

FRONTIER CENTRAL
SCHOOL DISTRICT, NEW YORK
*Basic Financial Statements, Required Supplementary
Information, Supplementary Information and
Federal Awards Information for the Year Ended
June 30, 2022 and Independent Auditors' Reports*

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Education
Frontier Central School District, New York

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements 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, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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.

Supplementary 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, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information, as listed in the table of contents, and the Schedule of Expenditures of Federal Award are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2022 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.

Drescher & Malecki LLP

October 4, 2022

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Management's Discussion and Analysis
Year Ended June 30, 2022

As management of the Frontier Central School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. This document should be read in conjunction with the additional information that we have furnished in the District's financial statements, which follow this narrative.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$75,478,990 (net position). Net position consists of \$50,398,977 net investment in capital assets, \$16,895,174 restricted for specific purposes, and unrestricted net position of \$8,184,839.
- The District's total net position increased by \$14,192,241 during the year ended June 30, 2022.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$22,283,809, an increase of \$19,767,542 in comparison with the prior year's fund balance of \$2,516,267.
- At the end of the current fiscal year, *unassigned fund balance* of the General Fund was \$3,866,733, or approximately 4.2 percent of total General Fund expenditures and transfers out. This total amount is *available for spending* at the District's discretion and constitutes approximately 16.2 percent of the General Fund's total fund balance of \$23,907,420 at June 30, 2022.
- The District's total bonded indebtedness increased by \$13,965,000 as a result of the issuance of serial bonds of \$16,570,000, which was partially offset by scheduled principal payments of \$2,605,000.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements—The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include general support, instruction, pupil transportation, school food service, student activities, and interest and other fiscal charges. The District does not engage in any business-type activities.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds' balance sheet and the governmental funds' statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental funds' balance sheet and in the governmental funds' statement of revenues, expenditures and changes in fund balances for the General Fund, Special Aid Fund, and Capital Projects Fund, which are considered major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary funds—Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The District maintains one fiduciary fund, the Private Purpose Trust Fund.

The fiduciary fund statements can be found on pages 18 and 19 of this report.

Notes to the financial statements—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-48 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the District’s net pension liabilities/(assets), the changes in the District’s total other postemployment benefits (“OPEB”) obligation, and the District’s budgetary comparison for the General Fund. Required Supplementary Information and related notes to the required supplementary information can be found on pages 49-57 of this report.

Supplementary information is presented immediately following the Required Supplementary Information in the Supplementary Information section of this report on pages 58-62.

Finally, the Federal Awards Information section presents the District’s Schedule of Expenditures of Federal Awards. This section can be found immediately following the Supplementary Information on pages 63-71 of this report.

Government-wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of the District’s financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$75,478,990 at June 30, 2022, as compared to assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by \$61,286,749 at the close of the year ended June 30, 2021.

Table 1, shown below, presents the condensed statements of net position of the District at June 30, 2022 and June 30, 2021.

Table 1 - Condensed Statements of Net Position

	June 30,	
	2022	2021
Current assets	\$ 35,853,911	\$ 32,727,672
Noncurrent assets	<u>129,970,245</u>	<u>89,532,106</u>
Total assets	<u>165,824,156</u>	<u>122,259,778</u>
Deferred outflows of resources	<u>26,609,475</u>	<u>27,601,449</u>
Current liabilities	13,670,853	30,576,935
Noncurrent liabilities	<u>51,325,539</u>	<u>45,403,242</u>
Total liabilities	<u>64,996,392</u>	<u>75,980,177</u>
Deferred inflows of resources	<u>51,958,249</u>	<u>12,594,301</u>
Net position:		
Net investment in capital assets	50,398,977	44,649,857
Restricted	16,895,174	18,280,925
Unrestricted	<u>8,184,839</u>	<u>(1,644,033)</u>
Total net position	<u>\$ 75,478,990</u>	<u>\$ 61,286,749</u>

The largest portion of the District’s net position, \$50,398,977, reflects its investment in capital assets (e.g. land, buildings, improvements and equipment), net of accumulated depreciation/amortization and less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide a variety of services to students. Accordingly, these assets are not available for future spending. Although the

District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The next largest portion of the District's net position, \$16,895,174, represents resources that are subject to 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.

The final largest portion reflects unrestricted net position of \$8,184,839, and represents resources that may be used to meet the District's ongoing obligations.

