

**AUDITED  
BASIC FINANCIAL STATEMENTS**

**FRONTIER CENTRAL SCHOOL DISTRICT**  
**HAMBURG, NEW YORK**

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**JUNE 30, 2018**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

The President and Members of the  
Board of Education of  
Frontier Central School District  
Hamburg, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frontier Central School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The supplementary information, as listed in the table of contents, 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 supplementary information, as listed in the table of contents, 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 October 2, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Freed Maxick CPAs, P.C.*

Batavia, New York  
October 2, 2018



## **Management's Discussion and Analysis Frontier Central School District Fiscal Year ended June 30, 2018**

This section of Frontier Central School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

The net position of the District increased by \$485,235 after application of a beginning of the year GASB 75 adjustment impacting post employment benefits [see Note 7]. The net position of the District includes all of the governmental funds and the value of the District's land, buildings, and equipment (net of accumulated depreciation). This increase was primarily due to an increase in cash and investments and capital assets. At June 30, 2018 unrestricted net position was \$13,547,226. Other components of net position were net investment in capital assets of \$34,988,689, net position restricted for worker's compensation of \$2,059,976, restricted for post employment benefits of \$2,492,251, restricted for capital project costs of \$2,604,040 and restricted for Employee Retirement System contributions of \$2,931,404.

Other issues of significance for the fiscal year ended June 30, 2018 included:

- The General Fund's (the primary operating fund) fund balance increased by \$328,947.
- The governmental activities revenues increased by \$2.1 million (or 2.54%). The total cost of all the District's activities increased by approximately \$5.15 million (or 6.61%).
- In 2016-2017 the results of activities produced an increased in net position of \$4,625,995 while in 2017-2018 the net position increased by \$485,235.

### **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

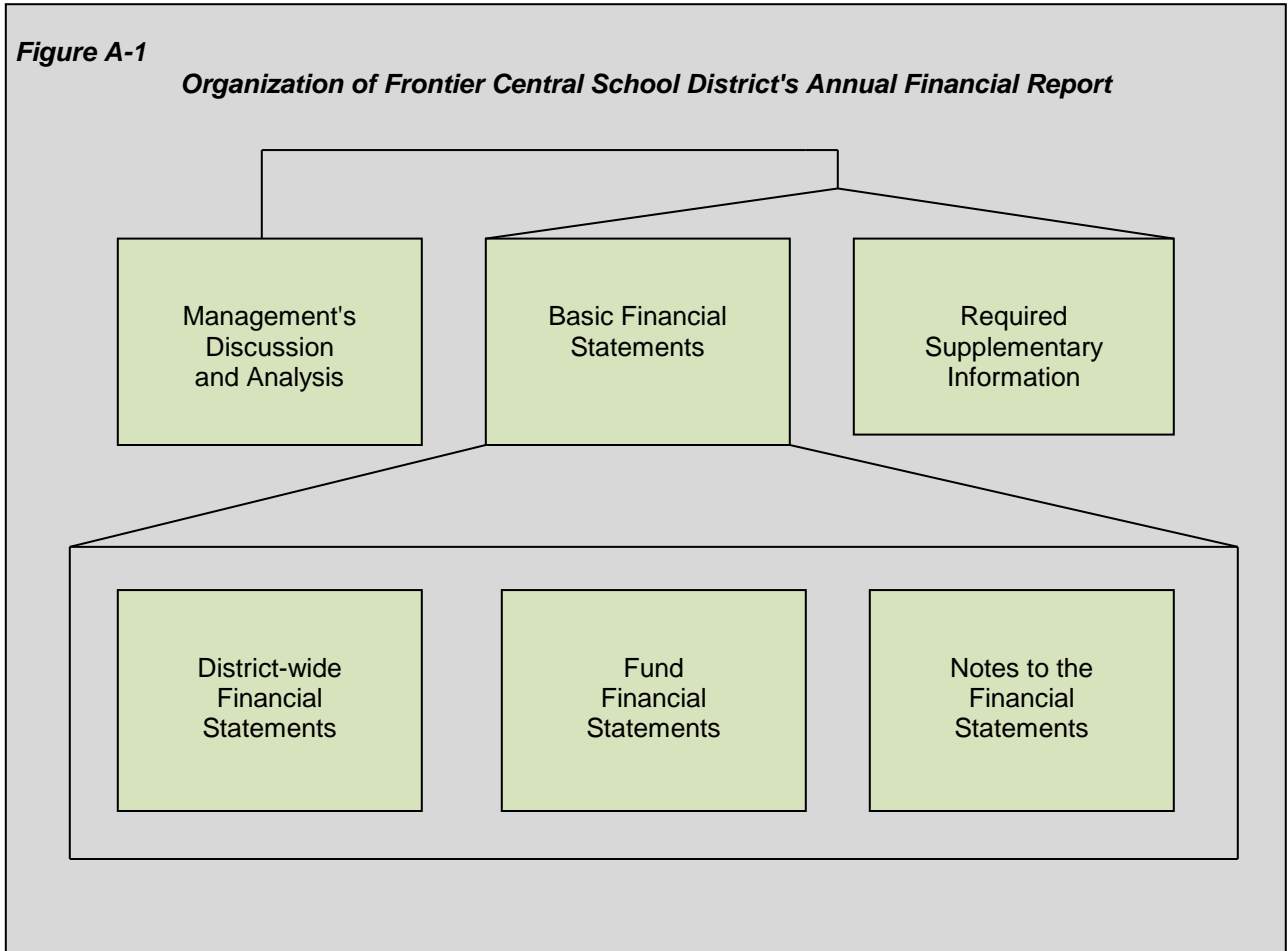


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**Figure A-2****Major Features of the District-wide and Fund Financial Statements**

		Fund Financial Statements	
	District-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except Fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Position – Fiduciary Funds</li> <li>• Statement of Changes in Net Position – Fiduciary Fund</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, short-term and long-term	Generally assets and deferred outflows expected to be used up and liabilities and deferred inflows, that come due during the year or soon thereafter; generally no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/out-flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

**District-wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenditures are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

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

### **Fund Financial Statements**

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

- Some funds are required by state law.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants).

The District has two kinds of funds:

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

### **Financial Analysis of the District as a Whole**

The District's financial picture continues to improve with conservative budgeting and cost control. 2018 Excess Revenues over Expenditures in the General Fund totalled \$4,016,863 vs. \$3,219,654 in 2017. The District utilized \$3,500,000 of this surplus to fund capital project needs.

The District maintains an Employee Benefit Accrued Liability Reserve to help fund payment of accumulated vacation and sick time due to employees who leave the District and a Workers Compensation Reserve which is available for expenses associated with the self-insured workers compensation program. The District also maintains a Capital Reserve to fund future capital projects and a Retirement Contribution Reserve which can be used to pay for annual contributions due to the Employees' Retirement System.

Contractual obligations related to salary and benefits are likely to increase disproportionately, however, savings from replacing retiring employees with lower salaried employees will help offset these increases. State retirement plan costs have been contained in recent years due to declining rates, and will likely see increases in the near term. The District has been successful in controlling annual health insurance increases by moving to a self-insured health insurance plan.

**Figure A-3**

**Condensed Statement of Net Position**  
(in thousands of dollars)

	Governmental Activities and Total District			Total Percentage Change	Total Percentage Change
	2018	2017	2016	2017-2018	2016-2017
Current and other assets	\$ 25,577	\$ 23,109	\$ 20,662	10.68%	11.84%
Capital assets not being depreciated	2,147	1,007	856	113.21%	17.64%
Capital assets, net of accumulated depreciation	66,390	67,501	69,042	-1.65%	-2.23%
TRS pension asset	1,541	-	20,900	100.00%	-100.00%
Total assets	<u>95,655</u>	<u>91,617</u>	<u>111,460</u>	<u>4.41%</u>	<u>-17.80%</u>
Deferred outflow of resources	<u>23,754</u>	<u>23,394</u>	<u>9,240</u>	<u>1.54%</u>	<u>153.18%</u>
Other liabilities	7,446	6,312	33,002	17.97%	-80.87%
Long-term liabilities	45,877	45,743	22,737	0.29%	101.18%
Total liabilities	<u>53,323</u>	<u>52,055</u>	<u>55,739</u>	<u>2.44%</u>	<u>-6.61%</u>
Deferred inflow of resources	<u>7,462</u>	<u>1,254</u>	<u>7,885</u>	<u>495.06%</u>	<u>-84.10%</u>
Net investment in capital assets	34,989	32,604	31,565	7.32%	3.29%
Restricted for:					
Employee benefits	2,492	2,386	1,884	4.44%	26.65%
Workers' compensation	2,060	2,129	2,128	-3.24%	0.05%
Capital reserve	2,604	4,244	2,716	-38.64%	56.26%
Retirement reserve	2,932	1,451	900	102.07%	61.22%
Unrestricted (deficit)	13,547	18,888	17,883	-28.28%	5.62%
Total net position	<u>\$ 58,624</u>	<u>\$ 61,702</u>	<u>\$ 57,076</u>	<u>-4.99%</u>	<u>8.10%</u>

Figure A-4

*Changes in Net Position  
(in thousands of dollars)*

	Governmental Activities and Total District			Total Percentage Change	Total Percentage Change
	2018	2017	2016	2017-2018	2016-2017
<b>Revenues:</b>					
Real property taxes	\$ 38,727	\$ 37,846	\$ 36,996	2.33%	2.30%
Real property tax items	746	669	724	11.51%	-7.60%
Non-property taxes	5,588	5,406	5,270	3.37%	2.58%
Charges for services	980	1,173	1,190	-16.45%	-1.43%
Use of money and property	147	81	83	81.48%	-2.41%
Other miscellaneous revenues	564	810	884	-30.37%	-8.37%
State and federal aid	37,228	35,922	35,646	3.64%	0.77%
School lunch	652	625	656	4.32%	-4.73%
Total revenues	<u>84,632</u>	<u>82,532</u>	<u>81,449</u>	<u>2.54%</u>	<u>1.33%</u>
<b>Expenses:</b>					
General support	8,345	8,166	6,782	2.19%	20.41%
Instruction	65,783	60,036	53,346	9.57%	12.54%
Pupil transportation	4,761	4,354	3,799	9.35%	14.61%
Interest	857	1,022	723	-16.14%	41.36%
School lunch	1,516	1,505	1,440	0.73%	4.51%
Depreciation	2,885	2,824	2,792	2.16%	1.15%
Total expenses	<u>84,147</u>	<u>77,907</u>	<u>68,882</u>	<u>8.01%</u>	<u>13.10%</u>
Changes in net position	<u>\$ 485</u>	<u>\$ 4,625</u>	<u>\$ 12,567</u>	<u>-89.51%</u>	<u>-63.20%</u>

**Governmental Activities**

This section presents the cost of six major District activities: general support, instruction, pupil transportation, debt service, school lunch and depreciation. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Depreciation expense increased due to the ongoing capital improvements. All other expenditure categories increased due to conservative spending increases that are consistent with increases in available funding.

