

**AUDITED  
BASIC FINANCIAL STATEMENTS**

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

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**JUNE 30, 2020**

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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, 2020, 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, 2020, 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 1, 2020, 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 1, 2020



## **Management's Discussion and Analysis Frontier Central School District Fiscal Year ended June 30, 2020**

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, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

The net position of the District decreased by \$2,024,842. 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 decrease was primarily due to an increase in pension liabilities, deferred outflows and deferred inflows. At June 30, 2020 unrestricted net position was \$2,947,563. Other components of net position were net investment in capital assets of \$42,533,767, net position restricted for worker's compensation of \$2,089,818, restricted for employee benefit accrued liability of \$2,764,037, restricted for capital project costs of \$3,315,350, restricted for tax certiorari claims of \$350,854 and restricted for Employee Retirement System contributions of \$4,849,966.

Other issues of significance for the fiscal year ended June 30, 2020 included:

- The General Fund's (the primary operating fund) fund balance increased by \$1,966,229.
- The governmental activities revenues increased by about \$2,231,000 (or 2.56%). The total cost of all the District's activities increased by approximately \$7,008,000 (or 8.31%).
- In 2018-2019 the results of activities produced an increased in net position of \$2,752,000.

### **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.

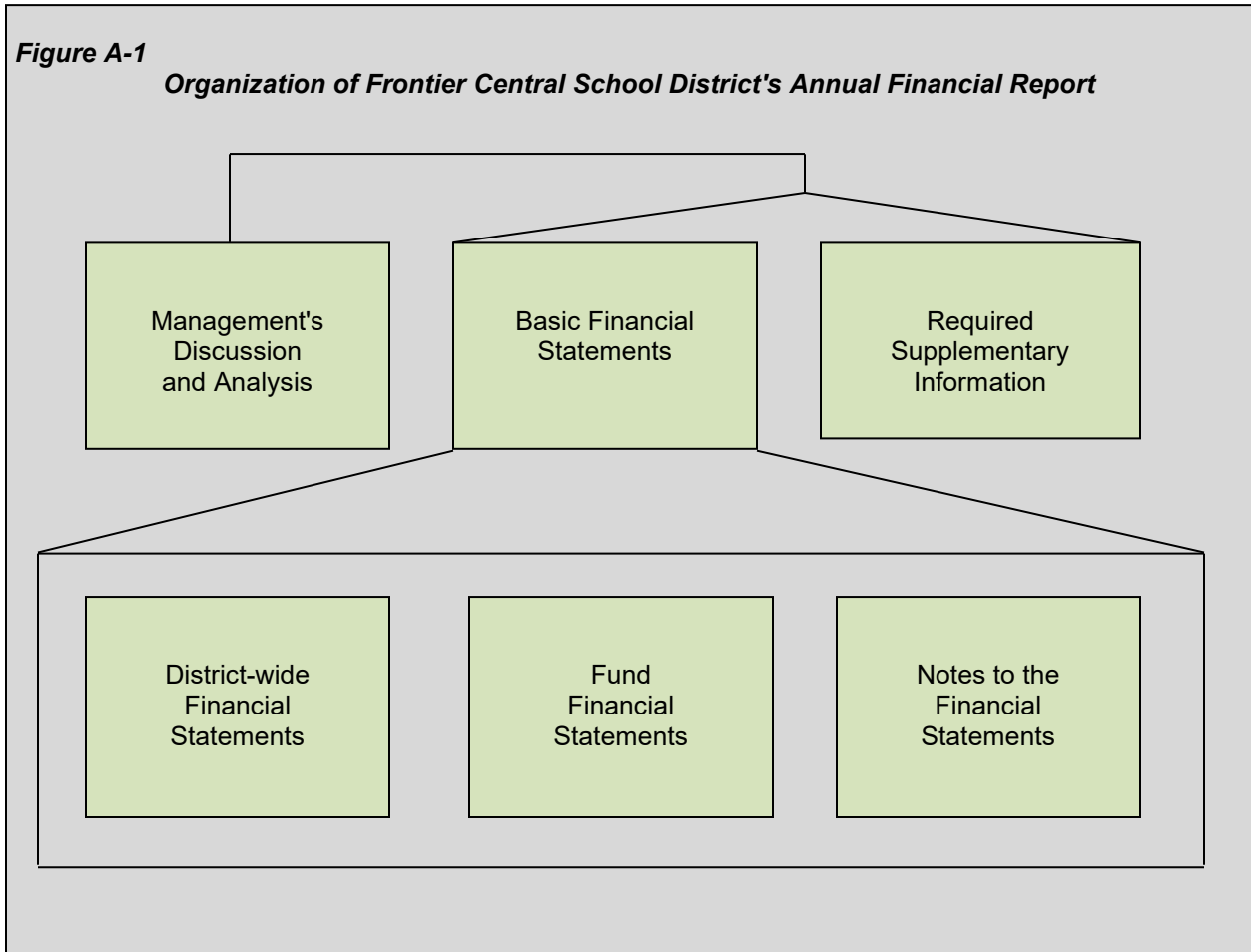


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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. 2020 Excess Revenues over Expenditures in the General Fund totaled \$1,966,229 vs. \$2,400,243 in 2019.

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 Assets**  
(in thousands of dollars)

	Governmental Activities and Total District			Total Percentage Change	Total Percentage Change
	2020	2019	2018	2019-2020	2018-2019
Current and other assets	\$ 30,840	\$ 26,551	\$ 25,577	16.15%	3.81%
Capital assets not being depreciated	12,429	6,143	2,147	102.33%	186.12%
Capital assets, net of accumulated depreciation	68,781	64,778	66,390	6.18%	-2.43%
TRS pension asset	5,365	3,692	1,541	45.31%	139.58%
<b>Total assets</b>	<b>117,415</b>	<b>101,164</b>	<b>95,655</b>	<b>16.06%</b>	<b>5.76%</b>
Deferred outflow of resources - Pension	22,761	21,370	23,754	6.51%	-10.04%
Deferred outflow of resources - OPEB	1,876	2,126	-	-11.76%	0.00%
	<b>24,637</b>	<b>23,496</b>	<b>23,754</b>	<b>4.86%</b>	<b>-1.09%</b>
Current liabilities	24,828	10,613	7,446	133.94%	42.53%
Long term liabilities	49,508	47,071	45,877	5.18%	2.60%
<b>Total liabilities</b>	<b>74,336</b>	<b>57,684</b>	<b>53,323</b>	<b>28.87%</b>	<b>8.18%</b>
Deferred inflow of resources - Pension	7,703	5,600	7,462	37.55%	-24.95%
Deferred inflow of resources - OPEB	661	-	-	100.00%	0.00%
	<b>8,364</b>	<b>5,600</b>	<b>7,462</b>	<b>49.36%</b>	<b>-24.95%</b>
Invested in capital assets, net of related debt	42,534	38,597	34,989	10.20%	10.31%
Restricted for:					
Tax certioari	351	150	-	134.00%	0.00%
Employee benefit accrued liability	2,764	2,764	2,492	0.00%	10.91%
Workers' compensation	2,090	2,078	2,060	0.58%	0.87%
Capital projects	3,315	3,127	2,604	6.01%	20.08%
Retirement	4,850	3,828	2,932	26.70%	30.56%
Unrestricted (deficit)	3,448	10,833	13,547	-68.17%	-20.03%
<b>Total net assets</b>	<b>\$ 59,351</b>	<b>\$ 61,376</b>	<b>\$ 58,624</b>	<b>-3.30%</b>	<b>4.69%</b>