Table 2, as presented below, shows the changes in net position for the years ended June 30, 2022 and June 30, 2021.

Table 2—Condensed Statements of Changes in Net Position

	Year Ended June 30,	
	2022	2021
Program revenues:		
Charges for services	\$ 995,579	\$ 626,668
Operating grants and contributions	10,039,547	6,355,756
General revenues	<u>90,301,077</u>	<u>85,991,401</u>
Total revenues	<u>101,336,203</u>	<u>92,973,825</u>
Program expenses	<u>87,143,962</u>	<u>91,223,418</u>
Change in net position	14,192,241	1,750,407
Net position—beginning	<u>61,286,749</u>	<u>59,536,342</u>
Net position—ending	<u>\$ 75,478,990</u>	<u>\$ 61,286,749</u>

Overall revenues increased 9.0 percent from the prior year, primarily due to increases in federal funding related to the COVID-19 pandemic, along with increases in state aid, real property taxes and sales tax. Total expenses decreased 4.5 percent from the prior year, primarily due to a decrease in instruction costs due to decreases in allocable employee benefits.

A summary of sources of revenues for the years ended June 30, 2022 and June 30, 2021 is presented below in Table 3:

Table 3—Summary of Sources of Revenues

	Year Ended June 30,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Charges for services	\$ 995,579	\$ 626,668	\$ 368,911	58.9
Operating grants and contributions	10,039,547	6,355,756	3,683,791	58.0
Taxes and tax items	51,570,559	49,773,767	1,796,792	3.6
Use of money and property	69,500	85,607	(16,107)	(18.8)
Sale of property and compensation for loss	210,191	19,244	190,947	992.2
State sources—unrestricted	37,435,486	35,323,383	2,112,103	6.0
Miscellaneous	1,015,341	789,400	225,941	28.6
Total revenues	<u>\$ 101,336,203</u>	<u>\$ 92,973,825</u>	<u>\$ 8,362,378</u>	9.0

The most significant sources of revenue for the year ended June 30, 2022 were taxes and tax items of \$51,570,559, or 50.9 percent of total revenues, state sources—unrestricted of \$37,435,486, or 36.9 percent of total revenues, and operating grants and contributions of \$10,039,547, or 9.9 percent of total revenues. Similarly, for the year ended June 30, 2021 significant sources of revenue were taxes and tax items of \$49,773,767, or 53.5 percent of total revenues, state sources—unrestricted of \$35,323,383, or 38.0 percent of total revenues, and operating grants and contributions of \$6,355,756, or 6.8 percent of total revenues.

A summary of program expenses for the years ended June 30, 2022 and June 30, 2021 is presented below in Table 4:

Table 4—Summary of Program Expenses

	Year Ended June 30,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
General support	\$ 10,206,009	\$ 10,888,240	\$ (682,231)	(6.3)
Instruction	67,938,258	73,679,871	(5,741,613)	(7.8)
Pupil transportation	5,708,425	3,844,419	1,864,006	48.5
School food service	2,239,968	1,752,179	487,789	27.8
Student activities	234,739	112,300	122,439	109.0
Interest and other fiscal charges	816,563	946,409	(129,846)	(13.7)
Total program expenses	<u>\$ 87,143,962</u>	<u>\$ 91,223,418</u>	<u>\$ (4,079,456)</u>	(4.5)

The most significant expense items for the year ended June 30, 2022 were instruction of \$67,938,258, or 78.0 percent of total expenses, general support of \$10,206,009, or 11.7 percent of total expenses, and pupil transportation of \$5,708,425, or 6.6 percent of total expenses. Similarly, for the year ended June 30, 2021 significant expense items were instruction of \$73,679,871, or 80.8 percent of total expenses, general support of \$10,888,240, or 11.9 percent of total expenses, and pupil transportation of \$3,844,419, or 4.2 percent of total expenses.

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds—The focus of the District’s *governmental funds* is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, *unassigned fund balance* and *fund balance assigned to specific use* in special revenue funds may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by an external party, the District itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Board of Education.

As of June 30, 2022, the District’s governmental funds reported a combined ending fund balance of \$22,283,809, an increase of \$19,767,542 from the prior year. Excluding the effect of \$4,227,596 fund balance deficit in the Capital Projects Fund, \$3,866,733, of this amount constitutes *unassigned fund balance* which is available for spending at the District’s discretion. The remainder of fund balance is either *nonspendable*, *restricted*, or *assigned*, to indicate that it is: (1) not in spendable form, \$346,682, (2) restricted for particular purposes, \$18,565,271 or (3) assigned for particular purposes, \$3,732,719.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,866,733, while total fund balance decreased to \$23,907,420. As a measure of the General Fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures and transfers out. Unassigned fund balance represents 4.2 percent of total General Fund expenditures and transfers out, while total fund balance represents 25.8 percent of that same amount.