**Figure A-5**

**Net Cost of Governmental Activities**  
*(in thousands of dollars)*

	Net Cost of Services			Percentage Change	Percentage Change
	2018	2017	2016	2017-2018	2016-2017
General support	\$ 7,531	\$ 7,301	\$ 5,883	3.15%	24.10%
Instruction	54,243	49,088	42,032	10.50%	16.79%
Pupil transportation	1,385	1,028	198	34.73%	419.19%
Debt service	857	1,022	723	-16.14%	41.36%
School lunch	(6)	48	(83)	-112.50%	-157.83%
Depreciation	2,885	2,824	2,792	2.16%	1.15%
Total	<u>\$ 66,895</u>	<u>\$61,311</u>	<u>\$51,545</u>	<u>9.11%</u>	<u>18.95%</u>

**Financial Analysis of The District's Funds**

**General Fund**

Revenues exceeded expenditures in the General Fund, resulting in an increase of fund balance of \$328,947 for the year ended June 30, 2018.

The key factors for spending variances in the general fund are listed below with explanations for each.

- Revenue
  - Property taxes – increased \$957,273 due to an increase in levy up to the tax cap limit and a slight increase in payments in lieu of taxes (PILOTS)
- Expenditures
  - An increase in total wages of \$1,668,779 due to restoration of positions and contractual wage increases
  - Employee benefits decreased by \$1,094,007 due to lower health insurance and retirement system costs
  - Increased BOCES expenses of \$1,150,262 resulted from higher purchase of student computer devices.

**School Lunch Fund**

The issue of net cost related to school lunch is related to approved state and federal aid, menu pricing and student participation. Operations of the school lunch program for the 2017-2018 year ended with a deficit of \$10,321, compared to a surplus in 2016-2017 of \$9,910. This was primarily the result of a an increase in employee benefit costs.

**Capital Projects Fund**

Spending activity in the capital projects fund increased as the District continues the planned long term phased capital project work. Project expenditures totalled \$1,582,090 in 2017-2018. An additional \$881,901 was spent on new bus purchases. Capital project spending is anticipated to further accelerate in 2019.

**General Fund Budgetary Highlights**

A very conservative approach to the budget process was again taken for the 2017-2018 school year due to the volatility of the economy and the uncertainty of state aid revenue.

Cautious budget administration continued to be practiced to protect against revenue cuts by conservative restoration of expenditures and programs.

In addition, due to close and conservative monitoring of controllable expenditures, the District had the ability to decrease its reliance of reserve funds and fund balance. This resulted in a increase in fund balance for the 2017-2018 school year of \$328,947 after transfer of \$3.5 million to the Capital Fund. The District recognizes the need to continue to rebuild fund balance for long-term financial health. Extending the “life” of these reserves and making an effort to rebuild them will assist with budgeting in future years and will assist in reducing the local share and providing taxpayer relief.

*Figure A-6*

*Revenues, Expenditures and Changes in Fund Balances - Governmental Major Funds (in thousands of dollars)*

	<b>2018</b>		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 79,961	\$ 79,632	\$ 15,476
Special Aid Fund	3,300	3,300	-
Capital Fund	3,515	2,464	1,489
	<b>2017</b>		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 78,282	\$ 75,073	\$ 15,147
Special Aid Fund	3,042	3,042	-
	<b>2016</b>		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 76,529	\$ 71,397	\$ 11,938
Capital Projects Fund	474	2,531	(25,415)



## Capital Asset and Debt Administration

Increases in the value of capital assets due to the District's continuing capital project work are being offset by depreciation on those assets as the project nears completion.

*Figure A-7*

<i>Capital Assets Net of Depreciation (in thousands of dollars)</i>					
	Governmental Activities and Total District			Percentage Change	Percentage Change
	2018	2017	2016	2017-2018	2016-2017
Land	\$ 802	\$ 802	\$ 802	0.00%	0.00%
Construction in process	1,345	205	54	556.10%	279.63%
Buildings and improvements	62,342	63,549	65,156	-1.90%	-2.47%
Vehicles and equipment	4,048	3,952	3,886	2.43%	1.70%
Total	<u>\$ 68,537</u>	<u>\$ 68,508</u>	<u>\$ 69,898</u>	<u>0.04%</u>	<u>-1.99%</u>

### Long-Term Debt

Long-Term Debt increased by \$134,000 as Serial Bond payments of \$2,725,000 and reduction in Capital Leases of \$708,000 were offset by increased estimates and payments on workers' compensation and compensated absences and adjustments to pensions and postemployment benefits. Postemployment benefits at June 30, 2018 stand at \$5,473,721 after GASB 75 implementation.

*Figure A-8*

<i>Outstanding Long-Term Debt (in thousands of dollars)</i>					
	Governmental Activities and Total District			Percentage Change	Percentage Change
	2018	2017	2016	2017-2018	2016-2017
Serial bonds payable	\$ 31,055	\$ 33,780	\$ 10,720	-8.07%	215.11%
Bond premium	499	550	102	-9.27%	439.22%
Capital leases	1,111	1,819	1,731	-38.92%	5.08%
Workers' compensation	3,219	888	1,418	262.50%	-37.38%
Compensated absences	3,588	2,182	2,351	64.44%	-7.19%
Pensions	932	5,036	5,123	-81.49%	-1.70%
Post employment benefits	5,473	1,488	1,292	267.81%	15.17%
	<u>\$ 45,877</u>	<u>\$ 45,743</u>	<u>\$ 22,737</u>	<u>0.29%</u>	<u>101.18%</u>

### **Factors Bearing on the District's Future**

- Challenges posed to local sources of revenue due to the continuation of the property tax cap.
- The ability to fund reserves with future budgetary appropriations.
- Continued addition of unfunded federal and state mandates.
- Contractual payroll obligations that could increase by a greater percentage than revenue increases.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Frontier Central School District, Hamburg, New York.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018**

	<u>2018</u>	<u>2017</u> (Memo Only)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 19,486,136	\$ 17,609,307
Cash and cash equivalents - restricted	-	245,000
Receivables	181,802	263,663
State and federal aid receivable	2,430,405	1,623,666
Due from other governments	3,060,916	2,944,813
Cash value of life insurance	344,493	344,493
Inventory	73,757	77,934
Capital assets not being depreciated	2,146,809	1,007,187
Capital assets, net of accumulated depreciation	66,390,240	67,500,815
Net TRS pension asset - proportionate share	1,540,688	-
	<u>95,655,246</u>	<u>91,616,878</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	23,511,815	23,394,004
Deferred postemployment outflows	242,169	-
	<u>23,753,984</u>	<u>23,394,004</u>
<b>LIABILITIES</b>		
Accounts payable	1,905,073	1,008,474
Accrued liabilities	710,936	811,981
Accrued interest payable	53,458	-
Bond anticipation notes payable	883,701	-
Due to retirement systems	3,788,911	4,278,030
Due to fiduciary fund	23,876	124,014
Unearned revenue	79,991	89,845
Long-term liabilities:		
Due and payable within one year	4,602,023	4,077,780
Due and payable after one year	41,275,244	41,664,948
	<u>53,323,213</u>	<u>52,055,072</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	7,462,431	1,254,220
	<u>7,462,431</u>	<u>1,254,220</u>
<b>NET POSITION</b>		
Net investment in capital assets	34,988,689	32,603,867
Restricted for:		
Employee benefit accrued liability	2,492,251	2,385,623
Workers' compensation	2,059,976	2,129,078
Capital reserve	2,604,040	4,244,277
Retirement reserve	2,931,404	1,450,411
Unrestricted (deficit)	13,547,226	18,888,334
	<u>58,623,586</u>	<u>61,701,590</u>
Total net position	\$ <u>58,623,586</u>	\$ <u>61,701,590</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Expenses	Indirect Cost Allocation	Program Revenues		2018	2017	
			Charges for Services	Operating Grants and Contributions	Net (Expense) Revenues and Changes in Net Position	(Memo Only) Net (Expense) Revenues and Changes in Net Position	
Governmental activities							
General support	\$ 6,390,361	\$ 1,954,686	\$ 814,418	\$ -	\$ (7,530,629)	\$ (7,301,173)	
Instruction	47,318,533	18,463,610	165,564	11,374,064	(54,242,515)	(49,087,662)	
Transportation	3,358,481	1,403,586	-	3,376,864	(1,385,203)	(1,028,246)	
Interest	856,518	-	-	-	(856,518)	(1,021,553)	
School lunch	1,204,573	311,073	651,970	869,301	5,625	(48,111)	
Unallocated employee benefits	22,132,955	(22,132,955)	-	-	-	-	
Unallocated depreciation	2,885,206	-	-	-	(2,885,206)	(2,823,813)	
Total governmental activities	\$ 84,146,627	\$ -	\$ 1,631,952	\$ 15,620,229	(66,894,446)	(61,310,558)	
General revenues:							
Real property taxes						38,727,313	37,846,431
Real property tax items						745,826	669,435
Non-property taxes						5,587,800	5,405,756
Use of money and property						147,123	80,955
State and federal aid not restricted for a specific purpose						21,607,585	21,123,296
Other miscellaneous revenues						564,034	809,680
Total general revenues						<u>67,379,681</u>	<u>65,935,553</u>
Change in net position						485,235	4,624,995
Net assets - beginning of year, as previously stated						61,701,590	57,076,595
Restatement of net position - see note 7						<u>(3,563,239)</u>	<u>-</u>
Net assets - beginning of year, as restated						<u>58,138,351</u>	<u>57,076,595</u>
Net assets - end of year						\$ <u>58,623,586</u>	\$ <u>61,701,590</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2018**