Figure A-4

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

	Governmental Activities and Total District			Total Percentage Change	Total Percentage Change
	2020	2019	2018	2019-2020	2018-2019
<b>Revenues:</b>					
Real property taxes	\$ 41,031	\$ 39,764	\$ 38,727	3.19%	2.68%
Real property tax items	930	802	746	15.96%	7.51%
Non-property taxes	5,586	5,775	5,588	-3.27%	3.35%
Charges for services	944	1,090	980	-13.39%	11.22%
Use of money and property	255	313	147	-18.53%	112.93%
Other miscellaneous revenues	724	651	564	11.21%	15.43%
State and federal aid	39,364	37,996	37,228	3.60%	2.06%
School lunch	444	657	652	-32.42%	0.77%
Total revenues	<u>89,278</u>	<u>87,048</u>	<u>84,632</u>	<u>2.56%</u>	<u>2.85%</u>
<b>Expenses:</b>					
General support	8,672	8,557	8,345	1.34%	2.54%
Instruction	71,950	65,864	65,783	9.24%	0.12%
Pupil transportation	4,837	4,645	4,761	4.13%	-2.44%
Debt service	1,037	851	857	21.86%	-0.70%
School lunch	1,870	1,617	1,516	15.65%	6.66%
Depreciation	2,937	2,762	2,885	6.34%	-4.26%
Total expenses	<u>91,303</u>	<u>84,296</u>	<u>84,147</u>	<u>8.31%</u>	<u>0.18%</u>
Changes in net positions	<u>\$ (2,025)</u>	<u>\$ 2,752</u>	<u>\$ 485</u>	<u>-173.58%</u>	<u>467.42%</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
	2020	2019	2018	2019-2020	2018-2019
General support	\$ 8,008	\$ 7,689	\$ 7,531	4.15%	2.10%
Instruction	59,609	53,826	54,243	10.74%	-0.77%
Pupil transportation	1,103	1,075	1,385	2.60%	-22.38%
Debt service - interest	1,037	851	857	21.86%	-0.70%
School lunch	35	101	(6)	-65.35%	-1783.33%
Depreciation	2,937	2,762	2,885	6.34%	-4.26%
<b>Total</b>	<b>\$ 72,729</b>	<b>\$ 66,304</b>	<b>\$ 66,895</b>	<b>9.69%</b>	<b>-0.88%</b>

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

**General Fund**

Revenues exceeded expenditures in the General Fund, resulting in an increase of fund balance of \$1,966,229 for the year ended June 30, 2020.

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

- Revenue
  - Property taxes – increased \$1,395,000 due to an increase in levy up to the tax cap limit and a slight increase in payments in lieu of taxes (PILOTS)
  - State and Federal Aid rose by \$806,000 driven by higher Building and BOCES expense driven aid.
  
- Expenditures
  - An increase in total wages of \$877,000 due to contractual wage increases.
  - Employee benefits decreased by \$39,000 due on lower health insurance and retirement system costs.
  - Increased BOCES expenses of \$491,000 resulted from higher special education and the 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 2019-2020 year ended with a deficit of \$15,392 before transfers from the General Fund of \$50,000, compared to a deficit in 2018-2019 of \$87,275 before General Fund transfers of \$46,235.

**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 \$11,542,000 in 2019-2020. An additional \$883,000 was spent on new bus purchases. Capital project spending is anticipated to wind down in 2021 as the District completes Phase II and III of the 2018 Capital Project, as well as the Multi-Purpose Field and Track project.

**General Fund Budgetary Highlights**

A very conservative approach to the budget process was again taken for the 2019-2020 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.

The District had an increase in fund balance for the 2019-2020 school year of \$1,966,000. The District recognizes the need to continue to rebuild fund balance for long-term financial health.

*Figure A-6*

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

	2020		
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 84,267	\$ 82,301	\$ 19,842
Capital Projects Fund	1,187	12,425	(14,230)
2019			
	<u>Revenues</u>	<u>Expenditures</u>	<u>Fund Balances</u>
General Fund	\$ 82,568	\$ 80,168	\$ 17,876
Special Aid Fund	3,041	3,041	-
Capital Projects Fund	457	4,938	(2,992)
2018			
	<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 Projects Fund	3,515	2,464	1,489



### Capital Asset and Debt Administration

Increases in the value of capital assets due to the District's continuing capital project work accelerated in 2019-2020 as projects near completion.

Figure A-7

<i>Capital Assets Net of Depreciation (in thousands of dollars)</i>					
	Governmental Activities and Total District			Percentage Change	Percentage Change
	2020	2019	2018	2019-2020	2018-2019
Land	\$ 802	\$ 802	\$ 802	0.00%	0.00%
Construction in process	11,627	5,341	205	117.69%	2505.37%
Building and improvement	64,603	60,738	62,342	6.36%	-2.57%
Vehicles and equipment	4,178	4,040	4,048	3.42%	3.21%
Total	<u>\$ 81,210</u>	<u>\$ 70,921</u>	<u>\$ 67,397</u>	<u>14.51%</u>	<u>20.49%</u>

### Long-Term Debt

Long-term liabilities increased by \$2,437,000. Serial Bonds payable and Capital Leases fell \$3,024,000 and Workers Compensation payments fell \$499,000, but were offset by increased estimates and payments on compensated absences and adjustments to pensions totalling \$6,095,000. Postemployment benefits at June 30, 2020 decreased by \$84,000.

Figure A-8

<i>Outstanding Long-Term Debt (in thousands of dollars)</i>					
	Governmental Activities and Total District			Percentage Change	Percentage Change
	2020	2019	2018	2019-2020	2018-2019
Serial bonds payable	\$ 25,760	\$ 28,415	\$ 31,055	-9.34%	-8.50%
Bond premium	397	448	499	-11.38%	100.00%
Capital leases	200	569	1,111	-64.85%	200.00%
Workers' Compensation	2,720	3,219	3,218	-15.50%	300.00%
Compensated absences	4,356	4,001	3,588	8.87%	11.51%
Pension - ERS	7,863	2,123	932	270.37%	127.79%
Post employment benefits	8,212	8,296	5,474	-1.01%	51.55%
	<u>\$ 49,508</u>	<u>\$ 47,071</u>	<u>\$ 45,877</u>	<u>5.18%</u>	<u>2.60%</u>

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

- Challenges posed to local sources of revenue due to the continuation of the property tax cap.
- Reduced State Aid as a result of the Public Health Emergency and the subsequent economic impact on New York State revenues.
- 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, 2020**

	<u>2020</u>	<u>2019</u> (Memo Only)
<b>ASSETS</b>		
Cash and cash equivalents	\$ 7,109,738	\$ 19,125,135
Cash and cash equivalents - restricted	17,280,156	803,131
Receivables	337,270	247,805
State and federal aid receivable	2,090,615	2,218,306
Due from other governments	2,912,173	3,547,733
Due from fiduciary fund	661,408	197,769
Cash value of life insurance	344,493	344,493
Inventory	104,488	66,630
Capital assets not being depreciated	12,428,781	6,143,239
Capital assets, net of accumulated depreciation	68,781,152	64,777,590
Net TRS pension asset - proportionate share	5,365,054	3,692,246
	<u>117,415,328</u>	<u>101,164,077</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred pension outflows	22,760,712	21,370,426
Deferred postemployment outflows	1,875,804	2,125,741
	<u>24,636,516</u>	<u>23,496,167</u>
<b>LIABILITIES</b>		
Accounts payable	3,733,853	1,436,692
Accrued liabilities	638,069	1,049,253
Retainages payable	503,124	33,170
Accrued interest payable	417,039	145,603
Bond anticipation notes payable	15,726,063	3,695,111
Due to retirement systems	3,769,448	4,199,724
Unearned revenue	41,094	54,174
Non-current liabilities:		
Due and payable within one year	4,193,660	4,486,226
Due and payable after one year	45,314,607	42,584,511
	<u>74,336,957</u>	<u>57,684,464</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension inflows	7,702,832	5,599,583
Deferred postemployment inflows	660,700	-
	<u>8,363,532</u>	<u>5,599,583</u>
<b>NET POSITION</b>		
Net investment in capital assets	42,533,767	38,596,503
Restricted for:		
Tax certiorari	350,854	150,000
Employee benefit accrued liability	2,764,037	2,764,037
Workers' compensation	2,089,818	2,077,984
Capital reserve	3,315,350	3,126,803
Retirement reserve	4,849,966	3,828,166
Unrestricted	3,447,563	10,832,704
	<u>59,351,355</u>	<u>61,376,197</u>
Total net position	\$ <u>59,351,355</u>	\$ <u>61,376,197</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Expenses	Indirect Cost Allocation	Program Revenues		2020	2019
			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	\$ 6,586,347	\$ 2,085,915	\$ 664,435	\$ -	\$ (8,007,827)	\$ (7,689,360)
Instruction	51,876,904	20,072,452	279,901	12,060,156	(59,609,299)	(53,825,995)
Transportation	3,373,621	1,463,801	-	3,734,680	(1,102,742)	(1,075,399)
Interest	1,036,844	-	-	-	(1,036,844)	(850,839)
School lunch	1,510,535	359,520	443,790	1,391,554	(34,711)	(100,713)
Unallocated employee benefits	23,981,688	(23,981,688)	-	-	-	-
Unallocated depreciation	2,936,796	-	-	-	(2,936,796)	(2,762,074)
Total governmental activities	<u>\$ 91,302,735</u>	<u>\$ -</u>	<u>\$ 1,388,126</u>	<u>\$ 17,186,390</u>	(72,728,219)	(66,304,380)
General revenues:						
Real property taxes					41,031,138	39,763,863
Real property tax items					930,089	802,434
Non-property taxes					5,585,712	5,775,109
Use of money and property					254,544	313,375
State and federal aid not restricted for a specific purpose					22,177,508	21,751,677
Other miscellaneous revenues					724,386	650,533
Total general revenues					<u>70,703,377</u>	<u>69,056,991</u>
Change in net position					(2,024,842)	2,752,611
Net position - beginning of year					61,376,197	58,623,586
Net position - end of year					<u>\$ 59,351,355</u>	<u>\$ 61,376,197</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2020**