The total fund balance of the District’s General Fund decreased by \$1,170,574 during the current fiscal year. During the annual budget process, the District anticipated utilizing \$2,966,914 of fund balance, which included funds appropriated from unrestricted fund balance (\$2,849,640), and the appropriation of prior year’s encumbrances (\$117,274). As a result of spending less than anticipated, the District’s General Fund fund balance ended \$1,796,340 higher than expected.

The Special Aid Fund maintains funds that are received by the State and Federal governments. Revenues for the year ended June 30, 2022 totaled \$6,607,055 and were comprised of State and Federal sources. Expenditures totaled \$6,771,566 and were mostly used towards the instruction and transportation of students. The difference between revenues and expenditures was subsidized by a transfer from the General Fund.

The fund balance within the Capital Projects Fund increased by \$20,002,111 during the year ended June 30, 2022, to an ending fund balance deficit of \$4,227,596. Capital outlay is supported primarily by short-term debt which is the main cause of the deficit. The remaining deficit balance is anticipated to be remedied through the receipt of state aid.

General Fund Budgetary Highlights

The District’s General Fund budget generally contains budget amendments during the year. The budget is allowed to be amended upward (increased) for prior year’s encumbrances since the funds were allocated under the previous year’s budget, and the District has appropriately assigned an equal amount of fund balance at year-end for this purpose. A summary of revisions from adopted budget to final budget is presented in Table 5 on the following page.

Table 5—General Fund Budget

Adopted budget, 2021 - 2022	\$ 93,039,035
Add: Prior year's encumbrances	<u>117,274</u>
Original budget, 2021 - 2022	93,156,309
Budget revisions	<u>5,066,139</u>
Final budget, 2021 - 2022	<u>\$ 98,222,448</u>

More detailed information about the District's General Fund budget is presented in the Schedule of Revenues, Expenditures and Changes in Fund Balance—Budget (Non-GAAP Basis) and Actual—General Fund within the Requirement Supplementary Information section of this report.

Capital Asset and Debt Administration

Capital assets—The District's investment in capital assets for its governmental activities as of June 30, 2022, amounted to \$90,921,402 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, vehicles, and right-to-use leased equipment. All depreciable capital assets were depreciated/amortized from acquisition date to the end of the current year as outlined in the District's capital asset policy.

Capital assets, net of depreciation for the governmental activities at June 30, 2022 and June 30, 2021 are presented in Table 6 below:

Table 6 - The District's Capital Assets (Net of Accumulated Depreciation/Amortization)

	June 30,	
	2022	2021
Land	\$ 802,150	\$ 802,150
Construction in progress	6,459,815	2,762,573
Land improvements	10,179,697	10,752,790
Buildings and building improvements	69,172,074	71,057,959
Equipment and vehicles	4,257,026	4,156,634
Right-to-use leased equipment	50,640	-
Total	<u>\$ 90,921,402</u>	<u>\$ 89,532,106</u>

Additional information on the District's capital assets is presented in Note 4 to the financial statements.

Long-term liabilities—At June 30, 2022, the District had total long-term liabilities of \$51,325,539, as compared to \$45,403,242 in the prior year. Of the total long-term liabilities at June 30, 2022, \$37,170,000 represents serial bonds issued by the District. During the year ended June 30, 2022, the District's total bonded indebtedness increased by \$13,965,000 as a result of the issuance of serial bonds of \$16,570,000, which was partially offset by scheduled principal payments of \$2,605,000.

A summary of the District's long-term liabilities at June 30, 2022 and June 30, 2021 is presented in Table 7 on the following page.

Table 7—Summary of Long-Term Liabilities

	June 30,	
	2022	2021
Serial bonds	\$ 37,170,000	\$ 23,205,000
Premium on serial bonds	937,534	346,013
Lease liability	49,426	-
Compensated absences	6,047,153	4,917,372
Workers' compensation	2,085,872	2,907,947
OPEB obligation	5,035,554	8,235,372
Net pension liability	-	5,791,538
Total	<u>\$ 51,325,539</u>	<u>\$ 45,403,242</u>

Additional information on the District's long-term liabilities can be found in Note 11 to the financial statements.

