate \$3,500,000 of reserves towards the next year's budget, which the District had not done in the previous year. A property tax increase of \$2,421,353 (1.82%), levy to levy, was needed to meet the funding shortfall and cover the increase in projected expenditures.

B. Future Budgets

Significant increases in costs of health insurance, the property tax cap, and uncertainty in state aid and federal funds will greatly impact the District's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of school districts to the lesser of 2% or the rate of inflation to June 15, 2020. There are additional statutory adjustments in the law. School districts may override the tax levy limit by presenting to the voters a budget that requires a tax levy that exceeds the statutory limit. However, that budget must be approved by 60% of the votes cast. Based on the law, the District's tax levy cap for 2015-16 is 1.82%. The District's 2015-16 property tax increase of 1.82% was equal to the tax cap and did not require an override vote.

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

D. Property Tax Freeze

Last year, New York State enacted a law to effectively "freeze" property taxes for two years on the primary residences of homeowners with annual incomes at or below \$500,000 in school districts and local governments that stay within the tax cap. Qualifying homeowners will receive a credit, which will be distributed in the form of a check from New York State, up to the calculated amount of the tax cap. The program also requires the school districts and local governments in the second year to develop or participate in the development of a state approved government efficiency plan that will achieve savings for taxpayers. The District submitted a plan which is currently under review by the State. The law was effective for school districts starting with the 2014-15 school year and qualifying homeowners received refund checks in the fall of 2014. This program provides an incentive for the District to be tax cap compliant.

8. CONTACTING THE DISTRICT

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

Mr. William Pastore
Assistant Superintendent for Business and Finance
Levittown Union Free School District
150 Abbey Lane
Levittown, New York 11558

LEVITTOWN UNION FREE SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

ASSETS

Cash	
Unrestricted	\$ 31,613,849
Restricted	44,591,787
Receivables	
Accounts receivable	82,359
Taxes receivable	2,347,166
Due from state and federal	5,812,014
Due from other governments	773,522
Inventory	12,904
Capital assets:	
Not being depreciated	3,711,530
Being depreciated, net of accumulated depreciation	62,152,980
Net pension asset - proportionate share	<u>67,790,868</u>
Total Assets	<u>218,888,979</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred charges from advance refunding, net	491,084
Pensions	<u>17,582,454</u>
Total Deferred Outflows of Resources	<u>18,073,538</u>

LIABILITIES

Payables	
Accounts payable	3,032,843
Accrued liabilities	2,390,605
Due to fiduciary funds	16,729
Due to other governments	293,217
Due to teachers' retirement system	16,266,425
Due to employees' retirement system	893,500
Unearned credits	
Collections in advance	140,693
Long-term liabilities	
Due and payable within one year	
Bonds payable, net	2,630,136
Due and payable after one year	
Bonds payable, net	15,632,761
Workers' compensation liabilities	3,646,457
Net other postemployment benefits obligation	126,395,072
Net pension liability - proportionate share	<u>2,081,918</u>
Total Liabilities	<u>173,420,356</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>46,520,253</u>
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NET POSITION

Net investment in capital assets	<u>48,964,453</u>
Restricted:	
Workers' compensation	5,035,059
Unemployment insurance	2,946,811
Retirement contribution	15,493,602
Employee benefit accrued liability	6,021,176
Capital	12,820,115
Debt service	<u>1,403,268</u>
	<u>43,720,031</u>
Unrestricted (deficit)	<u>(75,662,576)</u>
Total Net Position	<u>\$ 17,021,908</u>

LEVITTOWN UNION FREE SCHOOL DISTRICT
Statement of Activities
For The Year Ended June 30, 2015

		Program Revenues		Net (Expense)
	Expenses	Charges for	Operating	Revenue and
		Services	Grants	Changes in
				Net Position
FUNCTIONS/PROGRAMS				
General support	\$ 21,299,294	\$	\$	\$ (21,299,294)
Instruction	162,630,238	5,719,887	3,939,848	(152,970,503)
Pupil transportation	6,382,078			(6,382,078)
Community service	1,059,986			(1,059,986)
Debt service - interest	574,594			(574,594)
Food service program	2,281,977	1,688,828	829,446	236,297
Total Functions and Programs	\$ 194,228,167	\$ 7,408,715	\$ 4,769,294	(182,050,158)
GENERAL REVENUES				
Real property taxes				107,243,783
Other tax items				26,294,468
Use of money and property				1,161,947
Sale of property and compensation for loss				167,178
Miscellaneous				574,261
State sources				51,029,064
Medicaid reimbursement				43,668
Total General Revenues				186,514,369
Change in Net Position				4,464,211
Total Net Position - Beginning of Year, as Restated				12,557,697
Total Net Position - End of Year				\$ 17,021,908

LEVITTOWN UNION FREE SCHOOL DISTRICT
Balance Sheet - Governmental Funds
June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
ASSETS						
Cash						
Unrestricted	\$ 26,506,880	\$ 834,848	\$ 1,347,964	\$	\$ 2,924,157	\$ 31,613,849
Restricted	38,406,806				6,184,981	44,591,787
Receivables						
Accounts receivable	71,784		10,575			82,359
Taxes receivable	2,347,166					2,347,166
Due from other funds	1,479,348	58,275		1,503,268		3,040,891
Due from state and federal	4,681,853	1,075,996	54,165			5,812,014
Due from other governments	773,522					773,522
Inventory			12,904			12,904
Total Assets	\$ 74,267,359	\$ 1,969,119	\$ 1,425,608	\$ 1,503,268	\$ 9,109,138	\$ 88,274,492
LIABILITIES						
Payables						
Accounts payable	\$ 2,656,721	\$ 166,597	\$ 174,362	\$	\$ 35,163	\$ 3,032,843
Accrued liabilities	2,159,752	3,447	554			2,163,753
Due to other funds	61,568	1,077,258		100,000	1,818,794	3,057,620
Due to other governments		293,217				293,217
Due to teachers' retirement system	16,266,425					16,266,425
Due to employees' retirement system	893,500					893,500
Unearned credits						
Collections in advance	52,369	43,137	45,187			140,693
Total Liabilities	22,090,335	1,583,656	220,103	100,000	1,853,957	25,848,051
FUND BALANCES						
Nonspendable: Inventory			12,904			12,904
Restricted:						
Workers' compensation	5,035,059					5,035,059
Unemployment insurance	2,946,811					2,946,811
Retirement contribution	15,493,602					15,493,602
Employee benefit accrued liability	6,021,176					6,021,176
Capital	8,910,158				3,909,957	12,820,115
Debt service				1,403,268		1,403,268
Unspent bond proceeds					871,756	871,756
	38,406,806			1,403,268	4,781,713	44,591,787
Assigned:						
Appropriated fund balance	4,807,646					4,807,646
Unappropriated fund balance	889,862	385,463	1,192,601		2,473,468	4,941,394
	5,697,508	385,463	1,192,601	-	2,473,468	9,749,040
Unassigned: Fund balance	8,072,710					8,072,710
Total Fund Balances	52,177,024	385,463	1,205,505	1,403,268	7,255,181	62,426,441
Total Liabilities and Fund Balances	\$ 74,267,359	\$ 1,969,119	\$ 1,425,608	\$ 1,503,268	\$ 9,109,138	\$ 88,274,492

LEVITTOWN UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2015

Total Governmental Fund Balances \$ 62,426,441

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

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

Original cost of capital assets	\$ 109,257,833	
Accumulated depreciation	(43,393,323)	
		65,864,510

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

Net pension asset - teachers' retirement system	67,790,868	
Deferred outflows of resources	17,582,454	
Net pension liability - employees' retirement system	(2,081,918)	
Deferred inflows of resources	(46,520,253)	
		36,771,151

Deferred charges on advance refunding of bonds are not reported on the Balance Sheet, but are reflected on the Statement of Net Position and amortized over the life of the related bonds.