				<u>2020</u>	<u>2019</u> (Memo Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,542,217	\$ 80,195	\$ 1,487,326	\$ 7,109,738	\$ 19,125,135
Cash and cash equivalents - restricted	13,370,025	3,910,131	-	17,280,156	803,131
Receivables	336,762	-	508	337,270	247,805
State and federal aid receivable	812,884	-	1,277,731	2,090,615	2,218,306
Due from other funds	2,030,874	-	-	2,030,874	1,483,720
Due from other governments	2,912,173	-	-	2,912,173	3,547,733
Cash value of life insurance	344,493	-	-	344,493	344,493
Inventory	-	-	104,488	104,488	66,630
Total assets	<u>\$ 25,349,428</u>	<u>\$ 3,990,326</u>	<u>\$ 2,870,053</u>	<u>\$ 32,209,807</u>	<u>\$ 27,836,953</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 1,153,654	\$ 2,494,036	\$ 86,163	\$ 3,733,853	\$ 1,436,692
Accrued liabilities	629,625	-	8,444	638,069	1,049,253
Bond anticipation notes payable	-	15,726,063	-	15,726,063	3,695,111
Due to retirement systems	3,724,159	-	45,289	3,769,448	4,199,724
Due to other funds	-	-	1,369,466	1,369,466	1,285,951
Unearned revenue	-	-	41,094	41,094	54,174
Total liabilities	<u>5,507,438</u>	<u>18,220,099</u>	<u>1,550,456</u>	<u>25,277,993</u>	<u>11,720,905</u>
<b>FUND BALANCES (DEFICIT)</b>					
Nonspendable	344,493	-	104,488	448,981	411,123
Restricted	13,370,025	-	-	13,370,025	11,946,990
Assigned	2,545,615	-	1,284,989	3,830,604	20,524,047
Unassigned (deficit)	3,581,857	(14,229,773)	(69,880)	(10,717,796)	(16,766,112)
Total fund balances (deficit)	<u>19,841,990</u>	<u>(14,229,773)</u>	<u>1,319,597</u>	<u>6,931,814</u>	<u>16,116,048</u>
Total liabilities and fund balances (deficit)	<u>\$ 25,349,428</u>	<u>\$ 3,990,326</u>	<u>\$ 2,870,053</u>	<u>\$ 32,209,807</u>	<u>\$ 27,836,953</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2020 (Continued)**

	<u>2020</u>	<u>2019</u> <u>(Memo Only)</u>
	<u>Governmental Funds</u>	<u>Governmental Funds</u>
Total fund balances - governmental funds (page 15)	\$ 6,931,814	\$ 16,116,048
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	81,209,933	70,920,829
Long-term assets and liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Retainages payable	(503,124)	(33,170)
Serial bonds payable	(25,760,000)	(28,415,000)
Premium amortization payable	(396,971)	(447,929)
Capital leases	(200,139)	(569,417)
Compensated absences	(4,355,629)	(4,001,045)
Workers compensation	(2,720,000)	(3,218,757)
Total OPEB Liability	(8,212,706)	(8,296,054)
TRS pension asset	5,365,054	3,692,246
ERS pension liability	(7,862,822)	(2,122,535)
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.	(417,039)	(145,603)
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	1,215,104	2,125,741
Net pension deferred outflows and inflows of resources	<u>15,057,880</u>	<u>15,770,843</u>
Net position of governmental activities	<u>\$ 59,351,355</u>	<u>\$ 61,376,197</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

				<u>2020</u>	<u>2019</u> (Memo Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Real property taxes	\$ 41,031,138	\$ -	\$ -	\$ 41,031,138	\$ 39,763,863
Real property tax items	930,089	-	-	930,089	802,434
Non-property taxes	5,585,712	-	-	5,585,712	5,775,109
Charges for services	944,336	-	-	944,336	1,089,540
Use of money and property	201,479	-	53,065	254,544	313,375
Sale of property and compensation for loss	27,205	-	-	27,205	82,221
Miscellaneous local sources	504,428	150	25,940	530,518	557,544
State sources	34,783,634	-	1,095,251	35,878,885	34,974,887
Federal sources	258,828	-	3,226,185	3,485,013	3,021,350
School lunch	-	-	443,790	443,790	657,333
Total revenues	<u>84,266,849</u>	<u>150</u>	<u>4,844,231</u>	<u>89,111,230</u>	<u>87,037,656</u>
<b>EXPENDITURES</b>					
Current:					
General support	6,733,981	-	-	6,733,981	6,960,672
Instruction	49,111,767	-	2,934,939	52,046,706	49,939,412
Pupil transportation	3,386,841	-	-	3,386,841	3,472,564
School lunch	-	-	1,510,535	1,510,535	1,300,057
Employee benefits	17,995,824	-	522,306	18,518,130	18,533,307
Debt service:					
Principal	3,879,650	-	-	3,879,650	3,538,056
Interest	816,366	-	-	816,366	809,652
Capital outlay:					
General support	-	11,542,062	-	11,542,062	4,095,012
Transportation	-	883,230	-	883,230	842,718
Total expenditures	<u>81,924,429</u>	<u>12,425,292</u>	<u>4,967,780</u>	<u>99,317,501</u>	<u>89,491,450</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020 (Continued)**

				<u>2020</u>	<u>2019</u> (Memo Only)
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>	<u>Total Governmental Funds</u>
Excess (deficit) of revenues over expenditures	2,342,420	(12,425,142)	(123,549)	(10,206,271)	(2,453,794)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	165,000	211,191	376,191	286,676
Interfund transfers out	(376,191)	-	-	(376,191)	(286,676)
Interfund transfer in - BANs redeemed	-	855,372	-	855,372	356,701
Premium on obligation	-	166,665	-	166,665	28,120
Total other financing sources (uses)	<u>(376,191)</u>	<u>1,187,037</u>	<u>211,191</u>	<u>1,022,037</u>	<u>384,821</u>
Net change in fund balances	1,966,229	(11,238,105)	87,642	(9,184,234)	(2,068,973)
Fund balances - beginning (deficit)	<u>17,875,761</u>	<u>(2,991,668)</u>	<u>1,231,955</u>	<u>16,116,048</u>	<u>18,185,021</u>
Fund balances - ending (deficit)	<u>\$ 19,841,990</u>	<u>\$ (14,229,773)</u>	<u>\$ 1,319,597</u>	<u>\$ 6,931,814</u>	<u>\$ 16,116,048</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, 2020**