Economic Factors and Next Year's Budget and Rates

The unemployment rate, not seasonally adjusted, for the region at June 30, 2022 was 4.1 percent. This compares to New York State's average unemployment rate of 4.4 percent. These factors, as well as others, are considered in preparing the District's budget.

During the current fiscal year, the District appropriated \$2,849,640 of the General Fund's fund balance for spending in the District's 2022-2023 fiscal year budget. The 2022-2023 adopted budget appropriations total of \$96,668,323 is an approximate increase of 3.8 percent as compared to the \$93,039,035 budgeted appropriations in 2021-2022. The District's total tax levy in 2022-2023 is \$44,808,332, an increase of \$1,228,378 compared to \$43,579,954 levied during the 2021-2022 year.

Request for Information

This financial report is designed to provide our taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mr. Robert McDow, Assistant Superintendent for Finance and Operations, Frontier Central School District, 5120 Orchard Avenue, Hamburg, New York 14075.

BASIC FINANCIAL STATEMENTS

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FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Net Position
June 30, 2022

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,626,621
Restricted cash and cash equivalents	23,270,603
Receivables	588,138
Intergovernmental receivables	7,021,867
Cash value of life insurance	278,141
Inventories	68,541
Noncurrent net pension asset	39,048,843
Capital assets not being depreciated/amortized	7,261,965
Capital assets, net of accumulated depreciation/amortization	83,659,437
Total assets	165,824,156
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows—relating to pension plans	26,222,076
Deferred outflows—relating to OPEB	387,399
Total deferred outflows of resources	26,609,475
LIABILITIES	
Accounts payable	2,655,683
Retainages payable	13,455
Accrued liabilities	2,344,400
Due to retirement systems	4,434,778
Unearned revenue	200,430
Bond anticipation notes payable	4,022,107
Noncurrent liabilities:	
Due within one year	4,724,537
Due in more than one year	46,601,002
Total liabilities	64,996,392
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows—relating to pension plans	49,290,392
Deferred inflows—relating to OPEB	2,667,857
Total deferred inflows of resources	51,958,249
NET POSITION	
Net investment in capital assets	50,398,977
Restricted for:	
Workers' compensation	2,908,495
Retirement contribution	5,682,188
Tax certiorari	351,184
Employee benefits	7,748,320
Capital projects	766
Student activities	204,221
Unrestricted	8,184,839
Total net position	\$ 75,478,990

The notes to the financial statements are an integral part of this statement.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Activities
Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Governmental Activities</u>
Governmental activities:				
General support	\$ 10,206,009	\$ -	\$ -	\$ (10,206,009)
Instruction	67,938,258	525,343	7,492,415	(59,920,500)
Pupil transportation	5,708,425	-	-	(5,708,425)
School food service	2,239,968	200,823	2,547,132	507,987
Student activities	234,739	269,413	-	34,674
Interest and other fiscal charges	816,563	-	-	(816,563)
Total primary government	<u>\$ 87,143,962</u>	<u>\$ 995,579</u>	<u>\$ 10,039,547</u>	<u>(76,108,836)</u>
General revenues:				
Real property taxes and other tax items				44,554,535
Non-property tax items				7,016,024
Use of money and property				69,500
Sale of property and compensation for loss				210,191
State sources—unrestricted				37,435,486
Miscellaneous				1,015,341
Total general revenues				<u>90,301,077</u>
Change in net position				14,192,241
Net position—beginning				<u>61,286,749</u>
Net position—ending				<u>\$ 75,478,990</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Balance Sheet—Governmental Funds
June 30, 2022