					<u>2018</u>	<u>2017</u> (Memo Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 15,325,259	\$ 2,755,458	\$ 110,872	\$ 1,294,547	\$ 19,486,136	\$ 17,609,307
Cash and cash equivalents - restricted	-	-	-	-	-	245,000
Receivables	161,531	7,178	-	13,093	181,802	263,663
State and federal aid receivable	1,048,840	-	1,326,394	55,171	2,430,405	1,623,666
Due from other funds	1,588,740	-	38,111	-	1,626,851	753,211
Due from other governments	3,060,916	-	-	-	3,060,916	2,944,813
Cash value of life insurance	344,493	-	-	-	344,493	344,493
Inventory	-	-	-	73,757	73,757	77,934
Total assets	<u>\$ 21,529,779</u>	<u>\$ 2,762,636</u>	<u>\$ 1,475,377</u>	<u>\$ 1,436,568</u>	<u>\$ 27,204,360</u>	<u>\$ 23,862,087</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 1,470,246	\$ 389,623	\$ 25,956	\$ 19,248	\$ 1,905,073	\$ 1,008,474
Accrued liabilities	709,262	-	159	1,515	710,936	811,981
Bond anticipation notes payable	-	883,701	-	-	883,701	-
Due to retirement systems	3,764,908	-	-	24,003	3,788,911	877,225
Due to other funds	61,987	-	1,449,262	139,478	1,650,727	89,845
Unearned revenue	47,858	-	-	32,133	79,991	4,278,030
Total liabilities	<u>6,054,261</u>	<u>1,273,324</u>	<u>1,475,377</u>	<u>216,377</u>	<u>9,019,339</u>	<u>7,065,555</u>
<b>FUND BALANCES</b>						
Nonspendable	344,493	-	-	73,757	418,250	422,427
Restricted	10,087,671	-	-	-	10,087,671	10,209,389
Assigned	1,723,613	10,596,678	-	1,179,151	13,499,442	2,907,368
Unassigned (deficit)	3,319,741	(9,107,366)	-	(32,717)	(5,820,342)	3,257,348
Total fund balances	<u>15,475,518</u>	<u>1,489,312</u>	<u>-</u>	<u>1,220,191</u>	<u>18,185,021</u>	<u>16,796,532</u>
Total liabilities and fund balances	<u>\$ 21,529,779</u>	<u>\$ 2,762,636</u>	<u>\$ 1,475,377</u>	<u>\$ 1,436,568</u>	<u>\$ 27,204,360</u>	<u>\$ 23,862,087</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2018  
(Continued)**

	<u>2018</u>	<u>2017</u> (Memo Only)
	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Total fund balances - governmental funds (page 15)	\$ 18,185,021	\$ 16,796,532
Amounts reported for governmental activities in the Statement of Net Position (page 13) are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	68,537,049	68,508,002
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Serial bonds payable	(31,055,000)	(33,780,000)
Premium amortization payable	(498,887)	(549,845)
Capital leases	(1,110,772)	(1,819,290)
Compensated absences	(3,588,219)	(2,182,325)
Workers compensation	(3,218,757)	(887,767)
Net postemployment benefits	(5,473,721)	(1,487,813)
Net pension asset/(liabilities)	608,777	(5,035,688)
Interest is accrued and reported in the district-wide statement of net position but not on the fund basis balance sheet because it is not due and payable in the current period.	(53,458)	-
Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds:		
Net postemployment deferred outflows and inflows of resources	242,169	-
Net pension deferred outflows and inflows of resources	<u>16,049,384</u>	<u>22,139,784</u>
Net position of governmental activities	<u>\$ 58,623,586</u>	<u>\$ 61,701,590</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

					<u>2018</u>	<u>2017</u> (Memo Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Real property taxes	\$ 38,727,313	\$ -	\$ -	\$ -	\$ 38,727,313	\$ 37,846,431
Real property tax items	745,826	-	-	-	745,826	669,435
Non-property taxes	5,587,800	-	-	-	5,587,800	5,405,756
Charges for services	979,982	-	-	-	979,982	1,172,762
Use of money and property	135,626	-	-	11,497	147,123	80,955
Sale of property and compensation for loss	46,700	14,869	-	-	61,569	160,836
Miscellaneous local sources	491,955	450	-	2,991	495,396	648,844
State sources	32,931,659	-	1,044,205	28,727	34,004,591	33,028,911
Federal sources	314,337	-	2,068,312	840,574	3,223,223	2,892,508
School lunch	-	-	-	651,970	651,970	625,396
Total revenues	<u>79,961,198</u>	<u>15,319</u>	<u>3,112,517</u>	<u>1,535,759</u>	<u>84,624,793</u>	<u>82,531,834</u>
<b>EXPENDITURES</b>						
Current:						
General support	6,516,830	-	-	-	6,516,830	6,224,921
Instruction	44,721,299	-	2,902,059	-	47,623,358	45,256,046
Pupil transportation	3,358,481	-	-	-	3,358,481	3,266,681
School lunch	-	-	-	1,223,541	1,223,541	1,223,191
Employee benefits	17,060,189	-	398,374	311,073	17,769,636	18,713,613
Debt service:						
Principal	3,433,518	-	-	-	3,433,518	3,821,101
Interest	854,018	-	-	-	854,018	885,260
Capital Outlay:						
General support	-	1,582,090	-	-	1,582,090	311,292
Transportation	-	881,901	-	-	881,901	974,104
Total expenditures	<u>75,944,335</u>	<u>2,463,991</u>	<u>3,300,433</u>	<u>1,534,614</u>	<u>83,243,373</u>	<u>80,676,209</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018  
(Continued)**

					<u>2018</u>	<u>2017</u> (Memo Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Special Aid</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	4,016,863	(2,448,672)	(187,916)	1,145	1,381,420	1,855,625
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	-	3,500,000	187,916	-	3,687,916	446,922
Interfund transfers out	(3,687,916)	-	-	-	(3,687,916)	(446,922)
Serial bond proceeds	-	-	-	-	-	30,117,240
Payment to escrow agent	-	-	-	-	-	(5,921,738)
Acquisitions under capital leases	-	-	-	-	-	974,104
Bonds redeemed from appropriations	-	-	-	-	-	2,090,343
Premium on obligation	-	-	-	7,069	7,069	-
Total other financing sources (uses)	<u>(3,687,916)</u>	<u>3,500,000</u>	<u>187,916</u>	<u>7,069</u>	<u>7,069</u>	<u>27,259,949</u>
Net change in fund balances	328,947	1,051,328	-	8,214	1,388,489	29,115,574
Fund balances - beginning (deficit)	<u>15,146,571</u>	<u>437,984</u>	<u>-</u>	<u>1,211,977</u>	<u>16,796,532</u>	<u>(12,319,042)</u>
Fund balances - ending (deficit)	<u>\$ 15,475,518</u>	<u>\$ 1,489,312</u>	<u>\$ -</u>	<u>\$ 1,220,191</u>	<u>\$ 18,185,021</u>	<u>\$ 16,796,532</u>

See notes to basic financial statements.



**FRONTIER CENTRAL SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u> <u>(Memo Only)</u>
Net change in fund balances - total governmental funds (page 18)	\$ 1,388,489	\$ 29,115,574
Amounts reported for governmental activities in the Statement of Activities (page 14) are different because:		
Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$3,410,740) exceeded depreciation expense (\$2,885,206) and construction in progress placed in service (\$496,487) in the current period.		
	29,047	(1,390,206)
The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences in the treatment of these differences is as follows:		
Proceeds of serial bonds	-	(29,650,000)
Repayment of serial bonds	2,725,000	6,590,000
Proceeds of bond premium	-	(467,240)
Amortization of debt premium	50,958	19,451
Proceeds of capital leases	-	(974,104)
Repayment of capital leases	708,518	885,758
Interest expense	(53,458)	20,994
In the Statement of Activities, certain operating expenses are measured by the amounts accrued or earned during the year. In the governmental funds, however, expenditures for these are items are measured by the amount of financial resources used. The net effect of these differences are:		
Compensated absences	(1,405,894)	168,383
Workers compensation	(2,330,990)	530,074
Change in proportionate share of net pension asset/(liability) and OPEB reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds.		
Net pension - proportionate share - TRS	3,691,761	(23,051,356)
Net pension - proportionate share - ERS	1,952,704	2,238,642
Other postemployment benefits	(422,669)	(195,426)
Change in proportionate share of net pension and OPEB deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Net pension - proportionate share - TRS	(4,285,966)	23,257,237
Net pension - proportionate share - ERS	(1,804,434)	(2,472,786)
Other postemployment benefits	242,169	-
Change in net position of governmental activities	<u>\$ 485,235</u>	<u>\$ 4,624,995</u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF NET POSITION – FIDUCIARY FUND  
JUNE 30, 2018**

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	<u>Private Purpose Trust</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 1,096,866
Cash and cash equivalents - restricted	628,544	189,985
Due from other funds	-	<u>23,876</u>
Total assets	<u>628,544</u>	<u>\$ 1,310,727</u>
<b>LIABILITIES</b>		
Agency liabilities	-	\$ 227,438
Post retirement liabilities	-	893,304
Extraclassroom activity balances	-	<u>189,985</u>
Total liabilities	<u>-</u>	<u>\$ 1,310,727</u>
<b>NET POSITION</b>		
Restricted for scholarships	<u>\$ 628,544</u>	

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN NET POSITION – FIDUCIARY FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Scholarship revenue	\$ 3,007
<b>DEDUCTIONS</b>	
Scholarship expense	<u>5,877</u>
Change in net position	(2,870)
Net position - beginning	<u>631,414</u>
Net position - ending	<u>\$ 628,544</u>

See notes to basic financial statements.