Deferred charges on advance refunding	575,410	
Less: accumulated amortization	(84,326)	
		491,084

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

Accrued interest on bonds payable	(226,852)	
Bonds payable, net	(18,262,897)	
Workers' compensation liabilities	(3,646,457)	
Net other postemployment benefits obligation	(126,395,072)	
		(148,531,278)

Total Net Position		\$ 17,021,908
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LEVITTOWN UNION FREE SCHOOL DISTRICT
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For The Year Ended June 30, 2015

	General	Special Aid	School Lunch	Debt Service	Capital Projects	Total Governmental Funds
REVENUES						
Real property taxes	\$ 107,243,783	\$	\$	\$	\$	\$ 107,243,783
Other tax items	26,294,468					26,294,468
Charges for services	5,719,887					5,719,887
Use of money and property	1,147,221	557		14,169		1,161,947
Sale of property and compensation for loss	167,178					167,178
Miscellaneous	574,261	68,075	254			642,590
State sources	51,029,064	1,542,612	39,779			52,611,455
Medicaid reimbursement	43,668					43,668
Federal sources	139,652	2,189,509	619,173			2,948,334
Surplus food			170,494			170,494
Sales - school lunch			1,688,574			1,688,574
Total Revenues	192,359,182	3,800,753	2,518,274	14,169	-	198,692,378
EXPENDITURES						
General support	17,262,749	68,075				17,330,824
Instruction	114,382,857	4,208,012				118,590,869
Pupil transportation	5,166,518	127,203				5,293,721
Community service	745,412					745,412
Employee benefits	48,693,250					48,693,250
Debt service						
Principal	2,350,000					2,350,000
Interest	711,509					711,509
Cost of sales			2,301,755			2,301,755
Capital outlay					2,719,972	2,719,972
Total Expenditures	189,312,295	4,403,290	2,301,755	-	2,719,972	198,737,312
Excess (Deficiency) of Revenues Over Expenditures	3,046,887	(602,537)	216,519	14,169	(2,719,972)	(44,934)
OTHER FINANCING SOURCES AND (USES)						
Operating transfers in	100,000	332,103			4,000,000	4,432,103
Operating transfers (out)	(4,332,103)			(100,000)		(4,432,103)
Total Other Financing Sources and Uses	(4,232,103)	332,103	-	(100,000)	4,000,000	-
Net Change in Fund Balances	(1,185,216)	(270,434)	216,519	(85,831)	1,280,028	(44,934)
Fund Balances - Beginning of Year	53,362,240	655,897	988,986	1,489,099	5,975,153	62,471,375
End of Year	\$ 52,177,024	\$ 385,463	\$ 1,205,505	\$ 1,403,268	\$ 7,255,181	\$ 62,426,441

LEVITTOWN UNION FREE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For The Year Ended June 30, 2015

Net Change in Fund Balances \$ (44,934)

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

Long-Term Revenue and Expense Differences

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

Decrease in workers' compensation claims liability \$ 446,008

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

Increase in net other postemployment benefits obligation (19,108,119) (18,662,111)

Capital Related Differences

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

Capital outlays 3,569,951
 Depreciation expense (2,889,152) 680,799

Long-Term Debt Transactions Differences

Amortization of deferred amounts on refunding reduces interest expense in the Statement of Activities. 135,810

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

Repayment of bond principal 2,350,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued interest decreased from June 30, 2014 to June 30, 2015.

1,105 2,486,915

Pension Differences

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

Teachers' retirement system 18,593,421
 Employees' retirement system 1,410,121 20,003,542

Change in Net Position of Governmental Activities \$ 4,464,211

LEVITTOWN UNION FREE SCHOOL DISTRICT
Statement of Fiduciary Net Position -
Fiduciary Funds
June 30, 2015

	<u>Agency</u>	<u>Private Purpose Trust</u>
ASSETS		
Cash	\$ 650,617	\$ 107,699
Due from governmental funds	<u>3,293</u>	<u>13,436</u>
Total Assets	<u>\$ 653,910</u>	<u>121,135</u>
 LIABILITIES		
Extraclassroom activity balances	\$ 270,056	
Other liabilities	<u>383,854</u>	
Total Liabilities	<u>\$ 653,910</u>	<u>-</u>
 NET POSITION		
Restricted for scholarships		<u>\$ 121,135</u>

LEVITTOWN UNION FREE SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Position -
Fiduciary Funds
For The Year Ended June 30, 2015

	<u>Private Purpose Trust</u>
ADDITIONS	
Gifts and contributions	\$ 79,217
Investment earnings	
Interest	<u>97</u>
Total Additions	79,314
DEDUCTIONS	
Scholarships and awards	<u>58,664</u>
Change in Net Position	20,650
Net Position - Beginning of Year	<u>100,485</u>
Net Position - End of Year	<u>\$ 121,135</u>

**LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

The accompanying financial statements present the activities of the District. The District is not a component unit of another reporting entity. The decision to include a potential component unit in the District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following entity is included in the District's financial statements:

Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. The District reports these assets held by it as agent for the extraclassroom organizations in the Statement of Fiduciary Net Position - Fiduciary Funds. Separate audited financial statements of the extraclassroom activity funds can be found at the District's Business Office.

B. Joint Venture

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

C. Basis of Presentation

District-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the District, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund 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 capital grants reflect capital-specific grants, if applicable.

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

Fund Financial Statements

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

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

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

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

School Lunch Fund - is used to account for the activities of the food service program.

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.

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Capital Projects Fund – is used to account for the financial resources used for acquisition, construction, renovation or major repair of capital facilities and other capital assets, such as equipment.

Fiduciary Funds – are used to account for activities in which the District acts as trustee or agent for resources that belong to others. These activities are not included in the district-wide financial statements, because their resources do not belong to the District, and are not available to be used. There are two classes of fiduciary funds:

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

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

D. Measurement Focus and Basis of Accounting

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

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

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Real Property Taxes

Calendar

Real property taxes are levied annually by the Board no later than August 15 and become a lien on October 1 and April 1. Taxes are collected by the town of Hempstead and remitted to the District from November to June.

Enforcement

Uncollected real property taxes are subsequently enforced by Nassau County in June.

F. Restricted Resources

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

G. Interfund Transactions

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

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

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

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

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets 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. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including other postemployment benefits, workers' compensation liabilities, pension costs, potential contingent liabilities and useful lives of long-lived assets.