	<u>Special Revenue</u>			<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 4,624,047	\$ -	\$ -	\$ 140,165	\$ 4,764,212
Restricted cash and cash equivalents	16,690,953	31,769	4,883,761	1,526,529	23,133,012
Receivables	581,812	-	-	6,326	588,138
Intergovernmental receivables	3,440,630	3,093,073	-	488,164	7,021,867
Due from other funds	6,397,725	-	-	453,935	6,851,660
Cash value of life insurance	278,141	-	-	-	278,141
Inventories	-	-	-	68,541	68,541
Total assets	<u>\$ 32,013,308</u>	<u>\$ 3,124,842</u>	<u>\$ 4,883,761</u>	<u>\$ 2,683,660</u>	<u>\$ 42,705,571</u>
LIABILITIES					
Accounts payable	\$ 1,449,403	\$ 672,379	\$ 520,693	\$ 13,208	\$ 2,655,683
Accrued liabilities	2,253,643	-	-	3,461	2,257,104
Due to other funds	-	2,283,103	4,568,557	-	6,851,660
Due to retirement systems	4,402,842	-	-	31,936	4,434,778
Unearned revenue	-	169,360	-	31,070	200,430
Bond anticipation notes payable	-	-	4,022,107	-	4,022,107
Total liabilities	<u>8,105,888</u>	<u>3,124,842</u>	<u>9,111,357</u>	<u>79,675</u>	<u>20,421,762</u>
FUND BALANCES (DEFICIT)					
Nonspendable	278,141	-	-	68,541	346,682
Restricted	16,690,953	-	-	1,874,318	18,565,271
Assigned	3,071,593	-	-	661,126	3,732,719
Unassigned	3,866,733	-	(4,227,596)	-	(360,863)
Total fund balances (deficit)	<u>23,907,420</u>	<u>-</u>	<u>(4,227,596)</u>	<u>2,603,985</u>	<u>22,283,809</u>
Total liabilities and fund balances (deficit)	<u>\$ 32,013,308</u>	<u>\$ 3,124,842</u>	<u>\$ 4,883,761</u>	<u>\$ 2,683,660</u>	<u>\$ 42,705,571</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of the Balance Sheet—Governmental Funds
to the Government-wide Statement of Net Position
June 30, 2022

Amounts reported for governmental activities in the statement of net position (page 12) are different because:

Total fund balances (deficit)—governmental funds (page 14)	\$ 22,283,809	
Net pension assets are not current financial resources and, therefore, are not reported in the funds.		39,048,843
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$141,550,243 and the accumulated depreciation/amortization is \$50,628,841.		90,921,402
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to employer contributions	\$ 4,242,647	
Deferred outflows related to experience, changes of assumptions, investment earnings, and changes in proportion	21,979,429	
Deferred inflows of resources related to pension plans	<u>(49,290,392)</u>	(23,068,316)
Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the fund statements:		
Deferred outflows related to benefits payments, experience and changes of assumptions	\$ 387,399	
Deferred inflows related to experience and changes of assumptions	<u>(2,667,857)</u>	(2,280,458)
Retained percentages are not a current liability and, therefore are not reported in the funds.		(13,455)
Net accrued interest expense for serial bonds and bond anticipation notes is not reported in the fund statements.		(87,296)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund statements. The effects of these items are:		
Serial bonds	\$ (37,170,000)	
Premium on serial bonds	(937,534)	
Lease liability	(49,426)	
Compensated absences	(6,047,153)	
Workers' compensation	(2,085,872)	
OPEB obligation	<u>(5,035,554)</u>	<u>(51,325,539)</u>
Net position of governmental activities		<u>\$ 75,478,990</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit)—Governmental Funds
Year Ended June 30, 2022