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**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Frontier Central School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. REPORTING ENTITY**

The District is governed by Education Law and other laws of the State of New York. The District is an independent entity governed by an elected Board of Education. 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 are primarily accountable for all fiscal matters.

The scope of activities included within the accompanying financial statements are those transactions which comprise District operations and are governed by, or significantly influenced by, the Board of Education. Essentially, the primary function of the District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function. The financial reporting entity includes all funds, account groups, functions and organizations over which the District officials exercise oversight responsibility.

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units*. 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 is a brief description of certain entities included in the District's reporting entity.

**1. INCLUDED IN THE REPORTING ENTITY**

The Extraclassroom Activity Funds of the District represent funds of the students within the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to financial transactions and designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found in the District's business office. The District accounts for assets held as an agent for various student organizations in the Agency Fund of the District.

**2. JOINT VENTURE**

The District is a component school district in the Erie 1 Board of Cooperative Educational Services (BOCES). The 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 is organized under Section 1950 of NYS 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 New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (Section 1950(6)). In addition, BOCES Boards are also considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of New York State General Municipal Law.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2018, the District was billed \$6,541,558 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 355 Harlem Road, Buffalo, New York 14224.

**B. BASIS OF PRESENTATION**

**1. DISTRICT-WIDE STATEMENTS:**

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

The Statement of Activities presents a comparison between direct expenses and program 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. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**2. FUND FINANCIAL STATEMENTS:**

The fund financial statements provide information about the District's funds, including fiduciary funds. Separate statements for each fund category – governmental and fiduciary, are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund.

Special Aid Fund: This fund accounts for the proceeds of specific revenue sources such as Federal and State grants that are legally restricted to expenditures for a specific purpose. These legal restrictions may be imposed either by governments that provide the funds or by outside parties.

Capital Projects Fund: This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

Additionally, the District reports the following fund types:

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

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 from these trust arrangements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the district-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included.

**C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The 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 the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider 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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end).

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

The Agency Fund has no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE**

**1. CASH AND CASH EQUIVALENTS**

The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

**2. RESTRICTED ASSETS**

Certain assets are classified on the balance sheet as restricted because their use is limited. Donations to be used towards scholarships in the Private Purpose Trust Fund and funds supporting extraclassroom activities in the Agency Fund, are restricted specifically for those purposes. Certain proceeds from serial bonds and bond anticipation notes, as well as resources set aside for their repayment, are classified as restricted assets in the district-wide financial statements and their use is limited by applicable bond covenants.

**3. CASH VALUE OF LIFE INSURANCE**

Cash value of life insurance is stated at the lower of accumulated premiums paid or surrender value of the contracts.

**4. RECEIVABLES**

Receivables are carried at their net realizable value. Receivables are written-off as uncollectible after the likelihood of payment is considered remote by management. Generally accepted accounting principles require the establishment of an allowance for uncollectible receivables, however, no allowance for uncollectible receivables has been provided since management believes that such allowance would not be material.

**5. INVENTORY**

Inventories of food and/or supplies in the School Lunch Fund are recorded at cost on a first-in, first-out basis or, in the case of surplus food, at stated value which approximates market. Purchases of inventoriable items in other funds are recorded as expenditures at the time of purchase and are considered immaterial.

These assets are classified as nonspendable to signify that portion of fund balance that is not in a spendable form.

**6. INTERFUND TRANSACTIONS**

The operations of the District include transactions between funds. These transactions may be temporary in nature, such as with inter-fund borrowings. The District typically loans resources between funds for the purpose of providing cash flow. These inter-fund receivables and payables are expected to be repaid with one year. Permanent transfers of funds include the transfer of expenditure and revenues to provide financing or other services.

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

The governmental funds report all inter-fund transactions as originally recorded. Inter-fund receivables and payables may be netted on the accompanying governmental funds Balance Sheet when it is the District's practice to settle these amounts as a net balance based upon the right of legal offset.

Refer to Note 3.J for a detailed disclosure by individual fund for inter-fund receivables, payables, expenditures, and revenues activity.



**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**7. CAPITAL ASSETS**

Capital assets, which include property and equipment are reported in the district-wide financial statements.

Capital assets are reported at actual cost for acquisitions subsequent to June 30, 2004. For assets acquired prior to June 30, 2004, estimated historical costs, based on appraisals conducted by independent third-party professionals were used. Donated assets are reported at estimated fair value at the time received. As the District constructs or acquires additional capital assets each period, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life.

Land and construction in process are not depreciated. Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land improvements	\$ 5,000	straight-line	20 years
Buildings and improvements	5,000	straight-line	20-50 years
Furniture, equipment and vehicles	5,000	straight-line	5-20 years

**8. INSURANCE**

The District insures against liability for most risks including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated.

**9. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. The first 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 (asset)/liability, the difference during the measurement period between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense and any contributions to the pension systems subsequent to the measurement date. See details of deferred pension outflows in Note 3.E. The second is related to other postemployment benefits (OPEB) reported in the district-wide Statement of Net Position. This represents the effect of the change in the actual and expected experience. See details of deferred OPEB outflows in Note 3.F.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. The first 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 (asset)/liability and difference during the measurement periods between the District's contributions and its proportional share of total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 3.E. The second item 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 proportional share of the total contributions to the pension systems not included in pension expense. See details of deferred pension inflows in Note 3.F.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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10. UNEARNED REVENUE

The District reports unearned revenues on its Statement of Net Position and its Balance Sheet. Unearned revenue arises when resources are received by the District before it has legal claim to them, as when grant funds are received prior to the occurrence of qualifying expenditures. In subsequent periods when the District has legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

11. VESTED EMPLOYEE BENEFITS

Compensated Absences

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

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Sick leave use is based on a last-in first-out (LIFO) basis. Upon retirement, resignation or death, employees may receive a payment or a credit to be used towards health insurance based on unused accumulated sick leave, based on contractual provisions. These payments are budgeted annually without accrual.

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

Consistent with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for accumulated sick leave is included in the compensated absences liability at year-end in the district-wide financial statements. The compensated absences liability is calculated based on contractually negotiated rates in effect at year end.

In the governmental fund statements only, the amount of matured vacation time is accrued within the General Fund based on expendable and available financial resources. Sick time is expensed on a pay-as-you-go basis.

12. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

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

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

Premiums received upon the issuance of debt are included as other financing sources in the governmental funds statements when issued. In the district-wide statements, premiums are recognized with related debt issue and amortized on a straight-line basis as a components of interest expense over the life of the related obligation.

Bond Defeasance - In the district-wide financial statements, gains or losses on bond refundings represent the difference between the price required to repay previously issued debt and the net carrying amount of retired debt, and are recorded as either a deferred outflow or inflow of resources. In subsequent years, these amounts are amortized on a straight-line basis as a component of interest expense over the shorter of the life of the old or new debt.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**13. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS**

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. Payments are budgeted annually without accrual and are based on the pay-as-you go method (See Note 3.F).

**14. SHORT TERM DEBT**

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 fund that will actually receive the proceeds from the issuance of the Bonds.

**15. NET POSITION FLOW ASSUMPTION**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted - net position in the district-wide fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy that the District's Board of Education will assess the current financial condition of the District and then determine the order of application of expenditures to which restricted and unrestricted net position will be applied.

**16. FUND BALANCE FLOW ASSUMPTIONS**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied.

The District considers unrestricted resources to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, unless the use of the restricted amount was appropriated in the current year's budget. Within unrestricted fund balance, the District considers committed, assigned, then unassigned resources to have been spent when an expenditure is incurred for which amounts in any of those fund balance classifications could be used.

**17. FUND BALANCE POLICIES**

Fund balance of the District's funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education has by resolution authorized the Assistant Superintendent for Business/Director of Finance to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**E. REVENUES AND EXPENDITURES/EXPENSES**

**1. PROGRAM REVENUES**

Amounts reported as *program revenues* include 1) charges to tax payers or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. PROPERTY TAXES**

Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period of September through November. Uncollected real property taxes are subsequently enforced by Erie County in which the District is located. Uncollected real property taxes transmitted to the County for enforcement are paid by the County to the District no later than the forthcoming April 1.

**F. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**G. ACCOUNTING PRONOUNCEMENTS**

During the fiscal year ended June 30, 2018, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other than Pensions*; Statement No. 81, *Split-Interest Agreements*; Statement No. 85, *Omnibus-2017*; and Statement No. 86, *Certain Debt Extinguishment Issues*.

The primary objective of Statement No. 75 is to improve accounting and financial reporting by governments, such as the District, for postemployment benefits. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

The primary objective of Statement No. 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

The primary objective of Statement No. 85 is to address a variety of topics including issues related to blending component units, goodwill, fair value measurement and application and postemployment benefits (pensions and OPEB).