	<u>2020</u>	<u>2019</u> (Memo Only)
Net change in fund balances - total governmental funds (page 18)	\$ (9,184,234)	\$ (2,068,973)
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 (\$18,482,423) excluding construction in process placed in service (\$5,759,645) in the current year exceeded depreciation expense (\$2,936,796).	10,289,107	2,401,132
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) is to decrease net position.	(2)	(17,352)
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 and the treatment of these differences is as follows:		
Repayment of serial bonds	2,655,000	2,640,000
Amortization of debt premium	50,957	50,958
Repayment of capital leases	369,278	541,355
Interest expense	(271,436)	(92,145)
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 items are measured by the amount of financial resources used. The net effect of these differences are:		
Retainages	(469,954)	(33,170)
Compensated absences	(354,584)	(412,826)
Workers compensation	498,757	-
Change in proportionate share of net pension asset/(liability) and postemployment liability 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	1,672,808	2,151,558
Net pension - proportionate share - ERS	(5,740,287)	(1,190,624)
Other postemployment benefits	83,348	(2,822,333)
Change in proportionate share of net pension and postemployment 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	(5,100,239)	(1,312,664)
Net pension - proportionate share - ERS	4,387,276	1,034,123
Other postemployment benefits	(910,637)	1,883,572
Change in net position of governmental activities	<u>\$ (2,024,842)</u>	<u>\$ 2,752,611</u>

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
JUNE 30, 2020**

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	<b>Private Purpose Trust</b>	<b>Agency</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 2,083,961
Cash and cash equivalents - restricted	630,826	184,987
	<u>                    </u>	<u>                    </u>
Total assets	630,826	\$ <u><u>2,268,948</u></u>
<b>LIABILITIES</b>		
Agency liabilities	-	\$ 274,120
Post retirement liabilities	-	1,144,879
Miscellaneous Grants	-	3,554
Due to other funds	-	661,408
Extra classroom activity balances	-	184,987
	<u>                    </u>	<u>                    </u>
Total liabilities	-	\$ <u><u>2,268,948</u></u>
<b>NET POSITION</b>		
Restricted for scholarships	\$ <u><u>630,826</u></u>	

See notes to basic financial statements.

**FRONTIER CENTRAL SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

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	<u>Private Purpose Trust</u>
<b>ADDITIONS</b>	
Scholarship revenue	\$ 6,958
Interest	<u>3,543</u>
Total additions	10,501
<b>DEDUCTIONS</b>	
Scholarship expense	<u>2,450</u>
Change in net position	8,051
Net position - beginning	<u>622,775</u>
Net position - ending	<u>\$ 630,826</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.

The BOCES has initiated a capital project. The District will be billed annually for their proportionate share of the cost of the capital project as part of their administrative costs. As of June 30, 2020, the District has not been billed for their proportionate share of project costs. Billing will commence in the 2021/2022 fiscal year.

**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. 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, 2020, the District was billed \$8,755,579 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.

The BOCES has initiated a capital project. The District will be billed annually for their proportionate share of the cost of the capital project as part of their administrative costs. As of June 30, 2020, the District has not been billed for their proportionate share of project costs. Billing will commence in the 2021/2022 fiscal year.

**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 Net Position presents the financial position of the District at fiscal year-end. 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:**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

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.

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 and sales taxes associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current year. 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 the County of Erie, 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.

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.

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

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

**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 and Statement of Net Position 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. Amounts to support fund balance restrictions are also reported as restricted.

**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 within 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.



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

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

**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. 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 period 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 is related to OPEB reported in the district-wide Statement of Net Position. The represents the net effect of the changes of assumptions or other inputs. See details of deferred OPEB inflows in Note 3.F.

**9. 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.

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

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10. 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, as well as, compensated absences that will be paid from governmental funds, are reported as a liability in the governmental fund 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 fund statements when issued. In the district-wide statements, premiums are recognized with the 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.

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, in accordance with 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. 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. The District does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* to pay OPEB benefits. Payments are budgeted annually without accrual and are based on the pay-as-you go method (See Note 3.F).

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

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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. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

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.

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 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.

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

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**E. 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.

**F. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATEMENTS**

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 revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**G. ACCOUNTING PRONOUNCEMENTS**

The District has evaluated the provisions of GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements* and Statement No. 90, *Majority Equity Interests-an Amendment of GASB Statements No. 14 and 61* and determined that they have no significant impact on the District's financial statements.

The following are GASB Statements that have been issued recently and are currently being evaluated, by the District, for their potential impact in future years.

- Statement No. 84, *Fiduciary Activities*, which will be effective for the year ending June 30, 2021.
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2022.
- 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, 2022.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2023.
- Statement No. 92, *Omnibus 2020*, which will be effective for the year ending June 30, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates*, which will be effective for the year ending June 30, 2022
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32*, which will be effective for the year ending June 30, 2022.

On May 8, 2020, the GASB issued Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance* in response to the COVID-19 pandemic. The effective dates of GASB Statements not yet implemented by the District have been updated above to reflect the impact of this Statement.

**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).

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

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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.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved 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 which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2020.

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

**B. DEFICIT FUND BALANCE**

At June 30, 2020, the Capital Projects Fund, a major fund, has a deficit fund balance of \$14,229,773. The deficit is the result of the issuance of bond anticipation notes (BANs), which do not qualify for treatment as a long-term liability. Accordingly, the BANs are reported as a fund liability in the Capital Projects Fund Balance Sheet (rather than an inflow on the Statement of Revenues, Expenditures, and Changes in Fund Balances). When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. Because the BANs are the main source of resources for the fund, the result is an overall fund deficit. This deficit will be eliminated as resources are obtained (e.g., from revenues, long-term debt issuances, and transfers in) to make the scheduled debt service principal and interest payments on the BANs.

**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, 2020.

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 \$13,370,025 in the General Fund restricted for certain reserve funds, \$184,987 within the Agency Fund restricted for extraclassroom activities, \$630,826 in the Private Purpose Trust Fund restricted for scholarships and \$3,910,131 in the Capital Projects Fund for unexpended debt proceeds.

**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 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, 2020, include the following:

State and federal aid receivable:

General Fund:		
State aid - excess cost aid	\$	812,884
Special Aid		1,074,882
School Lunch		202,849
Total state and federal aid receivables	\$	<u><u>2,090,615</u></u>

Due from other governments:

General Fund:		
BOCES aid	\$	1,002,211
Sales Tax		1,909,962
Total due from other governments	\$	<u><u>2,912,173</u></u>

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

**C. CAPITAL ASSETS**

Capital asset balances and activity for the year ended June 30, 2020, were as follows:

	Balance 7/1/2019	Increases	Decreases	Balance 6/30/2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 802,150	\$ -	\$ -	\$ 802,150
Construction work in progress	5,341,089	12,045,187	5,759,645	11,626,631
Total capital assets not being depreciated	<u>6,143,239</u>	<u>12,045,187</u>	<u>5,759,645</u>	<u>12,428,781</u>
Capital assets being depreciated:				
Land improvements	2,815,848	2,539,707	-	5,355,555
Buildings and building improvements	92,413,307	3,219,938	-	95,633,245
Furniture, equipment and vehicles	12,764,690	1,180,715	902,705	13,042,700
Total capital assets, being depreciated	<u>107,993,845</u>	<u>6,940,360</u>	<u>902,705</u>	<u>114,031,500</u>
Less accumulated depreciation:				
Land improvements	2,797,660	137,795	-	2,935,455
Buildings and building improvements	31,693,899	1,756,397	-	33,450,296
Furniture, equipment and vehicles	8,724,696	1,042,604	902,703	8,864,597
Total accumulated depreciation	<u>43,216,255</u>	<u>2,936,796</u>	<u>902,703</u>	<u>45,250,348</u>
Total capital assets being depreciated, net	<u>64,777,590</u>	<u>4,003,564</u>	<u>2</u>	<u>68,781,152</u>
Governmental activities capital assets, net	<u>\$ 70,920,829</u>	<u>\$ 16,048,751</u>	<u>\$ 5,759,647</u>	<u>\$ 81,209,933</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, 2020, were as follows:

	General Fund
Salary and employee benefits	\$ 46,301
Self funded health insurance	490,537
Unemployment insurance	92,787
Total accrued liabilities	<u>\$ 629,625</u>

**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.

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

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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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. 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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. ERS issues a publicly available financial report that contains financial statements and required supplementary information. 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, 2020, the District reported the following amount 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, 2019, for TRS and March 31, 2020, for ERS. The total pension amount used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of June 30, 2018 for TRS and April 1, 2019 for ERS. The District's proportion of the net pension (asset)/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.