	<u>Special Revenue</u>			<u>Total</u>	<u>Total</u>
	<u>General</u>	<u>Special Aid</u>	<u>Capital Projects</u>	<u>Nonmajor Funds</u>	<u>Governmental Funds</u>
REVENUES					
Real property taxes	\$ 39,156,840	\$ -	\$ -	\$ -	\$ 39,156,840
Real property tax items	5,397,695	-	-	-	5,397,695
Non-property tax items	7,016,024	-	-	-	7,016,024
Charges for services	525,343	-	-	-	525,343
Use of money and property	69,062	-	-	438	69,500
Sale of property and compensation for loss	210,191	-	-	-	210,191
Miscellaneous	874,233	-	29,723	11,006	914,962
State sources	37,922,279	1,220,418	-	44,874	39,187,571
Federal sources	398,567	5,386,637	-	2,502,258	8,287,462
Sales—food service	-	-	-	200,823	200,823
Student activity collections	-	-	-	269,413	269,413
Total revenues	<u>91,570,234</u>	<u>6,607,055</u>	<u>29,723</u>	<u>3,028,812</u>	<u>101,235,824</u>
EXPENDITURES					
Current:					
General support	8,447,344	-	-	-	8,447,344
Instruction	50,090,792	6,145,137	-	-	56,235,929
Pupil transportation	3,971,891	139,501	-	-	4,111,392
Employee benefits	18,814,896	486,928	-	364,276	19,666,100
Debt service:					
Principal	2,614,322	-	-	-	2,614,322
Interest and other fiscal charges	1,043,639	-	-	-	1,043,639
Cost of sales (school lunch)	-	-	-	1,875,692	1,875,692
Student activities	-	-	-	234,739	234,739
Capital outlay	-	-	4,565,287	-	4,565,287
Total expenditures	<u>84,982,884</u>	<u>6,771,566</u>	<u>4,565,287</u>	<u>2,474,707</u>	<u>98,794,444</u>
Excess (deficiency) of revenues over expenditures	<u>6,587,350</u>	<u>(164,511)</u>	<u>(4,535,564)</u>	<u>554,105</u>	<u>2,441,380</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	164,511	7,657,675	-	7,822,186
Transfers out	(7,822,186)	-	-	-	(7,822,186)
Serial bonds issued	-	-	16,570,000	-	16,570,000
Premium on serial bonds issued	-	-	310,000	381,900	691,900
Leases issued	64,262	-	-	-	64,262
Total other financing sources (uses)	<u>(7,757,924)</u>	<u>164,511</u>	<u>24,537,675</u>	<u>381,900</u>	<u>17,326,162</u>
Net change in fund balances (deficit)	(1,170,574)	-	20,002,111	936,005	19,767,542
Fund balances (deficit)—beginning	25,077,994	-	(24,229,707)	1,667,980	2,516,267
Fund balances (deficit)—ending	<u>\$ 23,907,420</u>	<u>\$ -</u>	<u>\$ (4,227,596)</u>	<u>\$ 2,603,985</u>	<u>\$ 22,283,809</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund
Balances (Deficit)—Governmental Funds to the Government-wide Statement of Activities
Year Ended June 30, 2022

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances (deficit)—total governmental funds (page 16) \$ 19,767,542

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization expense in the current period.

Capital asset additions	\$ 5,152,755	
Depreciation/amortization expense	<u>(3,763,459)</u>	1,389,296

Governmental funds report retained percentages expenditures on construction contracts when such a retained percentage is paid. However, in the statement of activities retained percentages on construction contracts is reported as an expense as it accrues.

37,703

Net differences between pension contributions recognized on the fund financial statements and the government-wide financial statements are as follows:

District pension contributions	\$ 5,106,174	
Employee contributions net of benefits earned	<u>2,079,773</u>	7,185,947

Deferred outflows and inflows of resources relating to OPEB result from actuarial changes in the census, changes in medical premiums that are different than expected healthcare cost trend rates, and changes in assumptions and other inputs. These amounts are shown net of current year amortization.

(2,701,488)

In the statement of activities, interest expense is recognized as it accrues, regardless of when it is paid.

227,076

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Additionally, in the statement of activities, certain operating expenses are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The net effect of these differences in the treatment of long-term debt and related items is as follows:

Serial bonds issued	\$ (16,570,000)	
Repayment of serial bonds	2,605,000	
Premium on serial bonds issued	(691,900)	
Amortization of premiums on serial bonds	100,379	
Leases issued	(64,262)	
Repayment of leases	14,836	
Change in compensated absences	(1,129,781)	
Change in workers' compensation	822,075	
Change in other postemployment benefits obligation	<u>3,199,818</u>	<u>(11,713,835)</u>

Change in net position of governmental activities \$ 14,192,241

The notes to the financial statements are an integral part of this statement.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Fiduciary Net Position—Fiduciary Funds
June 30, 2022

	<u>Private Purpose Trust</u>
ASSETS	
Restricted cash and cash equivalents	<u>612,709</u>
Total assets	<u>612,709</u>
NET POSITION	
Restricted for scholarships	<u>\$ 612,709</u>
Total net position	<u>\$ 612,709</u>

The notes to the financial statements are an integral part of this statement.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Statement of Changes in Fiduciary Net Position—Fiduciary Funds
Year Ended June 30, 2022

	Private Purpose Trust
ADDITIONS	
Contributions	\$ 11,290
Interest income	122
Total additions	11,412
DEDUCTIONS	
Scholarships awarded	29,750
Total deductions	29,750
Change in fiduciary net position	(18,338)
Net position—beginning	631,047
Net position—ending	\$ 612,709

The notes to the financial statements are an integral part of this statement.

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FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Financial Statements
Year Ended June 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Frontier Central School District, New York (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America 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.

Description of Government-wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The District reports no business-type activities or component units.