The primary objective of Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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The District has evaluated Statements No. 81, 85, and 86 and have determined that they have no impact on the District's operations in the current year.

The GASB has issued the following new pronouncements:

- Statement No. 83, *Certain Asset Retirement Obligations*, which will be effective for the year ending June 30, 2019;
- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2020;
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021;
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, which will be effective for the year ending June 30, 2019; and
- Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, which will be effective for the year ending June 30, 2021.

The District is currently reviewing these statements and plans on adoption, as required.

**NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY**

**A. LEGAL COMPLIANCE BUDGETS**

**BUDGET POLICIES**

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The voters of the District approved the proposed appropriation budget for the General Fund.

**NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS**

**A. DEPOSITS AND INVESTMENTS**

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, 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 deposits, time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of New York State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

The District's aggregate bank balances were fully collateralized at June 30, 2018

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. Restricted cash as of year-end includes \$189,985 within the Agency Fund restricted for extraclassroom activities and \$628,544 in the Private Purpose Trust Fund restricted for scholarships.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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Investment and Deposit Policy

The District follows an investment and deposit policy, the overall objective of which is to adequately safeguard the principal amount of funds invested or deposited; conformance with federal, state and other legal requirements; and provide sufficient liquidity of invested funds in order to meet obligations as they become due. Oversight of investment activity is the responsibility of the Assistant Superintendent for Business /Director of Finance of the District.

Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be affected by changing interest rates. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

The District's policy is to minimize the risk of loss due to failure of an issuer or other counterparty to an investment to fulfill its obligations. The District's investment and deposit policy authorizes the reporting entity to purchase the following types of investments:

- Interest bearing demand accounts.
- Certificates of deposit.
- Obligations of the United States Treasury and United States agencies.
- Obligations of New York State and its localities.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the District's investment and deposit policy, all deposits of the District including interest bearing demand accounts and certificates of deposit, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act (FDIC) shall be secured by a pledge of securities with an aggregate value equal to 102% of the aggregate amount of deposits. The District restricts the securities to the following eligible items:

- Obligations issued, fully insured or guaranteed as to the payment of principal and interest, by the United States Treasury and United States agencies.
- Obligations issued or fully insured or guaranteed by New York State and its localities.
- Obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

**B. RECEIVABLES**

Significant revenues accrued by the District at June 30, 2018 include the following:

State and federal aid receivable:

General Fund		
State aid - excess cost aid	\$	958,726
Miscellaneous		90,114
		<u>1,048,840</u>
Special Aid		1,326,394
School Lunch		55,171
Total	\$	<u><u>2,430,405</u></u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
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Due from other governments:

BOCES aid	\$	926,363
Salse Tax		2,130,754
Miscellaneous		3,799
Total	\$	<u><u>3,060,916</u></u>

**C. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2018 were as follows:

	Balance 7/1/2017	Increases	Decreases	Balance 6/30/2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 802,150	\$ -	\$ -	\$ 802,150
Construction work in progress	205,037	1,636,109	496,487	1,344,659
Total capital assets not being depreciated	<u>1,007,187</u>	<u>1,636,109</u>	<u>496,487</u>	<u>2,146,809</u>
Capital assets being depreciated:				
Land improvements	2,815,848	-	-	2,815,848
Buildings and building improvements	91,818,238	496,487	-	92,314,725
Furniture, equipment and vehicles	13,173,845	1,278,144	1,063,994	13,387,995
Total capital assets, being depreciated	<u>107,807,931</u>	<u>1,774,631</u>	<u>1,063,994</u>	<u>108,518,568</u>
Less accumulated depreciation:				
Land improvements	2,773,417	13,434	-	2,786,851
Buildings and building improvements	28,311,874	1,690,027	-	30,001,901
Furniture, equipment and vehicles	9,221,825	1,181,745	1,063,994	9,339,576
Total accumulated depreciation	<u>40,307,116</u>	<u>2,885,206</u>	<u>1,063,994</u>	<u>42,128,328</u>
Total capital assets being depreciated, net	<u>67,500,815</u>	<u>(1,110,575)</u>	<u>-</u>	<u>66,390,240</u>
Governmental activities capital assets, net	<u>\$ 68,508,002</u>	<u>\$ 525,534</u>	<u>\$ 496,487</u>	<u>\$ 68,537,049</u>

Depreciation has not been allocated to the individual functions of the District operation as no allocation methodology has been established.

**D. ACCRUED LIABILITIES**

Accrued liabilities reported by the District at June 30, 2018, were as follows:

	General Fund
Salary and employee benefits	\$ 104,314
Self funded health insurance	606,622
Total accrued liabilities	<u><u>\$ 710,936</u></u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**E. PENSION OBLIGATIONS**

The District participates in the New York State Teachers' Retirement System (TRS) and the New York State and Local Employees' Retirement System (ERS). These are cost-sharing multiple employer public employee retirement systems. The Systems offer a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Provisions and Administration

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

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

Funding Policies

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3.0 to 3.5 percent of their salary for their entire length of service. In addition, employee contribution rates under ERS tier VI vary based on a sliding salary scale. For TRS, contribution rates are established annually by the New York State Teachers' Retirement Board pursuant to Article 11 of the Education law. For ERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31<sup>st</sup>.

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

At June 30, 2018, 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, 2017 for TRS and March 31, 2018 for ERS. The total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The District's proportion of the net pension 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.



**FRONTIER CENTRAL SCHOOL DISTRICT  
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	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Net pension (asset)/liability	\$ (1,540,688)	\$ 931,911
District's portion of the Plan's total		
Net pension (asset)/liability	0.202696%	0.028875%
Change in proportion since the prior measurement date	0.000121	(0.027776)

For the year ended June 30, 2018, the District's recognized pension expense of \$3,858,630 for TRS and \$1,295,475 for ERS, respectively. At June 30, 2018 the District's reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 1,267,608	\$ 332,383	\$ 600,696	\$ 274,668
Change of assumptions	15,676,800	617,934	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,353,528	3,628,766	2,671,728
Changes in proportion and differences between the District's contributions and proportionate share of contributions	18,710	538,195	163,826	122,747
District's contributions subsequent to the measurement date	<u>3,258,317</u>	<u>448,340</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 20,221,435</u>	<u>\$ 3,290,380</u>	<u>\$ 4,393,288</u>	<u>\$ 3,069,143</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>TRS</u>	<u>ERS</u>
Year ended:		
2019	\$ 341,690	\$ 368,336
2020	4,132,758	275,711
2021	2,953,246	(596,070)
2022	721,984	(275,080)
2023	2,944,611	-
Thereafter	1,475,541	-

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.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

Significant actuarial assumptions used in the valuations were as follows:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Actuarial valuation date	June 30, 2016	April 1, 2017
Interest rate	7.25%	7.00%
Salary scale	1.9% - 4.7%	3.8%
Decrement tables	July 1, 2009 June 30, 2014 System's Experience	April 1, 2010 March 31, 2015 System's Experience
Inflation rate	2.5%	2.5%
Cost of living adjustments	1.5%	1.3%

For TRS, the actuarial assumptions used in the June 30, 2016 valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	Target Allocation		Long-Term Expected Real Rate of Return	
	<u>TRS</u>	<u>ERS</u>	June 30, 2017 <u>TRS</u>	May 31, 2018 <u>ERS</u>
<b><u>Asset Class:</u></b>				
Domestic equity	35.0 %	36.0 %	5.9 %	4.6 %
International equity	18.0	14.0	7.4	6.4
Private equity	8.0	10.0	9.0	7.5
Real estate	11.0	10.0	4.3	5.6
Absolute return strategies	-	2.0	-	3.8
Opportunistic portfolio	-	3.0	-	5.7
Real assets	-	3.0	-	5.3
Bond and mortgages	8.0	17.0	2.8	1.3
Cash/short term	1.0	1.0	0.6	-0.3
Inflation-indexed bonds	-	4.0	-	1.3
Domestic fixed income securities	16.0	-	1.6	-
Global fixed income securities	2.0	-	1.3	-
High yield income securities	1.0	-	3.9	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

Discount Rate

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

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Assumption (7.25%)</u>	<u>1% Increase (8.25%)</u>
<u>TRS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 26,541,491	\$ (1,540,688)	\$ (25,058,119)
	<u>1% Decrease (6.0%)</u>	<u>Current Assumption (7.0%)</u>	<u>1% Increase (8.0%)</u>
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 7,051,093	\$ 931,911	\$ (4,244,672)

Pension Plan Fiduciary Net Position

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

	(Dollars in Thousands)	
	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2017	March 31, 2018
Employer' total pension liability	\$ 114,708,261	\$ 183,400,590
Plan net position	115,468,360	180,173,145
Employers' net pension (asset)/ liability	<u>\$ (760,099)</u>	<u>\$ 3,227,445</u>
Ratio of plan net position to the employers' total pension (asset)/liability	-100.7%	98.2%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 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, 2018 amounted to \$3,344,231.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$444,680.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

**F. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)**

Plan Description

The Frontier Central School District administers the Frontier Central School District Retiree Medical, Prescription Vision and Dental Plan (the Plan) as a single-employer defined benefit Other Post-employment Benefit Plan (OPEB). The Plan provides for continuation of medical, prescription vision and dental benefits for certain retirees and their spouses and can be amended by action of the District subject to applicable collective bargaining and employment agreements. The Plan does not issue a standalone financial report since there are no assets legally segregated for the sole purpose of paying benefits under the Plan.

Funding Policy

The obligations of the plan members, employers and other entities are established by action of the District pursuant to applicable collective bargaining and employment agreements. The required contribution rates of the employer and the members vary depending on the applicable agreement.