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

I. Cash and Cash Equivalents

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

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

J. Receivables

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

K. Inventory

Inventory of food in the school lunch fund is recorded at cost on a first-in, first-out basis or in the case of surplus food donated by the U.S. Department of Agriculture, at the Government's assigned value, which approximates market. Inventory is accounted for on the consumption method. Under the consumption method, a current asset for the inventory is recorded at the time of purchase and an expense/expenditure is reported in the year the goods are consumed.

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

A portion of fund balance has been classified as nonspendable to indicate that inventory does not constitute an available spendable resource.

L. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Building and building improvements	\$ 10,000	50 years
Furniture and equipment	2,000	5-20 years
Land improvements	10,000	20 years

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District has two items that qualify for reporting in this category. First is the unamortized amount of deferred charges from a prior year's refunding of bonds that is being amortized as a component of interest expense on a straight-line basis over the remaining life of the debt. The second item is related to pensions. This represents the difference between expected and actual experience (ERS), the net difference between projected and actual investment earnings on pension plan investments (ERS), changes in proportion (ERS & TRS) and the District's contributions to the pension systems (TRS & ERS) subsequent to the measurement date.

N. Collections in Advance

Collections in advance arise when resources are received by the District before it has a legal claim to them, as when grants monies are received prior to the incurrence of qualifying expenditures or when charges for services monies are received in advance from payers prior to the services being rendered by the District, such as prepaid lunch amounts and summer program fees. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the District has legal claim to the resources.

O. Deferred Inflows of Resources

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

P. Benefits

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

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

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

In addition to providing these benefits, the District provides postemployment health insurance coverage and survivor benefits for most retired employees and their survivors. Collective bargaining agreements and individual employment contracts determine if District employees are eligible for these benefits if they reach normal retirement age while working for the District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the District and the retired employee. The District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the district-wide

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

statements, the cost of postemployment health insurance coverage is recognized on the accrual basis of accounting in accordance with GASB Statement No. 45.

Q. Short-Term Debt

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

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

R. Equity Classifications

District-Wide Statements

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

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

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

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

Fund Statements

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

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory.

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Workers' Compensation Reserve

Workers' Compensation Reserve (GML §6-j) is used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. The reserve is accounted for in the general fund.

Unemployment Insurance Reserve

Unemployment Insurance Reserve (GML §6-m) is used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by Board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. The reserve is accounted for in the general fund.

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State Employees' Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

Employee Benefit Accrued Liability Reserve

Employee Benefit Accrued Liability Reserve (GML §6-p) is used to reserve funds for the payment of accrued employee benefit primarily based on unused and unpaid sick leave, personal leave, holiday leave or vacation time due an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund.

Capital Reserve

Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. The reserve is accounted for in the general fund and capital projects fund.

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Restricted for Debt Service

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

Restricted – Unspent Bond Proceeds

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

Restricted for Scholarships

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

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

Unassigned – Represents the residual classification for the District's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned. NYS Real Property Tax Law §1318, restricts the unassigned fund balance of the general fund to an amount not greater than 4% of the subsequent year's budget.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Education if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Education.

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

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2015, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The implementation of the Statements requires the District to report as an asset and/or liability its portion of the collective net pension asset and/or liability in the New York State Teachers' and Employees' Retirement Systems. The implementation of the Statements also requires the District to report a deferred outflow and/or inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows, are the District's contributions to the pension systems subsequent to the measurement date.

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

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

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

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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Long-Term Debt Transaction Differences

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

Pension Differences

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

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

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

The voters of the District approved the proposed appropriation budget for the general fund. Appropriations are adopted at the program line item level.

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

Donations	\$ 2,000
Transfer to capital for voter	
approved use of capital reserve	<u>4,000,000</u>
	<u>\$ 4,002,000</u>

Budgets are adopted annually on a basis consistent with GAAP.

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Encumbrances

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

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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

Restricted Cash

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute to be reserved for various purposes. Restricted cash at June 30, 2015 included \$44,591,787 for debt service, capital projects and general reserve purposes.

6. PARTICIPATION IN BOCES

During the year ended June 30, 2015, the District was billed \$9,518,638 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$2,283,203. Financial statements for the BOCES are available from the BOCES administrative offices at 71 Clinton Road, P.O. Box 9195, Garden City, New York 11530-9195.

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

7. DUE FROM STATE AND FEDERAL

Due from state and federal at June 30, 2015 consisted of:

General Fund	
New York State - general aid	\$ 1,881,426
New York State - excess cost aid	1,700,437
Medicaid reimbursement	42,235
BOCES aid	<u>1,057,755</u>
	4,681,853
Special Aid Fund	
Federal and state grants	1,075,996
School Lunch Fund	
Federal and state food service program reimbursements	<u>54,165</u>
	<u>\$ 5,812,014</u>

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at June 30, 2015 consisted of:

General Fund	
Charges for services	\$ 758,933
Other	<u>14,589</u>
	<u>\$ 773,522</u>

9. INTERFUND TRANSACTIONS

Interfund balances and activities at June 30, 2015, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 1,479,348	\$ 61,568	\$ 100,000	\$ 4,332,103
Special Aid Fund	58,275	1,077,258	332,103	
Debt Service Fund	1,503,268	100,000		100,000
Capital Projects Fund		1,818,794	4,000,000	
Total Governmental Funds	<u>3,040,891</u>	<u>3,057,620</u>	<u>4,432,103</u>	<u>4,432,103</u>
Fiduciary Funds	<u>16,729</u>			
Total	<u>\$ 3,057,620</u>	<u>\$ 3,057,620</u>	<u>\$ 4,432,103</u>	<u>\$ 4,432,103</u>

The District typically transfers from the general fund to the special aid fund for the District's share of the costs for the summer program for students with disabilities and the state-supported Section 4201 schools, and the capital projects fund in accordance with the general fund budget. The District transferred from the debt service fund to the general fund to provide funding for its bond payments.

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Governmental activities				
Capital assets not being depreciated				
Land	\$ 2,449,525	\$	\$	\$ 2,449,525
Construction in progress	296,815	1,262,005	(296,815)	1,262,005
Total capital assets not being depreciated	2,746,340	1,262,005	(296,815)	3,711,530
Capital assets being depreciated				
Building and building improvements	84,660,579	1,664,599	(38,556)	86,286,622
Land improvements	3,554,160			3,554,160
Furniture and equipment	15,205,738	940,162	(440,379)	15,705,521
Total capital assets being depreciated	103,420,477	2,604,761	(478,935)	105,546,303
Less accumulated depreciation for:				
Building and building improvements	27,559,697	1,697,042	(38,556)	29,218,183
Land improvements	2,149,694	179,529		2,329,223
Furniture and equipment	11,273,715	1,012,581	(440,379)	11,845,917
Total accumulated depreciation	40,983,106	2,889,152	(478,935)	43,393,323
Total capital assets, being depreciated, net	62,437,371	(284,391)	-	62,152,980
Capital assets, net	\$ 65,183,711	\$ 977,614	\$ (296,815)	\$ 65,864,510

Depreciation expense was charged to governmental functions as follows:

General support	\$ 170,415
Instruction	2,356,489
Pupil transportation	323,154
Community service	14,930
Food service program	24,164
Total depreciation expense	\$ 2,889,152

11. SHORT-TERM DEBT

The District did not issue short-term debt during the year.