Reporting Entity

The District is governed by the Education Law and other laws of the State of New York. The governing body is the Board of Education. 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. Support services such as transportation of pupils, food service, administration, finance and plant maintenance are also included.

The financial reporting entity includes all funds, functions and organizations over which the District officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Extraclassroom Activity Funds—The Extraclassroom Activity Funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the District with respect to its financial transactions and the designation of student management; however, since the District has administrative involvement with these funds they are reported within the District’s Student Activities Fund. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be found at the District’s business office.

Joint Venture—The District is a participating school district in the Erie 1 Board of Cooperative Education Services (“BOCES”). Formed under Section 1950 of Education Law, a BOCES is a voluntary cooperative association of school districts in a geographic area that shares planning, services, and programs, and also provides educational and support activities. There is no authority or process by which the District can terminate its status as a component of BOCES. All BOCES property is held by the BOCES Board as a corporation under Section 1950(6) of Education Law.

The component school district boards elect the members of the BOCES governing body. There are no equity interests and no single participant controls the financial or operating policies. In addition, BOCES Boards are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under Section 119-n(a) of General Municipal Law.

The BOCES budget is comprised of separate spending plans for administrative, program, and capital costs. Each component school district shares in administrative and capital costs determined by its enrollment. Participating districts are charged a service fee for programs in which students participate, and for other shared contracted administrative services. Participating districts may also issue debt on behalf of BOCES. As of June 30, 2022, there was no debt issued by the District on behalf of BOCES.

During the fiscal year ended June 30, 2022, the District was billed \$9,182,181 for BOCES administrative and program costs. Audited financial statements are available from the Erie 1 BOCES administrative offices.

Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments and charges between the District’s various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of Presentation – Fund Financial Statements

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

The District reports the following major governmental funds:

- **General Fund**—The General Fund constitutes the primary operating fund of the District and includes all operations not required to be recorded in other funds. The principal sources of revenues for the General Fund are real property taxes and state sources.
- **Special Aid Fund**—The Special Aid Fund is used to account for special operating projects or programs supported in whole, or in part, with federal and state grants.

- *Capital Projects Fund*—The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

The District also reports the following nonmajor governmental funds:

- *School Lunch Fund*—The School Lunch Fund is used to account for transactions of the District’s food service operations.
- *Student Activities Fund*—The Student Activities Fund is used to account for extraclassroom transactions, which represents funds of the students of the District. The District exercises administrative involvement with these funds.
- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Fiduciary Funds—These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Trust funds account for resources received and disbursements made in accordance with trust agreements or applicable legislative enactments for each particular fund. Fiduciary Funds include the *Private Purpose Trust Fund*. The *Private Purpose Trust Fund* is used to account for assets held by the District for scholarships.

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 the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

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

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 government-wide 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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial 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 generally 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 most revenues to be available if they are collected within 90 days of the end of the current fiscal period and certain grant revenues to be available if they are expected to be collected within 120 days of the end of the current fiscal period. 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, claims and judgments, and pensions are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, non-property taxes, charges for services provided, and state and federal aid associated with the current fiscal period are all considered susceptible to accrual and have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met and the amount is received during the period or within the period of availability (within 90 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability (within 90 days of year-end). All other revenue items are considered to be measureable and available only when cash is received by the District.

The Private Purpose Trust Fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments—The District’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition. New York State law governs the District’s investment policies. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. The District had no investments at June 30, 2022; however, when the District does have investments they are recorded at fair value in accordance with GASB.

Restricted Cash and Cash Equivalents—Restricted cash and cash equivalents represent unspent debt proceeds and amounts to support unearned revenues, restricted fund balances, and amounts held on behalf of others.

Receivables—Receivables are shown net of an allowance for uncollectible accounts, when applicable. No allowance or uncollectible accounts has been provided since it is believed that such allowance would not be material.

Cash Value of Life Insurance—Cash value of life insurance is stated at the lower of accumulated premiums or surrender value of the contracts.

Inventories—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 inventory items in other funds are recorded as expenditures at the time of purchase, and year-end balances are not maintained.