The employer currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District.

Employees Covered by Benefit Terms

As of June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	133
Inactive employees entitled to but not yet receiving benefits	-
Active employees not eligible to retire	441
Active employees, eligible to retire	<u>208</u>
Total	<u><u>782</u></u>

The District's total OPEB liability of \$5,473,721 was measured as of March 31, 2018, and was determined by an actuarial valuation as of June 30, 2018.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary Increases	3.31%, average, including inflation
Discount Rate	3.80%
Healthcare Cost Trend Rates	6.2% as of 2018, with an ultimate rate of 4.23% for 2071 and later years
Retirees' Share of Benefit-Related Costs	Currently only administrators are eligible for an employer subsidy at retirement.

The discount rate was based on the Fidelity Mutual General Obligation AA 20 year Bond rate as of the measurement date.

Mortality rates were based on the 2015 New York State Teacher Retirement System mortality rates for active members and all active employees. Morality rates for retirees and surviving spouses were based on 2015 New York State Teachers Retirement System mortality base rates for service and deferred annuitants and beneficiaries, fully generational using Mortality Improvement Scale MP-2017.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2017 – June 30, 2018.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

Changes in the Total OPEB Liability

Balance at July 1, 2017	\$ 5,051,052
<u>Changes for the year:</u>	
Service cost	159,015
Interest	190,152
Changes of benefit terms	-
Differences between expected and actual experience	201,601
Changes in assumptions or other inputs	77,979
Benefit payments	<u>(206,078)</u>
Net changes	<u>422,669</u>
Balance at June 30, 2018	<u><u>\$ 5,473,721</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00 percent in 2017 to 3.80 percent in 2018. The salary scale changed from 3.00 percent to 3.31 percent and healthcare trend rates have been updated.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.80 percent) or 1 percentage point higher (4.80 percent) than the current discount rate.

	<u>1% Decrease (2.80%)</u>	<u>Discount Rate (3.80%)</u>	<u>1% Increase (4.80%)</u>
Total OPEB Liability	\$ <u>5,929,046</u>	\$ <u>5,473,721</u>	\$ <u>5,056,836</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.20 percent) or 1 percentage point higher (7.20 percent) than the current healthcare cost trend rate:

	<u>1% Decrease (5.20% decreasing to 3.23%)</u>	<u>Healthcare Cost Trend Rates (6.20% decreasing to 4.23%)</u>	<u>1% Increase (7.20% decreasing to 5.23%)</u>
Total OPEB Liability	\$ <u>5,007,123</u>	\$ <u>5,473,721</u>	\$ <u>6,009,875</u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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

For the year ended June 30, 2017, the District recognized OPEB expense of \$420,855. At June 30, 2018, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 149,908	-
Changes of assumptions	57,984	-
Contributions subsequent to the measurement date	34,277	-
Total	<u>\$ 242,169</u>	<u>-</u>

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

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 71,688
2020	71,688
2021	64,516
2022	-
2023	-
Thereafter	-

**G. SHORT-TERM LIABILITIES**

The purpose of all of the short-time borrowings was to provide resources for bus purchases. The form of financing used in all cases was bond anticipation notes (BAN). The amounts issued are accounted for in the capital projects fund.

The schedule below details the changes in short-term capital borrowings during the year ended June 30, 2018:

	<u>Balance 7/1/2017</u>	<u>Issues</u>	<u>Redeemed</u>	<u>Balance 6/30/2018</u>
BAN maturing 8/14/18 at 2.25%	\$ -	\$ 883,701	\$ -	\$ 883,701

**H. CAPITAL LEASES**

The District entered into lease agreements as lessee for financing the acquisition of buses. The buses have a ten-year estimated useful life. This year, \$932,199 was included in depreciation expense. These lease agreements qualify as a capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

The following is a summary of maturities of leases:

<u>Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Outstanding Balance 6/30/2018</u>
Capital Lease, 2015	10/10/2014	\$ 867,290	6/15/2019	\$ 1.560%	177,990
Capital Lease, 2016	6/15/2016	841,203	6/15/2020	1.660%	341,763
Capital Lease, 2017	6/15/2017	974,104	6/15/2021	1.587%	591,019
					<u>\$ 1,110,772</u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

The following is a summary of maturing debt service requirements for the District's capital leases:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 541,357	\$ 17,898
2020	369,278	9,208
2021	200,137	3,199
Total	<u>\$ 1,110,772</u>	<u>\$ 30,305</u>

**I. LONG-TERM LIABILITIES**

**GENERAL OBLIGATION BONDS**

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Further, the unmatured principal of general long-term debt does not require current appropriation and expenditure of governmental fund financial resources.

The following is a summary of maturities of indebtedness:

<u>Description</u>	<u>Original Issue Date</u>	<u>Original Borrowing</u>	<u>Final Maturity</u>	<u>Interest Rates to Maturity</u>	<u>Outstanding Balance 6/30/2018</u>
Governmental activities:					
Refunding Serial Bond	6/15/2015	\$ 4,580,000	6/15/2032	\$ 2.00-3.00%	3,905,000
Refunding Serial Bond	12/20/2016	5,715,000	6/15/2025	1.00-4.00%	5,065,000
Serial Bond	5/23/2017	23,935,000	6/1/2031	2.00-3.00%	<u>22,085,000</u>
					<u>\$ 31,055,000</u>

**OTHER LONG-TERM LIABILITIES**

In addition to the above long-term debt, the District had a non-current liability for compensated absences, pensions (See Note 3.E.) and other postemployment benefit obligations. (See Note 3.F.)

**CHANGES IN LONG-TERM LIABILITIES**

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2018</u>	<u>Due Within One Year</u>
Government activities:					
Serial Bonds	\$ 33,780,000	\$ -	\$ 2,725,000	\$ 31,055,000	\$ 2,640,000
Unamortized premium	549,845	-	50,958	498,887	50,958
Capital leases	1,819,290	-	708,518	1,110,772	541,357
Total bonds and leases payable	36,149,135	-	3,484,476	32,664,659	3,232,315
Other liabilities:					
Compensated absences*	\$ 2,182,325	\$ 1,405,894	\$ -	\$ 3,588,219	\$ 358,822
Workers compensation	887,767	3,242,626	911,636	3,218,757	1,010,886
Net pension liability (ERS) - proportionate share *	2,884,615	-	1,952,704	931,911	-
Post employment benefit obligations	5,051,052	628,747	206,078	5,473,721	-
Total long-term liabilities	<u>\$ 47,154,894</u>	<u>\$ 5,277,267</u>	<u>\$ 6,554,894</u>	<u>\$ 45,877,267</u>	<u>\$ 4,602,023</u>

\*Reductions to net pension liability and compensated absences are shown net of additions.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefit obligations.

The following is a summary of maturing debt service requirements for the District's serial bonds:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>
2019	\$ 2,640,000	\$ 771,924	\$ 50,958
2020	2,655,000	705,824	50,958
2021	2,555,000	652,724	50,958
2022	2,605,000	599,562	50,958
2023	2,665,000	543,250	50,958
2024-2028	12,110,000	1,814,273	163,281
2029-2032	5,825,000	341,700	80,816
Total	<u>\$ 31,055,000</u>	<u>\$ 5,429,257</u>	<u>\$ 498,887</u>

As of June 30, 2018, the District has authorized but unissued debt in an amount not to exceed \$21,843,000.

In the prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$5,105,000 of bonds outstanding are considered defeased.

**J. INTERFUND ACTIVITY**

Interfund activity at June 30, 2018 are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,588,740	\$ 61,987	\$ -	\$ 3,687,916
Capital Projects Fund	-	-	3,500,000	-
Special Aid Fund	38,111	1,449,262	187,916	-
School Lunch Fund	-	139,478	-	-
Agency Fund	23,876	-	-	-
Total	<u>\$ 1,650,727</u>	<u>\$ 1,650,727</u>	<u>\$ 3,687,916</u>	<u>\$ 3,687,916</u>

Interfund receivables and payables, other than between governmental activities and fiduciary funds, are eliminated on the Statement of Net Position.

Interfund receivables and payables were incurred primarily due to salaries and other expenditures paid by general fund on behalf of the special aid fund and school lunch fund.

Interfund revenues and expenses were transfers from the general fund to the special aid fund for the summer school handicap program and amounts transferred to the capital fund to fund the current capital project.

**I. NET POSITION AND FUND BALANCE**

**1. NET POSITION**

The District's financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and debt used to fund capital asset purchases reduce the balance in this category.



**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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Restricted net position – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2018.

Unrestricted net position – This category represents net position of the District not restricted for any project or other purpose.

**2. FUND BALANCE**

In the fund financial statements there are five classifications of fund balance:

Nonspendable – represents amounts that cannot be spent they are either not in spendable form/or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by District at June 30, 2018 include:

- *Inventory* – represents nonspendable inventory in the school lunch fund and school store.

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority, the Board of Education. As of June 30, 2018, the Board had no committed fund balances.

Assigned – represents amounts that are constrained by the District's intent to be used for the specified purposes noted below, but are neither restricted nor committed.

- *Assigned to subsequent year's expenditure* – Represents available fund balance being appropriated to meet expenditure requirements in the 2019 fiscal year.
- *Assigned to specific use* – Represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.