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

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2019	March 31, 2020
Net pension (asset)/liability	\$ (5,365,054)	\$ 7,862,822
District's portion of the Plan's total net pension (asset)/liability	0.206507%	0.029693%
Change in proportion since the prior measurement date	0.002320%	-0.000264%
Pension expense at June 30, 2020	\$ 6,567,502	\$ 2,930,658

At June 30, 2020, 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	\$ 3,635,760	\$ 462,759	\$ 398,956	\$ -
Change of assumptions	10,135,305	158,320	2,471,274	136,707
Net difference between projected and actual earnings on pension plan investments	-	4,030,865	4,302,496	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	11,514	648,376	330,203	63,196
District's contributions subsequent to the measurement date	<u>3,135,594</u>	<u>542,219</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,918,173</u>	<u>\$ 5,842,539</u>	<u>\$ 7,502,929</u>	<u>\$ 199,903</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, 2021. 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:		
2021	\$ 2,359,915	\$ 973,923
2022	86,703	1,305,235
2023	2,351,118	1,589,201
2024	1,538,897	1,232,058
2025	146,891	-
Thereafter	(203,874)	-

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**

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Significant actuarial assumptions used in the valuations were as follows:

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2019	March 31, 2020
Actuarial valuation date	June 30, 2018	April 1, 2019
Interest rate	7.10%	6.80%
Salary scale	1.90% - 4.72%	4.20%
Inflation rate	2.20%	2.50%
Cost of living adjustments	1.30%	1.30%

For TRS, the actuarial assumptions used in the June 30, 2018, 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, 2019 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-2018. 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-2018.

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.

**FRONTIER CENTRAL SCHOOL DISTRICT  
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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	
			June 30, 2019	March 31, 2020
	TRS	ERS	TRS	ERS
<b>Asset Class:</b>				
Domestic equity	33.0 %	36.0 %	6.3 %	4.0 %
International equity	16.0	14.0	7.8	6.2
Private equity	8.0	10.0	9.9	6.8
Real estate	11.0	10.0	4.6	5.0
Global equities	4.0	-	7.2	-
Absolute return strategies	-	2.0	-	3.3
Opportunistic portfolio	-	3.0	-	4.7
Real estate debt	7.0	-	2.9	-
Real assets	-	3.0	-	6.0
Bond and mortgages	-	17.0	-	0.8
Cash/short term	1.0	1.0	0.3	0.0
Inflation-indexed bonds	-	4.0	-	0.5
Domestic fixed income securities	16.0	-	1.3	-
Global fixed income securities	2.0	-	0.9	-
Private debt	1.0	-	6.5	-
High yield income securities	1.0	-	3.6	-
Total	<u>100.0 %</u>	<u>100.0 %</u>		

**Discount Rate**

The discount rate used to calculate the total pension liability was 7.10% for TRS and 6.80% 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 amount calculated using the discount rate of 7.10% for TRS and 6.80% 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 (6.10% for TRS and 5.80% for ERS) and or 1-percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

	1% Decrease (6.10%)	Current Assumption (7.10%)	1% Increase (8.10%)
<b>TRS</b>			
Employer's proportionate share of the net pension (asset)/liability	\$ 24,217,294	\$ (5,365,054)	\$ (30,181,305)

**FRONTIER CENTRAL SCHOOL DISTRICT  
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	1% Decrease <u>(5.80%)</u>	Current Assumption <u>(6.80%)</u>	1% Increase <u>(7.80%)</u>
<u>ERS</u>			
Employer's proportionate share of the net pension (asset)/liability	\$ 14,430,498	\$ 7,862,822	\$ 1,813,964

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	<u>June 30, 2019</u>	<u>March 31, 2020</u>
Employers' total pension liability	\$ 119,879,474	\$ 194,596,261
Plan net position	122,477,481	168,115,682
Employers' net pension (asset)/ liability	<u>\$ (2,598,007)</u>	<u>\$ 26,480,579</u>
Ratio of plan net position to the employers' total pension (asset)/liability	-102.2%	86.4%

Payables to the Pension Plan

For TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020, represent employee and employer contributions for the fiscal year ended June 30, 2020, 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, 2020, amounted to \$3,227,229.

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, 2020, represent the projected employer contribution for the period of April 1, 2020, through June 30, 2020, based on a percentage of the 2020 annual invoice representing the liability for the period of April 1, 2020 – June 30, 2020. Accrued retirement contributions as of June 30, 2020, amounted to \$542,219.

**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.

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

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Employees Covered by Benefit Terms

As of June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	130
Inactive employees entitled to but not yet receiving benefits	-
Active employees not eligible to retire	587
Active employees, eligible to retire	<u>224</u>
Total	<u><u>941</u></u>

The District's total OPEB liability of \$8,212,706 was measured as of March 31, 2020, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.20%
Salary Increases	3.22%, average, including inflation
Discount Rate	2.48%
Healthcare Cost Trend Rates	5.2% as of 2020, with an ultimate rate of 4.18% for 2072 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 Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General and Safety, without separate Contingent Survivor mortality, fully generational using Scale MP-2019.

Retirement and termination assumptions reflect general published tables based on large-scale retirement plan population data. The plan's estimated termination and retirement experience is then analyzed, and the base table is adjusted accordingly as necessary. No formal experience study is prepared for this plan.

Changes in the Total OPEB Liability

Balance at July 1, 2019	\$ 8,296,054
<u>Changes for the year:</u>	
Service cost	270,900
Interest	283,118
Changes of benefit terms	-
Differences between expected and actual experience	(961,018)
Changes in assumptions or other inputs	660,431
Benefit payments	<u>(336,779)</u>
Net changes	<u>(83,348)</u>
Balance at June 30, 2020	<u><u>\$ 8,212,706</u></u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
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Changes of assumptions and other inputs reflect a change in the discount rate from 3.44 percent in 2019 to 2.48 percent in 2020 and changes in the Salary scale from 3.36 percent in 2019 to 3.22 percent in 2020, and changes in the ultimate healthcare cost trend form 4.23 percent in 2019 to 4.18 percent in 2020.

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 (1.48 percent) or 1 percentage point higher (3.48 percent) than the current discount rate.

	1% Decrease (1.48%)	Discount Rate (2.48%)	1% Increase (3.48%)
Total OPEB Liability	\$ 8,858,131	\$ 8,212,706	\$ 7,617,454

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 (4.20 percent) or 1 percentage point higher (6.20 percent) than the current healthcare cost trend rate:

	1% Decrease (4.20% decreasing to 3.18%)	Healthcare Cost Trend Rates (5.20% decreasing to 4.18%)	1% Increase (6.20% decreasing to 5.18%)
Total OPEB Liability	\$ 7,483,838	\$ 8,212,706	\$ 9,050,250

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$1,201,918. At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,283,418	660,700
Changes of assumptions	508,422	-
Contributions subsequent to the measurement date	83,964	-
Total	\$ 1,875,804	660,700

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>
2021	\$ 640,728
2022	509,200
2023	(18,788)
2024	-
2025	-
Thereafter	-

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

**G. SHORT-TERM LIABILITIES**

The purpose of all of the short-time borrowings was to provide resources for bus purchases and various capital improvement projects. 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, 2020:

	Balance 7/1/2019	Issues	Redeemed	Balance 6/30/2020
BAN maturing 7/24/19 at 2.75%	\$ 3,695,111	\$ -	\$ 3,695,111	\$ -
BAN maturing 7/23/2020 at 2.5%	-	15,726,063	-	15,726,063
	<u>\$ 3,695,111</u>	<u>\$ 15,726,063</u>	<u>\$ 3,695,111</u>	<u>\$ 15,726,063</u>

**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. 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 future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

<u>Year ending June 30,</u>	
2021	\$ 203,338
Total minimum lease payments	<u>203,338</u>
Less: amount representing interest	3,199
Present value of minimum lease payments	<u>\$ 200,139</u>

**I. LONG-TERM LIABILITIES**

**1. 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.

**2. SERIAL BONDS**

The District borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the District. The provisions will be in the General Fund's future budgets for capital indebtedness.