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. LONG-TERM LIABILITIES**A. Changes**

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

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 19,255,000	\$	\$ (2,350,000)	\$ 16,905,000	\$ 2,410,000
Add: Deferred premium on refunding	1,578,033		(220,136)	1,357,897	220,136
Other long-term liabilities					
Workers' compensation	4,092,465	806,015	(1,252,023)	3,646,457	
	<u>\$ 24,925,498</u>	<u>\$ 806,015</u>	<u>\$ (3,822,159)</u>	<u>\$ 21,909,354</u>	<u>\$ 2,630,136</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at June 30, 2015
Refunding bonds	8/15/2009	8/1/2016	3.00-4.75%	\$ 1,285,000
Construction serial bonds	7/14/2011	7/1/2026	2.0-3.5%	4,010,000
Refunding bonds	6/12/2013	4/1/2023	2.0-5.0%	11,610,000
				<u>\$ 16,905,000</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 2,410,000	\$ 622,334	\$ 3,032,334
2017	2,505,000	538,115	3,043,115
2018	1,920,000	451,340	2,371,340
2019	1,995,000	377,340	2,372,340
2020	2,065,000	300,440	2,365,440
2021 - 2025	5,225,000	534,387	5,759,387
2026 - 2027	785,000	27,545	812,545
Total	<u>\$ 16,905,000</u>	<u>\$ 2,851,501</u>	<u>\$ 19,756,501</u>

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Advance Refunding

In previous years, the District advance refunded serial bonds, which resulted in a deferred charge and a refunding bond premium. These amounts are being amortized as a component of interest expense on a straight-line basis over the life of the bonds in the district-wide statements as follows:

Fiscal Year Ending June 30,	Amortization of Deferred Charges	Amortization of Premium	Net Revenue (Expense)
2016	\$ 84,326	\$ (220,136)	\$ (135,810)
2017	65,582	(179,964)	(114,382)
2018	59,335	(166,573)	(107,238)
2019	59,335	(166,573)	(107,238)
2020	59,335	(166,573)	(107,238)
2021 - 2023	163,171	(458,078)	(294,907)
Total	<u>\$ 491,084</u>	<u>\$ (1,357,897)</u>	<u>\$ (866,813)</u>

D. Interest Expense

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

Interest paid	\$ 711,509
Less interest accrued in the prior year	(227,957)
Plus interest accrued in the current year	226,852
Less amortization of deferred amounts on refunding	<u>(135,810)</u>
Total interest expense on long-term debt	<u>\$ 574,594</u>

13. PENSION PLANS - NEW YORK STATE

A. General Information

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

B. Provisions and Administration

Teachers' Retirement System

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Employees' Retirement System

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

C. Funding Policies

Plan members who joined the systems before July 27, 1976, are not required to make contributions. Those joining on or after July 27, 1976, and before January 1, 2010, with less than ten years of credited services are required to contribute 3% of their salary. Those joining on or after January 1, 2010 and before April 1, 2012, are required to contribute 3% of their salary to ERS or 3.5% of their salary to TRS throughout active membership. Those joining on or after April 1, 2012, are required to contribute between 3% and 6% dependent on their salary throughout active membership. Employers are required to contribute at an actuarially determined rate based on salaries paid. For the TRS, the employers' contribution rate is established annually by the New York State Teachers' Retirement Board for the fiscal year ended June 30. For the ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the ERS' fiscal year ending March 31.

The District's share of the required contributions, based on each year's covered payroll, for the current year and two preceding years was:

Contributions	TRS	ERS
2015	\$ 16,246,356	\$ 3,470,373
2014	14,627,389	3,827,238
2013	10,631,103	3,442,428

The District contributions made to the systems were equal to 100% of the contributions required for each year.

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

At June 30, 2015, the District reported the following asset/(liability) for its proportionate share of the net pension asset/(liability) for each of the Systems. The net pension asset/(liability) was measured as of June 30, 2014, for TRS and March 31, 2015 for ERS. The total pension asset/(liability) used to calculate

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

the net pension asset/(liability) was determined by an actuarial valuation. The District's proportion of the net pension asset/(liability) was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

	TRS	ERS
Actuarial valuation date	June 30, 2013	April 1, 2014
Net pension asset/(liability)	\$ 67,790,868	\$ (2,081,918)
District's portion of the Plan's total net pension asset/(liability)	0.6085700%	0.0616272%

For the year ended June 30, 2015, the District recognized pension expense (credit) of \$(2,566,094) for TRS and \$2,060,252 for ERS. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	TRS	ERS	TRS	ERS
Differences between expected and actual experience	\$	\$ 66,645	\$ 991,317	\$
Net difference between projected and actual earnings on pension plan investments		361,604	45,528,936	
Changes in proportion and differences between the District's contributions and proportionate share of contributions	19,980	301,692		
District's contributions subsequent to the measurement date	15,939,033	893,500		
Total	\$ 15,959,013	\$ 1,623,441	\$ 46,520,253	\$ -

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	TRS	ERS
2016	\$ (11,495,180)	\$ 182,485
2017	(11,495,180)	182,485
2018	(11,495,180)	182,485
2019	(11,495,180)	182,486
2020	(112,946)	
Thereafter	(406,607)	
	\$ (46,500,273)	\$ 729,941

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions

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

	TRS	ERS
Measurement date	June 30, 2014	March 31, 2015
Actuarial valuation date	June 30, 2013	April 1, 2014
Interest rate	8.0%	7.5%
Salary scale	4.01-10.91%	4.9%
Decrement tables	July 1, 2005 - June 30, 2010 System's Experience	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	3.0%	2.7%

For TRS, annuitant mortality rates are based on July 1, 2005 – June 30, 2010 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale AA. For ERS, annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

For TRS, the actuarial assumptions used in the June 30, 2013 valuation are based on the results of an actuarial experience study for the period July 1, 2005 – June 30, 2010. For ERS, the actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

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

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	TRS		ERS	
	Target Allocation	Long-term Expected Rate of Return	Target Allocation	Long-term Expected Rate of Return
Measurement date		June 30, 2014		March 31, 2015
Asset type				
Domestic equity	37.0%	7.30%	38.0%	7.30%
International equity	18.0%	8.50%	13.0%	8.55%
Real estate	10.0%	5.00%	8.0%	8.25%
Alternative investments	7.0%	11.00%	19.0%	6.75-11.00%
Domestic fixed income securities	18.0%	1.50%		
Global fixed income securities	2.0%	1.40%		
Bonds and mortgages	8.0%	3.40%	18.0%	4.00%
Short-term		0.80%		
Cash			2.0%	2.25%
Inflation indexed bonds			2.0%	4.00%
	100.0%		100.0%	

Discount Rate

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

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8.0% for TRS and 7.5% for ERS, as well as what the District's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower (7.0% for TRS and 6.5% for ERS) or 1 percentage point higher (9.0% for TRS and 8.5% for ERS) than the current rate:

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

TRS	1% Decrease (7.00)%	Current Assumption (8.00)%	1% Increase (9.00)%
District's proportionate share of the net pension asset (liability)	\$ 1,462,344	\$ 67,790,868	\$ 124,311,982
ERS	1% Decrease (6.50)%	Current Assumption (7.50)%	1% Increase (8.50)%
District's proportionate share of the net pension asset (liability)	\$ (13,876,886)	\$ (2,081,918)	\$ 7,875,959

Pension Plan Fiduciary Net Position

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

	TRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	June 30, 2014	March 31, 2015
Employers' total pension liability	\$ (97,015,707)	\$ (164,591,504)
Plan fiduciary net position	108,155,083	161,213,259
Employers' net pension asset/(liability)	\$ 11,139,376	\$ (3,378,245)
Ratio of plan fiduciary net position to the employers' total pension liability	111.48%	97.95%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2015, are paid to the System in September, October and November 2015 through a state aid intercept. Accrued retirement contributions as of June 30, 2015, represent employer and employee contributions for the fiscal year ended June 30, 2015, based on paid TRS wages multiplied by the employer's contribution rate and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2015 amounted to \$15,939,033 of employer contributions and \$327,392 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year, which ends on March 31st. Accrued retirement contributions as of June 30, 2015, represent the projected employer contribution for the period of April 1, 2015 through June 30, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2015 amounted to \$893,500 of employer contributions. Employee contributions are remitted monthly.

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. PENSION PLANS - OTHER

A. Tax Sheltered Annuities

The District has adopted a 403(b) plan covering all eligible employees. Employees may defer up to 100% of their compensation subject to Internal Revenue Code elective deferral limitations. The District may also make non-elective contributions of certain termination payments based on collectively bargained agreements. Contributions made by the employees for the year ended June 30, 2015, totaled \$5,493,635.

B. Deferred Compensation Plan

The District has established a deferred compensation plan in accordance with Internal Revenue Code §457 for all employees. The District makes no contributions into this Plan. The amount deferred by eligible employees for the year ended June 30, 2015 totaled \$200,045.

15. POSTEMPLOYMENT BENEFITS

A. Plan Description

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

B. Funding Policy

The District assumes its share of the cost premiums, which range from 50% to 100%, and recognizes the cost of the healthcare plan annually as expenditures in the general fund of the fund financial statements as the liabilities for premiums mature (come due for payment). For the year ended June 30, 2015, the District recognized a general fund expenditure of \$6,328,795 for insurance premiums for 673 currently enrolled retirees. Currently, there is no provision in the law to permit the District to fund other postemployment benefits by any means other than the "pay as you go" method.

C. Annual OPEB Cost and Net OPEB Obligation

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Annual required contribution (ARC)	\$ 27,317,943
Interest on net OPEB obligation	3,755,043
Adjustment to ARC	<u>(5,636,072)</u>
Annual OPEB cost (expense)	25,436,914
Contributions made	<u>(6,328,795)</u>
 Increase in net OPEB obligation	 19,108,119
Net OPEB obligation - beginning of year	<u>107,286,953</u>
 Net OPEB obligation - end of year	 <u>\$ 126,395,072</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2015 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2015	\$ 25,436,914	24.9%	\$ 126,395,072
June 30, 2014	28,873,705	19.0%	107,286,953
June 30, 2013	29,215,312	21.0%	83,502,789

D. Funded Status and Funding Progress

As of July 1, 2014 the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$274,186,199 and the actuarial value of assets was \$-0-, resulting in an unfunded actuarial accrued liability (UAAL) of \$274,186,199. The covered payroll (annual payroll of active employees covered by the plan) was \$98,403,551, and the ratio of the UAAL to the covered payroll was 278.6%.

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

E. Actuarial Methods and Assumptions

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the July 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% discount rate and an annual healthcare cost trend rate of 9.0% initially, reduced by decrements of 0.5% to an ultimate rate of 5.0% after 8 years. The UAAL is being amortized as a level percentage of projected payrolls on an open basis.

16. RISK MANAGEMENT

A. General Information

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

B. Risk Retention

The District has established a self-insured plan for risks associated with workers' compensation claims. Liabilities of the plan are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for reported and unreported claims which were incurred on or before year end but not reported (IBNR). Claims activity is summarized below:

	2014	2015
Unpaid claims at beginning of year	\$ 5,451,749	\$ 4,092,465
Incurred claims and claim adjustment expenses	(610,487)	806,015
Claim payments	(748,797)	(1,252,023)
Unpaid claims at year end	<u>\$ 4,092,465</u>	<u>\$ 3,646,457</u>

C. Public Entity Risk Pool

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

17. RESTRICTED FUND BALANCE - APPROPRIATED RESERVES

The District expects to appropriate \$3,500,000 from the retirement contribution reserve to fund the budget and reduce taxes for the year ending June 30, 2016.

18. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$4,807,646 has been appropriated to reduce taxes for the year ending June 30, 2016.

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

19. RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the District implemented GASB Statements No. 68 and 71. The implementation of Statements No. 68 and 71 resulted in the reporting of an asset, deferred outflow of resources and a liability related to the District's participation in the New York State Teachers' and Employees' Retirement Systems. The District's net position has been restated as follows:

Net position beginning of year, as previously stated	<u>\$ (4,209,912)</u>
GASB Statements No. 68 and 71 implementation	
Beginning system asset - teachers' retirement system	4,028,234
Beginning system liability - employees' retirement system	(2,784,848)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	<u>15,524,223</u>
	<u>16,767,609</u>
Net position beginning of year, as restated	<u>\$ 12,557,697</u>

20. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At June 30, 2015, the District encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
General Support	\$ 423,949
Instruction	365,009
Pupil transportation	75,404
Employee benefits	<u>25,500</u>
	889,862
School Lunch Fund	
School lunch	1,603
Capital Projects Fund	
Capital projects	<u>179,582</u>
	<u>\$ 1,071,047</u>

B. Grants

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Litigation

The District is involved in lawsuits arising from the normal conduct of its affairs. Some of these lawsuits seek damages which may be in excess of the District's insurance coverage. However, it is not possible to determine the District's potential exposure, if any, at this time.

D. Operating Leases

The District leases various equipment under non-cancelable operating leases. Rental expense for the year was \$988,478. The minimum remaining operating lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2016	\$ 927,877
2017	792,027
2018	425,059
2019	<u>174,411</u>
	<u>\$ 2,319,374</u>

21. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 4, 2015 which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

LEVITTOWN UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real property taxes	\$ 133,280,952	\$ 107,147,700	\$ 107,243,783	\$ 96,083
Other tax items	200,000	26,333,252	26,294,468	(38,784)
Charges for services	6,008,223	6,008,223	5,719,887	(288,336)
Use of money and property	1,079,418	1,079,418	1,147,221	67,803
Sale of property and compensation for loss	100,000	100,000	167,178	67,178
Miscellaneous	392,050	394,050	574,261	180,211
Total Local Sources	141,060,643	141,062,643	141,146,798	84,155
State Sources	49,163,299	49,163,299	51,029,064	1,865,765
Medicaid Reimbursement			43,668	43,668
Federal Sources			139,652	139,652
Total Revenues	190,223,942	190,225,942	192,359,182	2,133,240
OTHER SOURCES				
Operating transfers in	100,000	100,000	100,000	-
Total Revenues and Other Sources	190,323,942	190,325,942	192,459,182	\$ 2,133,240
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	8,434,826	8,434,826		
Prior Year's Encumbrances	815,724	815,724		
Appropriated Reserves	-	4,000,000		
Total Appropriated Fund Balance	9,250,550	13,250,550		
Total Revenues, Other Sources and Appropriated Fund Balance	\$ 199,574,492	\$ 203,576,492		