Unassigned – represents all amounts not included in other spendable classifications. The General fund is the only fund that would report a positive amount in unassigned fund balance. Residual deficit amounts of other governmental funds would also be reported as unassigned.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

As of June 30, 2018, fund balances were classified as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Total</u>
<u>Nonspendable</u>				
Inventory	\$ -	\$ -	\$ 73,757	\$ 73,757
Life insurance	344,493	-	-	344,493
<u>Restricted:</u>				
Workers' compensation	2,059,976	-	-	2,059,976
Retirement	2,931,404	-	-	2,931,404
Capital	2,604,040	-	-	2,604,040
Employment benefit accrued liability	2,492,251	-	-	2,492,251
<u>Assigned:</u>				
Subsequent years' expenditures	1,650,000	-	-	1,650,000
Debt service	-	-	1,179,151	1,179,151
<u>Encumbrances:</u>				
General support	52,481	10,596,678	-	10,649,159
Instruction	21,132	-	-	21,132
<u>Unassigned:</u>				
General fund	3,319,741	-	-	3,319,741
Capital projects	-	(9,107,366)	-	(9,107,366)
School lunch	-	-	(32,717)	(32,717)
Total	<u>\$ 15,475,518</u>	<u>\$ 1,489,312</u>	<u>\$ 1,220,191</u>	<u>\$ 18,185,021</u>

NYS Real Property Tax Law 1318 limits the amount of unexpended surplus funds a school district can retain to no more than 4% of the school district's budget for the General Fund for the ensuing fiscal year. Nonspendable and restricted fund balance of the General Fund are excluded from the 4% limitation. Amounts appropriated for the subsequent year and encumbrances are also excluded from the 4% limitation.

**NOTE 4 - RISK MANAGEMENT**

**A. WORKERS' COMPENSATION PLAN**

The District is exposed to various risks of loss related to workers' compensation. The District is self-insured pursuant to Article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. Liabilities 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 claims that have been incurred but not reported. The District maintains excess insurance that limits self-insured claims to \$550,000 per incident and \$1,000,000 in the aggregate.

The schedule below presents the changes in the District's estimated claims since June 30, 2016. The estimated claims represent claims that have occurred and are open due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. Estimated claims represents anticipated future payouts based on prior experience with actual payments of claims.

Estimated claims as of June 30, 2016	\$ 1,417,841
Current claims and changes in estimates	376,643
Payments made during the year, net	<u>906,717</u>
Estimated claims as of June 30, 2017	887,767
Current claims and changes in estimates	3,242,626
Payments made during the year, net	<u>911,636</u>
Estimated claims as of June 30, 2018	<u>\$ 3,218,757</u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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**B. SELF-FUNDED HEALTH INSURANCE PLAN**

The District maintains a self-insured plan for health insurance claims. Effective March 1, 2015 all employees are covered by the self-insured plan. Prior to this date only employees of the Frontier Teachers Association were covered by this plan. Generally, liabilities 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 claims that have been incurred but not reported (IBNR). Claim liabilities are calculated with consideration of the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other benefit costs. The District's program is managed by a third party administrator. The District has calculated its best estimate of health insurance losses and claims paid subsequent to year end based on claim reports provided by the third party administrator. This does not include an estimate of the claims incurred but not reported since management believes that any such estimated would not be material. The District purchases excess insurance limiting its self-funded risk to \$150,000 per employee with \$1,000,000 in the aggregate.

Estimated claims as of June 30, 2016	\$ 760,675
Current claims and changes in estimates	8,912,354
Payments made during the year, net	<u>8,998,720</u>
Estimated claims as of June 30, 2017	674,309
Current claims and changes in estimates	8,188,097
Payments made during the year, net	<u>8,255,784</u>
Estimated claims as of June 30, 2018	<u><u>\$ 606,622</u></u>

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

**A. GRANT AWARDS**

The District participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the District's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District anticipates such amounts, if any, will be immaterial.

**B. ENCUMBRANCES**

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were \$73,613 recorded in the General Fund.

**C. CONSTRUCTION COMMITMENTS**

The District has active construction projects as of June 30, 2018. Outstanding construction commitments are estimated at \$10,596,678.

**NOTE 6 – TAX ABATEMENTS**

The Hamburg Industrial Development Agency, a public benefit corporation, created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively "the Act"), has twenty nine real property tax abatement agreements with various businesses in the District under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the District.

Generally, these agreements provide for a specific percent abatement of real property taxes in exchange for a payment in lieu of taxes (PILOT) based on the requirements noted in said individual agreements. Should the property owner not comply with the policies and laws as set forth in each agreement, the PILOT will discontinue as outlined in each agreement.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS**

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As a result of these tax abatement agreements, for the year ended June 30, 2018, the District's total tax revenues were reduced by \$743,413.

Copies of the agreements may be obtained from the Sean P. Doyle, Executive Director, Hamburg IDA, 6122 South Park Avenue, Hamburg, NY.

**NOTE 7 – RESTATEMENT OF NET POSITION**

For the fiscal year ended June 30, 2018, the District implemented GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The implementation of Statement No. 75 resulted in the reporting of a deferred postemployment outflow of resources, postemployment liability and deferred postemployment inflow of resources related to the District's single-employer defined benefit other postemployment benefit plan.

	Governmental Activities
Net position - beginning, as previously stated	\$ 61,701,590
GASB Statement No. 75 implementation:	
Plan liability under GASB Statement No. 75 as of 7/1/17	(5,051,052)
Plan liability under GASB Statement No. 45 as of 7/1/17	1,487,813
Net position - beginning of year, as restated	\$ <u>58,138,351</u>

**NOTE 8 -- SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 2, 2018 which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**FRONTIER CENTRAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Revenues</u>	<u>Over (Under) Amended Budget</u>
<b>REVENUES</b>				
Local sources:				
Real property taxes	\$ 38,727,313	\$ 38,727,313	\$ 38,727,313	\$ -
Real property tax items	697,709	697,709	745,826	48,117
Non-property taxes	5,300,000	5,300,000	5,587,800	287,800
Charges for services	1,158,950	1,158,950	979,982	(178,968)
Use of money and property	75,498	75,498	135,626	60,128
Sale of property and compensation for loss	10,250	10,250	46,700	36,450
Miscellaneous local sources	337,448	337,448	491,955	154,507
State sources:				
Basic formula	24,297,038	24,297,038	24,386,028	88,990
Lottery aid	6,574,144	6,574,144	6,574,144	-
BOCES aid	1,524,141	1,524,141	1,395,690	(128,451)
Other state aid	518,256	518,256	575,797	57,541
Federal sources	<u>250,000</u>	<u>250,000</u>	<u>314,337</u>	<u>64,337</u>
Total revenues	79,470,747	79,470,747	79,961,198	490,451
Other sources:				
Interfund transfers in	98,000	98,000	-	(98,000)
Appropriated fund balance	<u>4,603,650</u>	<u>4,637,505</u>	<u>-</u>	<u>(4,637,505)</u>
Total revenues and other sources	<u>\$ 84,172,397</u>	<u>\$ 84,206,252</u>	<u>\$ 79,961,198</u>	<u>\$ (4,245,054)</u>

The notes to the required supplementary information is an integral part of this schedule.

**FRONTIER CENTRAL SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2018  
(Continued)**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Current Year's Expenditures</u>	<u>Encumbrances</u>	<u>Unencumbered Balances</u>
<b>EXPENDITURES</b>					
General support:					
Board of education	\$ 41,642	\$ 44,545	\$ 27,518	\$ -	\$ 17,027
Central administration	290,562	293,908	287,466	4,135	2,307
Finance	608,666	618,830	556,371	31,670	30,789
Staff	520,642	563,524	522,251	-	41,273
Central services	4,892,685	4,914,625	4,411,606	16,676	486,343
Special items	774,680	761,043	711,614	-	49,429
Instruction:					
Instruction, administration and improvements	2,272,072	2,304,815	2,216,906	66	87,843
Teaching - regular school	24,675,189	24,397,188	23,890,970	17,561	488,657
Programs for children with handicaps	11,097,075	11,159,388	10,614,316	-	545,072
Occupational education	1,082,134	1,082,134	1,082,134	-	-
Teaching - special schools	585,207	585,747	486,011	-	99,736
Instructional media	2,290,612	3,413,706	3,373,022	-	40,684
Pupil services	3,123,187	3,089,875	3,057,937	3,505	28,433
Pupil transportation	3,642,591	3,645,591	3,358,483	-	287,108
Debt service - principal	3,434,898	3,629,898	3,433,518	-	196,380
Debt service interest	1,227,279	1,024,621	854,018	-	170,603
Employee benefits	19,963,276	19,026,814	17,060,194	-	1,966,620
Total expenditures	<u>80,522,397</u>	<u>80,556,252</u>	<u>75,944,335</u>	<u>73,613</u>	<u>4,538,304</u>
Other uses:					
Interfund transfers out	<u>3,650,000</u>	<u>3,650,000</u>	<u>3,687,916</u>	<u>-</u>	<u>(37,916)</u>
Total expenditures and other uses	<u>\$ 84,172,397</u>	<u>\$ 84,206,252</u>	<u>79,632,251</u>	<u>\$ 73,613</u>	<u>\$ 4,500,388</u>
Net change in fund balance			<u>\$ 328,947</u>		

The notes to the required supplementary information is an integral part of this schedule.



**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION (ASSET) LIABILITY-EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS\***

	<u>Year Ended June 30,</u>			
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Teachers' Retirement System (TRS)</b>				
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
District's proportion of the net pension (asset)/liability	0.199165%	0.201219%	0.200839%	0.202696%
District's proportionate share of the net pension (asset)/liability	\$ <u>(22,185,698)</u>	\$ <u>(20,900,283)</u>	\$ <u>2,151,073</u>	\$ <u>(1,540,688)</u>
District's covered-employee payroll	\$ 29,419,717	\$ 30,225,884	\$ 30,991,259	\$ 32,120,579
District's proportionate share of the net pension (asset)/liability as a percentage of its covered-employee payroll	-75.4%	-69.1%	6.9%	-4.8%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-111.5%	-110.5%	99.0%	-100.7%
<b>Employees' Retirement System (ERS)</b>				
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018
District's proportion of the net pension liability	0.033097%	0.031920%	0.030700%	0.028875%
District's proportionate share of the net pension liability	\$ <u>1,118,096</u>	\$ <u>5,123,257</u>	\$ <u>2,884,615</u>	\$ <u>931,911</u>
District's covered-employee payroll	\$ 9,249,399	\$ 9,447,556	\$ 9,320,776	\$ 9,945,946
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.1%	54.2%	30.9%	9.4%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	97.9%	98.2%

\* Information prior to the year ended June 30, 2015 is not available.