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

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 6/30/2020</u>
Governmental activities:					
Refunding Serial Bond	6/15/2015	\$ 4,580,000	6/15/2032	\$ 2.00-3.00%	\$ 3,440,000
Refunding Serial Bond	12/20/2016	5,715,000	6/15/2025	1.00-4.00%	3,710,000
Serial Bond	5/23/2017	23,935,000	6/1/2031	2.00-3.00%	18,610,000
					<u>\$ 25,760,000</u>

**3. OTHER LONG-TERM LIABILITIES**

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

**4. CHANGES IN LONG-TERM LIABILITIES**

Changes in the District's long-term liabilities for the year ended June 30, 2020 are as follows:

	<u>Balance 7/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2020</u>	<u>Due Within One Year</u>
Government activities:					
Serial Bonds	\$ 28,415,000	\$ -	\$ 2,655,000	\$ 25,760,000	\$ 2,555,000
Unamortized premium	447,929	-	50,958	396,971	50,958
Capital leases	569,417	-	369,278	200,139	200,139
Total bonds and leases payable	29,432,346	-	3,075,236	26,357,110	2,806,097
Other liabilities:					
Compensated absences*	\$ 4,001,045	\$ 354,584	\$ -	\$ 4,355,629	\$ 435,563
Workers compensation	3,218,757	251,804	750,561	2,720,000	952,000
Net pension liability (ERS) - proportionate share *	2,122,535	5,740,287	-	7,862,822	-
Total OPEB liability	8,296,054	253,431	336,779	8,212,706	-
Total long-term liabilities	<u>\$ 47,070,737</u>	<u>\$ 6,600,106</u>	<u>\$ 4,162,576</u>	<u>\$ 49,508,267</u>	<u>\$ 4,193,660</u>

\*Additions/reductions to net pension liability and compensated absences are shown net.

The General Fund has typically been used to liquidate long-term liabilities such as compensated absences and postemployment benefit obligations. Payment of retirement contributions are typically from the funds in which the individuals are employed. Those operating funds include the General, Special Aid and School Lunch Funds.

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>
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	2,740,000	483,462	50,958
2025	2,790,000	419,687	37,885
2026-2030	11,010,000	1,200,624	124,063
2031-2032	1,395,000	52,200	31,191
Total	<u>\$ 25,760,000</u>	<u>\$ 3,951,509</u>	<u>\$ 396,971</u>



**FRONTIER CENTRAL SCHOOL DISTRICT  
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As of June 30, 2020, the District has authorized but unissued debt in an amount not to exceed \$9,367,485.

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. \$3,770,000 of bonds outstanding are considered defeased.

**J. INTERFUND ACTIVITY**

Interfund activity at June 30, 2020, are as follows:

	Interfund Receivables	Interfund Payables	Interfund Revenues	Interfund Expenditures
General Fund	\$ 2,030,874	\$ -	\$ -	\$ 376,191
Capital Projects Fund	-	-	165,000	-
Special Aid Fund	-	1,070,868	161,191	-
School Lunch Fund	-	298,598	50,000	-
Agency Fund	-	661,408	-	-
Total	<u>\$ 2,030,874</u>	<u>\$ 2,030,874</u>	<u>\$ 376,191</u>	<u>\$ 376,191</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 and funds due to the Agency Fund for retirement benefits.

Interfund revenues and expenses were transfers from the General Fund to the Special Aid Fund for the summer school handicap program, to the School Lunch Fund for unpaid student lunch charges and the Capital Fund to fund the current capital outlay project.

**K. 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.

*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, 2020.

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

**2. FUND BALANCE**

In the governmental 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 the District at June 30, 2020, include:

- *Inventory* – represents nonspendable inventory in the school lunch fund.
- *Life Insurance* – represents long-term investment in life insurance contract.

**FRONTIER CENTRAL SCHOOL DISTRICT  
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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. This includes workers’ compensation, retirement, capital, employment benefit accrued liability, and tax certiorari.

- *Reserve for capital projects* – represents funds to be used for construction, reconstruction and/or acquisition of capital improvements and equipment.
- *Reserve for workers’ compensation* – represents funds to be used to pay workers’ compensation claims.
- *Reserve for tax certiorari claims* – represents funds set aside for property tax disputes.
- *Reserve for employee benefit accrued liabilities* - represents funds to be used to pay certain termination benefits.
- *Reserve for retirement contributions* - represents funds to be used to pay contributions to the TRS and ERS retirement systems.

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, 2020, 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 for 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.
- Assigned for subsequent years’ expenditure – represents available fund balance being appropriated to meet expenditure requirements in the 2021 fiscal year.

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.

As of June 30, 2020, fund balances were classified as follows:

	General	Capital Projects	Nonmajor Funds	Total
<u>Nonspendable</u>				
Inventory	\$ -	\$ -	\$ 104,488	\$ 104,488
Life insurance	344,493	-	-	344,493
<u>Restricted:</u>				
Workers’ compensation	2,089,818	-	-	2,089,818
Retirement	4,849,966	-	-	4,849,966
Capital	3,315,350	-	-	3,315,350
Employee benefit accrued liability	2,764,037	-	-	2,764,037
Tax certiorari	350,854	-	-	350,854
<u>Assigned:</u>				
Subsequent years’ expenditures	2,448,488	-	-	2,448,488
Debt service	-	-	1,284,989	1,284,989
<u>Encumbrances:</u>				
General support	61,503	-	-	61,503
Instruction	35,624	-	-	35,624
<u>Unassigned:</u>				
General fund	3,581,857	-	-	3,581,857
Capital projects	-	(14,229,773)	-	(14,229,773)
School lunch	-	-	(69,880)	(69,880)
<b>Total</b>	<b>\$ 19,841,990</b>	<b>\$ (14,229,773)</b>	<b>\$ 1,319,597</b>	<b>\$ 6,931,814</b>

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

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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. GENERAL**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. 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. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

**B. 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. The District maintains excess insurance that limits self-insured claims to \$550,000 per incident and \$1,000,000 in the aggregate.

The District has chosen to establish a self-funded workers compensation program (health benefit program) for its employees. The benefit programs administrator, Public Employer Risk Management Association, is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The benefit program reports on a fiscal year ending June 30. The program is accounted for in the General Fund of the district. At year-end, the district has a liability of \$2,720,000 which represents reported and unreported claims which were incurred on or before year-end, but which were not paid by the District as of that date. This amount consists of claims reported to the District by the benefits program administrator of \$915,791, and the estimated incurred claims which were not reported to either the benefits program administrator of the District of \$1,804,209.

The schedule below presents the changes in the District's estimated claims since June 30, 2018. 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, 2018	\$ 3,218,757
Current claims and changes in estimates	860,530
Payments made during the year, net	860,530
Estimated claims as of June 30, 2019	<u>3,218,757</u>
Current claims and changes in estimates	251,804
Payments made during the year, net	750,561
Estimated claims as of June 30, 2020	<u><u>\$ 2,720,000</u></u>

**C. 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.

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

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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, 2018	\$ 860,530
Current claims and changes in estimates	8,266,584
Payments made during the year, net	<u>8,082,352</u>
Estimated claims as of June 30, 2019	1,044,762
Current claims and changes in estimates	8,142,846
Payments made during the year, net	<u>8,697,071</u>
Estimated claims as of June 30, 2020	<u><u>\$ 490,537</u></u>

**NOTE 5 - COMMITMENTS AND CONTINGENCIES**

**A. CONTINGENCIES**

**1. 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.

**2. OTHER**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include forced closures for certain types of public places, including public schools. The District’s administration has assessed these events and the impact of these restrictions and closures related to the District’s operations. As of the date of these financial statements and as these events continue to unfold management believes there will be an impact related to the amount of state aid the District will receive in 2021. The District’s administration believes that state aid will be lower in 2021 than anticipated in the adopted 2020/2021 budget. The District’s administration has assessed the financial condition and the potential impact on revenues and has determined that the District has assets and fund balances to absorb this potential decrease in revenues for 2020/2021.