Note to Required Supplementary Information

Budget Basis of Accounting

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For The Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Year End Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Support					
Board of education	\$ 123,220	\$ 125,720	\$ 105,308	\$	\$ 20,412
Central administration	309,803	316,703	315,865	129	709
Finance	1,324,110	1,361,945	1,230,159	25,998	105,788
Staff	919,557	1,085,606	1,041,618	1,571	42,417
Central services	14,082,267	13,983,307	12,777,723	396,251	809,333
Special items	2,527,245	2,492,245	1,792,076		700,169
Total General Support	19,286,202	19,365,526	17,262,749	423,949	1,678,828
Instruction					
Administration & Improvement	6,426,518	6,536,210	6,418,535	7,491	110,184
Teaching - regular school	62,705,963	62,484,713	59,428,068	56,850	2,999,795
Programs for students with disabilities	32,303,542	32,222,807	30,987,561	257,725	977,521
Occupational education	2,335,819	2,336,162	2,133,135	17,871	185,156
Teaching - special schools	77,189	76,847	38,816		38,031
Instructional media	4,976,716	5,009,576	4,946,059	7,000	56,517
Pupil services	11,174,824	11,223,532	10,430,683	18,072	774,777
Total Instruction	120,000,571	119,889,847	114,382,857	365,009	5,141,981
Pupil Transportation	5,528,411	5,579,211	5,166,518	75,404	337,289
Community Services	816,212	816,813	745,412		71,401
Employee Benefits	50,592,587	50,531,386	48,693,250	25,500	1,812,636
Debt Service					
Principal	2,350,000	2,350,000	2,350,000		-
Interest	711,509	711,509	711,509		-
Total Debt Service	3,061,509	3,061,509	3,061,509	-	-
Total Expenditures	199,285,492	199,244,292	189,312,295	889,862	9,042,135
OTHER USES					
Operating transfers out	289,000	4,332,200	4,332,103		97
Total Expenditures and Other Uses	\$ 199,574,492	\$ 203,576,492	193,644,398	\$ 889,862	\$ 9,042,232
Net Change in Fund Balance			(1,185,216)		
Fund Balance - Beginning of Year			53,362,240		
Fund Balance - End of Year			<u>\$ 52,177,024</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

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

LEVITTOWN UNION FREE SCHOOL DISTRICT
Schedule of Funding Progress - Other Postemployment Benefits
June 30, 2015

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2010	\$ -	\$ 189,354,286	\$ 189,354,286	0%	\$ 78,570,431	241.0%
July 1, 2012	-	305,368,290	305,368,290	0%	101,257,919	301.6%
July 1, 2014	-	274,186,199	274,186,199	0%	98,403,551	278.6%

LEVITTOWN UNION FREE SCHOOL DISTRICT
Schedule of the District's Proportionate Share of the Net Pension Asset/Liability
June 30, 2015

Teachers' Retirement System

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension asset	0.6085700%	0.6119580%
District's proportionate share of the net pension asset	\$ 67,790,868	\$ 4,028,234
District's covered employee payroll	\$ 91,051,361	\$ 90,836,059
District's proportionate share of the net pension asset as a percentage of its covered employee payroll	74.45 %	4.43 %
Plan fiduciary net position as a percentage of the total pension liability	111.48%	100.70%

Employees' Retirement System

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0616272%	0.0616272%
District's proportionate share of the net pension liability	\$ 2,081,918	\$ 2,784,848
District's covered employee payroll	\$ 18,570,294	\$ 18,722,296
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	11.21 %	14.87 %
Plan fiduciary net position as a percentage of the total pension liability	97.95%	97.20%

LEVITTOWN UNION FREE SCHOOL DISTRICT
Schedule of District Contributions
June 30, 2015

Teachers' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 16,246,356	\$ 14,627,389	\$ 10,631,103	\$ 8,486,610	\$ 6,310,767	\$ 6,439,703	\$ 7,098,974	\$ 6,903,452	\$ 6,745,969	\$ 5,655,201
Contributions in relation to the contractually required contribution	16,246,356	14,627,389	10,631,103	8,486,610	6,310,767	6,439,703	7,098,974	6,903,452	6,745,969	5,655,201
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 92,148,344	\$ 91,051,361	\$ 90,836,059	\$ 89,550,747	\$ 90,612,189	\$ 88,066,201	\$ 87,138,490	\$ 82,885,122	\$ 78,674,925	\$ 71,867,968
Contributions as a percentage of covered employee payroll	18%	16%	12%	9%	7%	7%	8%	8%	9%	8%

Employees' Retirement System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 3,470,373	\$ 3,827,238	\$ 3,442,428	\$ 2,792,893	\$ 1,934,579	\$ 1,476,001	\$ 1,412,035	\$ 1,531,905	\$ 1,601,884	\$ 1,550,883
Contributions in relation to the contractually required contribution	3,470,373	3,827,238	3,442,428	2,792,893	1,934,579	1,476,001	1,412,035	1,531,905	1,601,884	1,550,883
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered employee payroll	\$ 18,524,656	\$ 18,638,145	\$ 18,917,648	\$ 18,976,409	\$ 18,586,403	\$ 18,187,177	\$ 18,217,853	\$ 17,698,189	\$ 16,960,215	\$ 16,038,487
Contributions as a percentage of covered employee payroll	19%	21%	18%	15%	10%	8%	8%	9%	9%	10%

See Paragraph on Required Supplementary Information Included in Auditor's Report

LEVITTOWN UNION FREE SCHOOL DISTRICT
Schedules of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit - General Fund
For The Year Ended June 30, 2015

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 198,758,768
Additions:	
Prior year's encumbrances	<u>815,724</u>
Original Budget	199,574,492
Budget revision	<u>4,002,000</u>
Final Budget	<u><u>\$ 203,576,492</u></u>

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

2015-16 voter-approved expenditure budget	<u><u>\$ 201,817,794</u></u>
Maximum allowed (4% of 2015-16 budget)	<u><u>\$ 8,072,712</u></u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	
Unrestricted fund balance:	
Assigned fund balance	\$ 5,697,508
Unassigned fund balance	<u>8,072,710</u>
	\$ 13,770,218
Less:	
Appropriated fund balance	4,807,646
Encumbrances	<u>889,862</u>
Total adjustments	<u>5,697,508</u>
General Fund Fund Balance Subject to § 1318 of Real Property Tax Law:	<u><u>\$ 8,072,710</u></u>
Actual Percentage	4.00%

LEVITTOWN UNION FREE SCHOOL DISTRICT
Schedule of Project Expenditures -
Capital Projects Fund
For The Year Ended June 30, 2015