The notes to the required supplementary information is an integral part of this schedule.

**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET  
PENSION (ASSET) LIABILITY-EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEM  
LAST THREE FISCAL YEARS\***

<b>TEACHERS' RETIREMENT SYSTEM</b>										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 2,582,125	\$ 2,162,062	\$ 2,884,436	\$ 3,622,913	\$ 3,573,130	\$ 4,868,910	\$ 5,371,978	\$ 4,186,421	\$ 3,758,675	\$ 3,258,316
Contributions in relation to the contractually required contribution	2,582,125	2,162,062	2,884,436	3,622,913	3,573,130	4,868,910	5,371,978	4,186,421	3,758,675	3,258,316
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	29,868,922	30,464,373	30,532,802	30,779,149	29,103,062	29,419,717	30,225,884	30,991,259	32,120,579	33,606,676
Contributions as a percentage of covered-employee payroll	8.6%	7.1%	9.4%	11.8%	12.3%	16.5%	17.8%	13.5%	11.7%	9.7%
<b>EMPLOYEES' RETIREMENT SYSTEM</b>										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 787,965	\$ 703,912	\$ 1,176,696	\$ 1,529,164	\$ 1,929,451	\$ 2,055,555	\$ 1,848,331	\$ 1,642,155	\$ 1,548,078	\$ 1,433,342
Contributions in relation to the contractually required contribution	787,965	703,912	1,176,696	1,529,164	1,929,451	2,055,555	1,848,331	1,642,155	1,548,078	1,433,342
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	9,173,991	9,594,019	9,851,204	10,176,896	9,809,100	10,056,949	9,511,756	9,397,076	9,513,256	10,080,677
Contributions as a percentage of covered-employee payroll	8.6%	7.3%	11.9%	15.0%	19.7%	20.4%	19.4%	17.5%	16.3%	14.2%

The notes to the required supplementary information is an integral part of this schedule.

**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGE IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2018**

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Measurement Date	<u>2018</u> March, 31
<b>Total OPEB Liability</b>	
Service cost	\$ 159,015
Interest	190,152
Changes in benefit terms	-
Differences between expected and actual experience in the measurement of the total OPEB liability	201,601
Changes of assumptions or other inputs	77,979
Benefit payments	<u>(206,078)</u>
Net change in total OPEB liability	422,669
Total OPEB liability - beginning	<u>5,051,052</u>
Total OPEB liability - ending	<u>\$ 5,473,721</u>
Covered payroll	\$ 39,932,376
Total OPEB liability as a percentage of covered payroll	13.71%

\*Information prior to the year ended June 30, 2018 not available.

**FRONTIER CENTRAL SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

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**NOTE 1 - BUDGETARY INFORMATION**

**BUDGETARY BASIS OF ACCOUNTING**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2018, and therefore, is the only fund presented in the Budgetary Comparison Schedule.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and 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). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

The capital projects fund is appropriated on a project-length basis. Budgets are established and used for individual capital project fund expenditures as approved by a special referendum of the District's voters. The maximum project amount authorized is based primarily upon the cost of the project plus any requirements for external borrowings, not annual appropriations. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

Other special revenue funds and the private purpose trust fund do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

**NOTE 2 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. The District's proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. In addition, the discount factor has varied from 7.5% to 7.0% over the past four years. The most significant factors impacting the District's OPEB liability include decreases in the inflation rate from 2.50% to 2.20%, the discount rate from 4.00% to 3.80% and ultimate healthcare trend rate from 5.70% to 4.23%.

## **SUPPLEMENTARY INFORMATION**

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**FRONTIER CENTRAL SCHOOL DISTRICT  
COMBINING STATEMENT BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Debt Service</u>	<u>School Lunch</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,179,151	\$ 115,396	\$ 1,294,547
Receivables	-	13,093	13,093
State and federal aid receivable	-	55,171	55,171
Inventory	-	73,757	73,757
Total assets	<u>\$ 1,179,151</u>	<u>\$ 257,417</u>	<u>\$ 1,436,568</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 19,248	\$ 19,248
Accrued liabilities	-	1,515	1,515
Due to retirement systems	-	24,003	24,003
Due to other funds	-	139,478	139,478
Unearned revenue	-	32,133	32,133
Total liabilities	<u>-</u>	<u>216,377</u>	<u>216,377</u>
<b>FUND BALANCES</b>			
Nonspendable	-	73,757	73,757
Assigned	1,179,151	-	1,179,151
Unassigned (deficit)	-	(32,717)	(32,717)
Total fund balances	<u>1,179,151</u>	<u>41,040</u>	<u>1,220,191</u>
 Total liabilities and fund balances	 <u>\$ 1,179,151</u>	 <u>\$ 257,417</u>	 <u>\$ 1,436,568</u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018**

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	<u>Debt Service</u>	<u>School Lunch</u>	<u>Total</u>
<b>REVENUES</b>			
Use of money and property	\$ 11,466	\$ 31	\$ 11,497
Miscellaneous local sources	-	2,991	2,991
State sources	-	28,727	28,727
Federal sources	-	840,574	840,574
School lunch	-	651,970	651,970
	<u>11,466</u>	<u>1,524,293</u>	<u>1,535,759</u>
Total revenues			
<b>EXPENDITURES</b>			
School lunch	-	1,223,541	1,223,541
Employee benefits	-	311,073	311,073
	<u>-</u>	<u>1,534,614</u>	<u>1,534,614</u>
Total expenditures			
Excess (deficit) of revenues over expenditures	11,466	(10,321)	1,145
<b>OTHER FINANCING SOURCES</b>			
Premium on obligation	<u>7,069</u>	<u>-</u>	<u>7,069</u>
Total other financing sources	<u>7,069</u>	<u>-</u>	<u>7,069</u>
Net change in fund balances	18,535	(10,321)	8,214
Fund balances - beginning	<u>1,160,616</u>	<u>51,361</u>	<u>1,211,977</u>
Fund balances - ending	<u>\$ 1,179,151</u>	<u>\$ 41,040</u>	<u>\$ 1,220,191</u>



**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET –  
GENERAL FUND AND REAL PROPERTY TAX LIMIT  
FOR THE YEAR ENDED JUNE 30, 2018**

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Adopted Budget		\$	84,172,397
Additions:			
Encumbrances from prior year			<u>33,855</u>
Final Budget		\$	<u><u>84,206,252</u></u>

**SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION**

2018-19 expenditure budget		\$	82,993,530
Maximum allowed			3,319,741

**General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law:**

Unrestricted fund balance:			
Assigned fund balance		1,723,613	
Unassigned fund balance		<u>3,319,741</u>	
Total unrestricted fund balance		<u><u>5,043,354</u></u>	
Less:			
Appropriated fund balance		1,650,000	
Encumbrances included in assigned fund balance		<u>73,613</u>	
Total adjustments		<u><u>1,723,613</u></u>	
General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		\$	<u><u>3,319,741</u></u>
Actual percentage			4.00%

**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>Project Title</b>	<b>Budget</b>		<b>Expenditures to Date</b>			<b>Available Balance</b>
	<b>Original Appropriations</b>	<b>Revised Appropriations</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>	
\$29.75 Million - Phase 3	\$ 10,344,812	\$ 10,344,812	\$ 10,344,267	\$ 545	\$ 10,344,812	\$ -
Blasdell - Phase 4	10,126	15,186	11,236	3,950	15,186	-
Cloverbank - Phase 4	10,126	15,186	11,236	3,950	15,186	-
Big Tree - Phase 4	11,391	15,186	10,657	4,529	15,186	-
Middle School - Phase 4	177,205	63,095	-	63,095	63,095	-
Pinehurst - Phase 4	189,865	290,060	154,566	135,494	290,060	-
2018 Project - Phase 1	12,243,587	5,725,000	45,068	799,374	844,442	4,880,558
2018 Project - Phase 2	12,156,413	18,675,000	-	364,968	364,968	18,310,032
Capital Outlay 2017/2018	100,000	100,000	-	97,229	97,229	2,771
High School Pole Barn	65,205	65,205	-	1,250	1,250	63,955
Multi-Use Field	-	-	-	4,654	4,654	(4,654)
Smart Schools Bond Act	3,056,630	3,056,630	26,293	103,052	129,345	2,927,286
Buses	881,901	881,901	-	881,901	881,901	-
<b>Total</b>	<b>\$ 39,247,261</b>	<b>\$ 39,247,261</b>	<b>\$ 10,603,323</b>	<b>\$ 2,463,991</b>	<b>\$ 13,067,314</b>	<b>\$ 26,179,947</b>

**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2018**

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Capital assets, net	\$	68,537,049
Deduct:		
Bond anticipation notes payable		(883,701)
Bonds payable		(31,055,000)
Unamortized bond premium		(498,887)
Capital leases payable		<u>(1,110,772)</u>
Net investment in capital assets	\$	<u><u>34,988,689</u></u>

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## **INTERNAL CONTROL AND COMPLIANCE**

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**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**

**INDEPENDENT AUDITOR'S REPORT**

The President and Members of the  
Board of Education of  
Frontier Central School District  
Hamburg, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frontier Central School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 2, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Freed Maxick CPAs, P.C.*

Batavia, New York

October 2, 2018



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