**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 \$97,127 recorded in the General Fund.

**C. CONSTRUCTION COMMITMENTS**

The District has active construction projects as of June 30, 2020. Outstanding construction commitments are estimated at \$10,728,491.

The District has entered into a joint agreement with Erie 1 BOCES and its nineteen component school districts for the construction of improvements to various BOCES school facilities, pursuant to section 1950 of education law. The District’s portion of total capital project costs is \$1,466,020. This will be paid in three installments between 2022 and 2024.

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

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**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 30 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.

As a result of these tax abatement agreements, for the year ended June 30, 2020, the District's total tax revenues were reduced by \$682,066.

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

**NOTE 7 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 1, 2020, 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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS)  
AND ACTUAL GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

	<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	\$ 40,998,287	\$ 40,998,287	\$ 41,031,138	\$ 32,851
Real property tax items	757,233	757,233	930,089	172,856
Non-property taxes	5,460,000	5,460,000	5,585,712	125,712
Charges for services	1,155,250	1,155,250	944,336	(210,914)
Use of money and property	145,498	145,498	201,479	55,981
Sale of property and compensation for loss	55,250	55,250	27,205	(28,045)
Miscellaneous local sources	349,448	349,448	504,428	154,980
State sources:				
Basic formula	22,935,526	22,935,526	24,569,025	1,633,499
Lottery aid	7,200,000	7,200,000	7,137,303	(62,697)
BOCES aid	2,751,804	2,751,804	2,504,184	(247,620)
Other state aid	2,287,210	2,287,210	573,122	(1,714,088)
Federal sources	250,000	250,000	258,828	8,828
<b>Total revenues</b>	<b>84,345,506</b>	<b>84,345,506</b>	<b>84,266,849</b>	<b>(78,657)</b>
Other financing sources:				
Appropriated fund balance	1,948,488	2,132,518	-	(2,132,518)
<b>Total revenues and other financing sources</b>	<b>\$ 86,293,994</b>	<b>\$ 86,478,024</b>	<b>\$ 84,266,849</b>	<b>\$ (2,211,175)</b>

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

**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS)  
AND ACTUAL GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2020 (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	\$ 47,600	\$ 72,557	\$ 64,887	\$ -	\$ 7,670
Central administration	297,480	306,507	298,498	-	8,009
Finance	631,971	668,780	635,052	16,525	17,203
Staff	615,307	670,211	654,305	-	15,906
Central services	4,879,663	4,925,749	4,353,605	44,979	527,165
Special items	815,595	811,445	727,634	-	83,811
Instruction:					
Instruction, administration and improvements	2,411,685	2,692,771	2,656,563	-	36,208
Teaching - regular school	27,291,324	26,873,129	25,695,793	12,124	1,165,212
Programs for children with handicaps	12,029,116	12,386,708	11,947,800	4,587	434,321
Occupational education	1,353,710	1,353,710	1,353,710	-	-
Teaching - special schools	547,142	547,142	453,791	-	93,351
Instructional media	2,913,390	3,775,969	3,758,211	295	17,463
Pupil services	3,345,332	3,443,083	3,245,899	18,617	178,567
Pupil transportation	3,620,167	3,699,917	3,386,841	-	313,076
Debt service - principal	3,879,650	3,879,650	3,879,650	-	-
Debt service interest	816,367	816,367	816,366	-	1
Employee benefits	20,548,495	19,178,106	17,995,824	-	1,182,282
	<u>86,043,994</u>	<u>86,101,801</u>	<u>81,924,429</u>	<u>97,127</u>	<u>4,080,245</u>
Other financing uses:					
Interfund transfers out	<u>250,000</u>	<u>376,223</u>	<u>376,191</u>	<u>-</u>	<u>32</u>
Total expenditures and other financing uses	<u>\$ 86,293,994</u>	<u>\$ 86,478,024</u>	<u>82,300,620</u>	<u>\$ 97,127</u>	<u>\$ 4,080,277</u>
Net change in fund balance			<u>\$ 1,966,229</u>		

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

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

	Year Ended June 30,					
	2015	2016	2017	2018	2019	2020
<b>Teachers' Retirement System (TRS)</b>						
Measurement date	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019
District's proportion of the net pension (asset)/liability	0.199165%	0.201219%	0.200839%	0.202696%	0.204187%	0.206507%
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>	\$ <u>(3,692,246)</u>	\$ <u>(5,365,054)</u>
District's covered payroll	\$ 29,419,717	\$ 30,225,884	\$ 30,991,259	\$ 32,120,579	\$ 33,606,676	\$ 34,720,230
District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll	-75.4%	-69.1%	6.9%	-4.8%	-11.0%	-15.5%
Plan fiduciary net position as a percentage of the total pension (asset) liability	-111.5%	-110.5%	99.0%	-100.7%	-101.5%	-102.2%
<b>Employees' Retirement System (ERS)</b>						
Measurement date	March 31, 2015	March 31, 2016	March 31, 2017	March 31, 2018	March 31, 2019	March 31, 2020
District's proportion of the net pension liability	0.033097%	0.031920%	0.030700%	0.028875%	0.029957%	0.029693%
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>	\$ <u>2,122,535</u>	\$ <u>7,862,822</u>
District's covered payroll	\$ 9,249,399	\$ 9,447,556	\$ 9,320,776	\$ 9,945,946	\$ 10,151,868	\$ 10,427,688
District's proportionate share of the net pension liability as a percentage of its covered payroll	12.1%	54.2%	30.9%	9.4%	20.9%	75.4%
Plan fiduciary net position as a percentage of the total pension liability	97.9%	90.7%	97.9%	98.2%	96.3%	86.4%

\* This schedule is intended to show information for ten years. Additional years will be included as they become available.

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

**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS - EMPLOYEES' AND TEACHERS' RETIREMENT SYSTEMS  
LAST TEN FISCAL YEARS  
FOR THE YEAR ENDED JUNE 30,**

	<b>TEACHERS' RETIREMENT SYSTEM</b>									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 2,884,436	\$ 3,622,913	\$ 3,573,130	\$ 4,868,910	\$ 5,371,978	\$ 4,186,421	\$ 3,758,675	\$ 3,258,316	\$ 3,660,284	\$ 3,097,753
Contributions in relation to the contractually required contribution	<u>2,884,436</u>	<u>3,622,913</u>	<u>3,573,130</u>	<u>4,868,910</u>	<u>5,371,978</u>	<u>4,186,421</u>	<u>3,758,675</u>	<u>3,258,316</u>	<u>3,660,284</u>	<u>3,097,753</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	30,532,802	30,779,149	29,103,062	29,419,717	30,225,884	30,991,259	32,120,579	33,606,676	34,720,230	35,390,446
Contributions as a percentage of covered payroll	9.4%	11.8%	12.3%	16.5%	17.8%	13.5%	11.7%	9.7%	10.5%	8.8%
	<b>EMPLOYEES' RETIREMENT SYSTEM</b>									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$ 1,176,696	\$ 1,529,164	\$ 1,929,451	\$ 2,055,555	\$ 1,848,331	\$ 1,642,155	\$ 1,548,078	\$ 1,433,342	\$ 1,482,268	\$ 1,546,502
Contributions in relation to the contractually required contribution	<u>1,176,696</u>	<u>1,529,164</u>	<u>1,929,451</u>	<u>2,055,555</u>	<u>1,848,331</u>	<u>1,642,155</u>	<u>1,548,078</u>	<u>1,433,342</u>	<u>1,482,268</u>	<u>1,546,502</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	9,851,204	10,176,896	9,809,100	10,056,949	9,511,756	9,397,076	9,513,256	10,080,677	10,225,157	10,623,960
Contributions as a percentage of covered payroll	11.9%	15.0%	19.7%	20.4%	19.4%	17.5%	16.3%	14.2%	14.5%	14.6%