PROJECT TITLE	Budget June 30, 2014	Budget June 30, 2015	Prior Years	Expenditures		Unexpended Balance	Methods of Financing				Fund Balance June 30, 2015
				Current Year	Total		Proceeds of Obligations	State Aid	Local Sources	Total	
District-wide capital projects	\$ 13,215,532	\$ 9,950,825	\$ 9,950,825	\$ -	\$ 9,950,825	\$ -	\$ -	\$ -	\$ 9,950,825	\$ 9,950,825	\$ -
Bond issue district-wide renovations	12,000,000	12,000,000	11,620,532	-	11,620,532	379,468	12,000,000	-	-	12,000,000	379,468
Jonas Salt MS	1,700,000	471,641	471,641	-	471,641	-	-	-	471,641	471,641	-
Summit Lane School	200,000	51,873	51,873	-	51,873	-	-	-	51,873	51,873	-
Gardiners Avenue tile replacement	300,258	300,258	300,258	-	300,258	-	-	-	300,258	300,258	-
Portable classrooms bond issue	12,500,000	12,500,000	12,110,355	-	12,110,355	389,645	12,500,000	-	-	12,500,000	389,645
District-wide capital projects	12,170,000	16,811,193	15,266,907	1,579,450	16,846,357	(35,164)	-	-	16,811,193	16,811,193	(35,164)
District-wide capital projects - EXCEL	7,149,998	7,149,998	6,528,120	519,235	7,047,355	102,643	4,780,000	2,369,998	-	7,149,998	102,643
District-wide emergency projects	7,074,388	7,074,388	4,034,512	531,244	4,565,756	2,508,632	-	-	7,074,388	7,074,388	2,508,632
Capital reserve projects	-	4,000,000	-	90,043	90,043	3,909,957	-	-	4,000,000	4,000,000	3,909,957
Totals	\$ 66,310,176	\$ 70,310,176	\$ 60,335,023	\$ 2,719,972	\$ 63,054,995	\$ 7,255,181	\$ 29,280,000	\$ 2,369,998	\$ 38,660,178	\$ 70,310,176	\$ 7,255,181

Attachment: LEVITTOWN FINANCIALS (2041 : CALL TO ORDER)

LEVITTOWN UNION FREE SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2015

Capital assets, net	\$ 65,864,510
Add:	
Deferred charges from advance refunding	491,084
	<u>66,355,594</u>
Deduct:	
Premium on bonds payable	1,357,897
Short-term portion of bonds payable	2,410,000
Long-term portion of bonds payable	14,495,000
Less: Unspent bond proceeds	(871,756)
	<u>17,391,141</u>
Net Investment in Capital Assets	<u>\$ 48,964,453</u>



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

To the Board of Education
Levittown Union Free School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the fiduciary funds of Levittown Union Free School District, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Levittown Union Free School District's basic financial statements, and have issued our report thereon dated November 4, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



R.S. Abrams & Co., LLP
Islandia, NY
November 4, 2015

November 4, 2015

Levittown Union Free School District
Mr. William Pastore
Assistant Superintendent for Business and Finance
150 Abbey Lane
Levittown, New York 11756

Your school district audit reports should be emailed upon receipt to the following email addresses.

fsanda133@mail.nysed.gov

afrfile@osc.state.ny.us

A Board resolution should be submitted to the New York State Education Department. The District is also required to file a written response and corrective action plan to the findings and recommendations in the management letter no later than 90 days after presentation to the Board.

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
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To the Board of Education and
Mr. William Pastore,
Assistant Superintendent for Business and Finance
Levittown Union Free School District
150 Abbey Lane
Levittown, New York 11756

In planning and performing our audit of the financial statements of the governmental activities, each major fund and the fiduciary funds of Levittown Union Free School District as of and for the fiscal year ended June 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Levittown Union Free 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 Levittown Union Free School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Levittown Union Free School District's internal control.

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

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

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

ISLANDIA: 3033 EXPRESS DRIVE NORTH, SUITE 100 • ISLANDIA, NY 11749
WHITE PLAINS: 50 MAIN STREET, SUITE 1000 • WHITE PLAINS, NY 10606
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CURRENT YEAR FINDINGS AND RECOMMENDATIONS

EXTRACLASSROOM ACCOUNTS

General Ledger

During our current year audit we noted that the GC Technical Center's statement of cash receipts and disbursements as of the fiscal year end June 30, 2015 did not reconcile to the activities general ledger. We recommend that the District reconcile the extraclassroom accounts quarterly.

ENCUMBRANCES

Encumbrances

During our current year audit we noted that encumbrances were not properly stated at year end. We recommend the District review the outstanding purchase order reports for each fund prior to year end to avoid year end audit adjustments.

REOCCURRING FINDINGS AND RECOMMENDATIONS

ACCOUNTING POLICIES & PROCEDURES

Miscellaneous Special Revenue Fund

During our current year audit we continue to note that the District retains a miscellaneous special revenue fund that was utilized to track and record various activities including, but not limited to, the teacher's center, dance programs, and the latch key program. We recommend the District review their current accounting of these activities to determine whether they should be recorded in the general fund or another appropriate fund.

CAPITAL PROJECTS FUND

Monitoring Capital Projects

During our current year audit we continue to note that the District had several open capital projects with fund balances and no current revenues or expenditures. We recommend the District review each capital project to determine whether the capital project should have been closed out and the applicable fund balance be transferred back to the general fund.

EXTRACLASSROOM ACCOUNTS

Cash Receipts

During our current year audit of the extraclassroom activity funds we noted the following:

- 10 out of the 50 cash receipts tested, (six at Wisdom Lane Middle School and four at GC Technical Center) the central treasurer's signature was missing.
- 30 out of the 50 cash receipts tested, (10 in the General Douglas MacArthur High School, 10 in the Wisdom Lane Middle School and 10 in the GC Technical Center) deposit slips and/or supporting documentation was missing.

We recommend that receipts for all extraclassroom clubs contain an approved signature of the faculty advisor, student treasurer and central treasurer, have treasurer's receipts properly completed and maintain proper supporting documentation to substantiate cash receipt amounts.

Cash Disbursements

During our current year audit we noted that in 7 out of 50 payments tested, six in the GC Technical Center and one in the General Douglas MacArthur High School, the voucher package was not properly cancelled. We recommend the District stamp invoices "paid" to avoid a potential duplicate payment.

Inactive Clubs

During our current year audit we noted that there are still clubs with no activity in 2014-2015 at General Douglas MacArthur High School and Division Avenue High School. We recommend that inactive clubs be reviewed and if warranted be closed and the monies transferred to a Board designated club.

Board Approval

During our current year audit we noted that the extraclassroom clubs were not Board approved. Also, each club should be reviewed to determine if there is adequate participation to warrant a club. We recommend the Board of Education review and approve extraclassroom clubs on an annual basis.

SCHOOL LUNCH FUND

Fund Balance

During our current year audit we noted that the school lunch fund balance exceeded the three-month average expenditure level allowable by \$514,978 according to federal regulations 7 CFR Part 210.14(b). We recommend implementing additional measures to lower the fund balance for the 2015-2016 school year.