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

**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS\***

Measurement Date	Year ended June 30,		
	2018 March, 31	2019 March, 31	2020 March, 31
Total OPEB Liability			
Service cost	\$ 159,015	\$ 195,231	\$ 270,900
Interest	190,152	197,990	283,118
Changes in benefit terms	-	-	-
Differences between expected and actual experience	201,601	2,538,890	(961,018)
Changes of assumptions or other inputs	77,979	74,678	660,431
Benefit payments	<u>(206,078)</u>	<u>(184,456)</u>	<u>(336,779)</u>
Net change in total OPEB liability	422,669	2,822,333	(83,348)
Total OPEB liability - beginning	<u>5,051,052</u>	<u>5,473,721</u>	<u>8,296,054</u>
Total OPEB liability - ending	\$ <u><u>5,473,721</u></u>	\$ <u><u>8,296,054</u></u>	\$ <u><u>8,212,706</u></u>
Covered-employee payroll	\$ 39,932,376	\$ 38,769,297	\$ 40,071,945
Total OPEB liability as a percentage of covered-employee payroll	13.71%	21.40%	20.49%

\* This Schedule is intended to show information for ten years. Additional years will be included as they become 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, 2020, 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 - FACTORS AFFECTING TRENDS IN OTHER POSTEMPLOYMENT BENEFITS AND PENSIONS**

**A. RETIREMENT SYSTEMS**

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. The discount rate in effect at each measurement date is as follows:

Year ended June 30:

2020	7.10%	6.80%
2019	7.25%	7.00%
2018	7.25%	7.00%
2017	7.50%	7.00%
2016	8.00%	7.50%
2015	8.00%	7.50%

**B. POSTEMPLOYMENT BENEFIT PLAN**

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. Changes of assumptions and other inputs reflect a discount rate each period which is used in the calculation of the postemployment liability. Factors in effect at each measurement date is as follows:

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

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	Discount Rate	Salary Scale	Inflation Rate	Ultimate Healthcare Cost Trend Rate
Year ended June 30:				
2020	2.48%	3.22%	2.20%	4.18%
2019	3.44%	3.36%	2.31%	4.32%
2018	3.61%	3.31%	2.37%	4.23%
2017	3.80%	3.31%	2.20%	4.23%

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## **SUPPLEMENTARY INFORMATION**

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**FRONTIER CENTRAL SCHOOL DISTRICT  
 COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Special Aid</u>	<u>Debt Service</u>	<u>School Lunch</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 49,715	\$ 1,284,989	\$ 152,622	\$ 1,487,326
Receivables	-	-	508	508
State and federal aid receivable	1,074,882	-	202,849	1,277,731
Inventory	-	-	104,488	104,488
Total assets	<u>\$ 1,124,597</u>	<u>\$ 1,284,989</u>	<u>\$ 460,467</u>	<u>\$ 2,870,053</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 41,481	\$ -	\$ 44,682	\$ 86,163
Accrued liabilities	-	-	8,444	8,444
Due to retirement systems	-	-	45,289	45,289
Due to other funds	1,070,868	-	298,598	1,369,466
Unearned revenue	12,248	-	28,846	41,094
Total liabilities	<u>1,124,597</u>	<u>-</u>	<u>425,859</u>	<u>1,550,456</u>
<b>FUND BALANCES (DEFICIT)</b>				
Nonspendable	-	-	104,488	104,488
Assigned	-	1,284,989	-	1,284,989
Unassigned (deficit)	-	-	(69,880)	(69,880)
Total fund balances	<u>-</u>	<u>1,284,989</u>	<u>34,608</u>	<u>1,319,597</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,124,597</u>	<u>\$ 1,284,989</u>	<u>\$ 460,467</u>	<u>\$ 2,870,053</u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Special Aid</u>	<u>Debt Service</u>	<u>School Lunch</u>	<u>Total</u>
<b>REVENUES</b>				
Use of money and property	\$ -	\$ 53,034	\$ 31	\$ 53,065
Miscellaneous local sources	6,652	-	19,288	25,940
State sources	1,046,318	-	48,933	1,095,251
Federal sources	1,883,564	-	1,342,621	3,226,185
School lunch	-	-	443,790	443,790
	<u>2,936,534</u>	<u>53,034</u>	<u>1,854,663</u>	<u>4,844,231</u>
Total revenues				
<b>EXPENDITURES</b>				
Instruction	2,934,939	-	-	2,934,939
School lunch	-	-	1,510,535	1,510,535
Employee benefits	162,786	-	359,520	522,306
	<u>3,097,725</u>	<u>-</u>	<u>1,870,055</u>	<u>4,967,780</u>
Total expenditures				
Excess (deficit) of revenues over expenditures	(161,191)	53,034	(15,392)	(123,549)
<b>OTHER FINANCING SOURCES</b>				
Interfund transfers in	161,191	-	50,000	211,191
Premium on obligation	-	-	-	-
	<u>161,191</u>	<u>-</u>	<u>50,000</u>	<u>211,191</u>
Total other financing sources				
Net change in fund balances	-	53,034	34,608	87,642
Fund balances - beginning	<u>-</u>	<u>1,231,955</u>	<u>-</u>	<u>1,231,955</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 1,284,989</u>	<u>\$ 34,608</u>	<u>\$ 1,319,597</u>

**FRONTIER CENTRAL SCHOOL DISTRICT  
 SCHEDULE OF CHANGES FROM ADOPTED BUDGET TO FINAL BUDGET  
 FOR THE YEAR ENDED JUNE 30, 2020**

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Adopted Budget		\$	86,293,994
Additions:			
Encumbrances from prior year			<u>184,030</u>
Final Budget		\$	<u><u>86,478,024</u></u>

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

2020-21 voter approved expenditure budget		\$	89,486,591
Maximum allowed			3,579,464

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

Unrestricted fund balance:			
Assigned fund balance			2,545,615
Unassigned fund balance			<u>3,581,857</u>
Total unrestricted fund balance			<u><u>6,127,472</u></u>

Less:			
Appropriated fund balance			2,448,488
Encumbrances included in assigned fund balance			<u>97,127</u>
Total adjustments			<u><u>2,545,615</u></u>

General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law		\$	<u><u>3,581,857</u></u>
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Actual percentage			4.00%
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**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2020**

<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>	
2018 Project - Phase 1	\$ 12,243,587	\$ 5,537,777	\$ 4,283,788	\$ 1,253,989	\$ 5,537,777	\$ -
2018 Project - Phase 2	12,156,413	16,862,224	813,171	8,957,196	9,770,367	7,091,857
2018 Project - Phase 3	-	2,000,000	-	442,353	442,353	1,557,647
Capital Outlay 2019/2020	100,000	100,000	-	83,507	83,507	16,493
High School Pole Barn	65,205	147,500	19,432	118,928	138,360	9,140
Multi-Use Field	1,804,000	1,804,000	73,231	603,342	676,573	1,127,427
Smart Schools Bond Act	3,056,630	3,056,630	151,466	82,747	234,213	2,822,417
Buses 2019/2020	886,324	886,324	-	883,230	883,230	3,094
<b>Total</b>	<b>\$ 30,312,159</b>	<b>\$ 30,394,455</b>	<b>\$ 5,341,088</b>	<b>\$ 12,425,292</b>	<b>\$ 17,766,380</b>	<b>\$ 12,628,075</b>

**FRONTIER CENTRAL SCHOOL DISTRICT  
SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2020**

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Capital assets, net	\$	81,209,933
Deduct:		
Bond anticipation notes payable		(15,726,063)
Bonds payable		(25,760,000)
Unamortized bond premium		(396,971)
Capital leases payable		(200,139)
Retainage payable		(503,124)
Add:		
Unspent debt proceeds		<u>3,910,131</u>
Net investment in capital assets	\$	<u><u>42,533,767</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, 2020, 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 1, 2020.

**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 1, 2020

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