FUND BALANCE MANAGEMENT

Employee Benefit Accrued Liability Reserve

While the District had developed a long-term plan on utilizing its reserves in future budgets, or transferring monies to another allowable reserve, during our current year audit we noted that the District has a balance of \$6,021,176 in its employee benefit accrued liability reserve at June 30, 2015. The District did not provide compensated absences in its employment contracts; therefore this reserve should be reviewed and possibly transferred to a more appropriate reserve. We recommend the District review its options for transferring these monies to another reserve or obtaining certification from the Comptroller's Office to use monies for operations.

Unemployment Reserve

During our current year audit we noted the District has a balance in the unemployment reserve in the amount of \$2,946,811 as of June 30, 2015. However, the annual expenditure is approximately \$47,000. We recommend reviewing this reserve to determine if balance is reasonable and to utilize the reserve to fund current year expenditures.

STATUS OF PRIOR YEAR RECOMMENDATIONS

ACCOUNTING POLICIES & PROCEDURES

Miscellaneous Special Revenue Fund

FINDING: During our prior year audit we noted the District retained a miscellaneous special revenue fund that was utilized to track and record various activities including, but not limited to, the teacher's center, dance programs, and the latch key program. We recommended the District review their accounting of these activities to determine whether they should be recorded in the general fund or another appropriate fund.

STATUS: Not Implemented.

SUMMER SCHOOL HANDICAP PROGRAM

System to Track and Account for Children (STAC)

FINDING: During our prior year audit we noted the District submitted STAC forms to the State Education Department for the 2010-2011 and 2011-2012 school years with transportation costs for the summer handicapped program which exceeded the actual allowable cost of transportation. We recommended the District review STAC forms for accuracy prior to submitting to the State Education Department.

STATUS: Implemented.

CAPITAL PROJECTS FUND

Monitoring Capital Projects

FINDING: During our prior year audit we noted that the District had several open capital projects with fund balances and no current revenues or expenditures. We recommended the District review each capital project to determine whether the capital project should have been closed out and the applicable fund balance be transferred back to the general fund.

STATUS: Not Implemented.

EXTRACLASSROOM ACCOUNTS

Cash Receipts

FINDING: During our prior year audit of the extraclassroom activity funds we noted the following:

- 30 out of the 50 cash receipts tested, (10 in the General Douglas MacArthur High School, 10 at the GC Technical Center and 10 in the Jonas E. Salk Middle School) did not have a student treasurer signature or faculty advisor signature on the treasurer's receipt.
- 1 out of the 50 cash receipts tested, (one at Jonas E. Salk Middle School) the central treasurer's signature was missing.
- 30 out of the 50 cash receipts tested, (10 in the General Douglas MacArthur High

School, 10 in the Wisdom Lane Middle School and 10 in the GC Technical Center) deposit slips and/or supporting documentation was missing.

We recommended that receipts for all extraclassroom clubs contain an approved signature of the faculty advisor, student treasurer and central treasurer, have treasurer's receipts properly completed and maintain proper supporting documentation to substantiate cash receipt amounts.

STATUS: Not Implemented.

Cash Disbursements

FINDING: During our prior year audit we noted 20 out of 50 payments, 10 at the Jonas E. Salk Middle School and 10 at the Wisdom Lane Middle School were missing copies of check stubs. It was also noted one payment at the General Douglas MacArthur High School was missing an invoice to substantiate the disbursement. It was also noted that in 6 out of 50 payments tested, 5 in the General Douglas MacArthur High School and 1 in the GC Technical Center, the voucher package was not properly cancelled. For five payments at Jonas E. Salk Middle School, the payments were not properly approved by the Principal and one payment was not approved by a faculty advisor. We recommended the cash disbursements include invoices and copies of check stubs to improve the internal controls over cash disbursements.

STATUS: Substantially Implemented.

Inactive Clubs

FINDING: During our prior year audit we noted that there were still clubs with no activity in 2013-2014 at General Douglas MacArthur High School and Division Avenue High School. We recommended that inactive clubs be reviewed and if warranted be closed and the monies transferred to a Board designated club.

STATUS: Not Implemented.

Tax Exempt Purchases

FINDING: During our prior year audit we noted 6 payments out of 50 payments tested, specifically 4 payments at the General Douglas MacArthur High School and 2 payments at the GC Technical Center, utilized the school district's tax exempt identification number on their invoices, resulting in sales tax not being charged to the extraclassroom club. Extraclassroom clubs were not exempt from New York State sales tax and therefore were required to pay sales tax for taxable sales. We recommended the District discontinue providing its tax exempt identification number for extraclassroom activities.

STATUS: Implemented.

Board Approval

FINDING: During our prior year audit we noted that the extraclassroom clubs were not Board approved or appear not to be extraclassroom clubs. All clubs should be Board recognized and have a completed charter dictating the clubs officers and purpose.

Also, each club should be reviewed to determine if there was adequate participation to warrant a club. We recommended the Board of Education review and approve extraclassroom clubs on an annual basis.

STATUS: **Partially Implemented.** During our current year audit although we noted that the extraclassroom clubs were not approved in the Board minutes, we did note that the extraclassroom clubs had completed charters dictating the clubs officers and purpose.

ACCOUNTS PAYABLE

Accounts Payable

FINDING: During our prior year audit we noted discrepancies in the classification of accounts payable versus encumbrances at year end. We recommended the District review the proper accounting treatment for the classification of accounts payable and encumbrances for each fund.

STATUS: **Implemented.**

SCHOOL LUNCH FUND

Fund Balance

FINDING: During our prior year audit we noted that the school lunch fund balance exceeded the three-month average expenditure level allowable by \$253,112 according to federal regulations 7 CFR Part 210.14(b). We recommended implementing additional measures to lower the fund balance for the 2014-2015 school year. We also noted that the District was planning a significant equipment purchase in the 2014-2015 school year to help address this issue.

STATUS: **Not Implemented.**

FUND BALANCE MANAGEMENT

Employee Benefit Accrued Liability Reserve

FINDING: While the District had developed a long-term plan on utilizing its reserves in future budgets, or transferring monies to another allowable reserve, during our prior year audit we noted that the District had a balance of \$6,017,081 in its employee benefit accrued liability reserve at June 30, 2014. The District did not provide compensated absences in its employment contracts; therefore this reserve should be reviewed and possibly transferred to a more appropriate reserve. We recommended the District review its options for transferring these monies to another reserve or obtaining certification from the Comptroller's Office to use monies for operations.

STATUS: **In Process.** During our prior year audit we noted the District had obtained certification from the Comptroller's Office to use monies for operations. The District will determine how to use this reserve in the 2015-2016 school year.

Unemployment Reserve

FINDING: During our prior year audit we noted the District had a balance in the unemployment reserve in the amount of \$2,940,514 as of June 30, 2014. However, the annual expenditure is approximately \$141,000. We recommended reviewing this reserve to determine if balance was reasonable and to utilize the reserve to fund current year expenditures.

STATUS: Not Implemented.

* * * * *

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

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

Very truly yours,

R.S. Abrams & Co., LLP

R.S. Abrams & Co., LLP
Islandia, New York
November 4, 2015

Attachment: LEVITTOWN MGMT LTR (2041 : CALL TO ORDER)