Capital Assets—Capital assets, which include land, construction in progress, land improvements, buildings and improvements, equipment and vehicles, and right-to-use leased equipment, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than an established threshold of \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated 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. Donated capital assets are recorded at acquisition value of the item at the date of its donation. Major outlays for capital assets and improvements are capitalized as projects are completed. Right-to-use leased equipment are initially measured as the amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial costs and are amortized on a straight-line basis over their useful lives.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

	Capitalization Threshold	Estimated Useful Life (Years)
Land improvements	\$ 5,000	20
Buildings and improvements	5,000	20-50
Furniture, equipment and vehicles	5,000	5-20
Right-to-use leased equipment	5,000	5-20

The *capital outlays* character classification is employed only for expenditures reported in the Capital Projects Fund. Routine capital expenditures in the General Fund and other governmental funds are included in the appropriate functional category (for example, the purchase of a new school bus included as part of *expenditures—pupil transportation*). The amount reported as *capital outlays* in the Capital Projects Fund will also include non-capitalized, project-related costs (for example, furnishings).

Unearned Revenue—Certain revenues have not met the revenue recognition criteria for government-wide or fund financial purposes. At June 30, 2022, the District reported \$169,360 and \$31,070 of unearned revenue in the Special Aid Fund and School Lunch Fund, respectively. The District received grant funding and monies for the purchase of school lunches in advance but has not performed the services and therefore recognizes a liability.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial 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. At June 30, 2022, the District has two items that qualify for reporting in this category. The first item, related to pensions, is reported in the government-wide financial statements. This represents the effect of the net change in the District’s proportion of the collective net pension liability/(asset), and the difference during the measurement period between the District’s contributions, its proportionate share of total contribution to the pension systems not included in pension expense, and any contributions to the pension systems subsequent to the measurement date. The second item is related to OPEB reported in the government-wide financial statements and represents the effects of the change in the District’s proportion of the collective OPEB liability and difference during the measurement period between certain employer’s contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

In addition to liabilities, the statement of financial 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. At June 30, 2022, the District reports two deferred inflows of resources on the government-wide financial statements related to pensions and OPEB, respectively. The first item represents the effect of the net change in the District's proportion of the collective net pension liability/(asset) and the difference during the measurement periods between the District's contributions, and its proportionate share of total contributions to the pension systems not included in pension expense. The second represents the effects of the change in the District's proportion of the collective OPEB liability and difference during the measurement period between certain employer's contributions and its proportionate share of the total of certain contributions from employers included in the collective OPEB liability.

Net Position Flow Assumptions—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 government-wide 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 to consider restricted-net position to have been depleted before unrestricted-net position is applied.

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. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies—Fund balance of governmental 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 Assistant Superintendent for Finance and Operations to assign fund balance. The Board may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenues 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.

Revenues and Expenses/Expenditures

Program Revenues—Amounts reported as program revenues include 1) charges to customers or applicants 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, including those

dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property Taxes—Real property taxes are levied annually as of July 1st by the Board of Education and attached as an enforceable lien. Uncollected real property taxes are subsequently enforced by the County of Erie. An amount representing uncollected real property taxes transmitted to the County for enforcement is paid by the County to the District no later than April 1st.

Compensated Absences—The District labor agreements and District rules and regulations provide for sick leave, vacations, and other miscellaneous paid absences. Upon retirement, certain eligible employees qualify for paid hospitalization insurance premiums and/or payment for fractional values of unused sick leave. These payments are budgeted annually without accrual.

Pension Plans—The District is mandated by New York State law to participate in the New York State Teachers' Retirement System ("TRS") and the New York State Local Employees' Retirement System ("ERS"). For purposes of measuring the net pension liability/(asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit pension plans, and changes thereof, have been determined on the same basis as they are reported by the respective defined benefit pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. More information regarding pensions is included in Note 6.

Other Postemployment Benefits—In addition to providing pension benefits, the District provides health insurance coverage for certain retired employees, as discussed in Note 7.

Other

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

Adoption of New Accounting Pronouncements—During the year ended June 30, 2022, the District implemented GASB Statement No. 87, *Leases*; No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; No. 91, *Conduit Debt Obligations*; and No. 98, *The Annual Comprehensive Financial Report*. GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB Statement No. 89 enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for certain interest costs. GASB Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB Statement No. 98 establishes the term annual comprehensive financial report and its acronym ACFR, which replaces the acronym for comprehensive annual financial report. The implementation of GASB Statements No. 87, 89, 91, and 98 did not have a material impact on the District's financial position or results from operations.

Future Impacts of Accounting Pronouncements—The District has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and a portion of No. 99, *Omnibus 2022*, effective for the year ending June 30, 2023, and the remainder of No. 99, *Omnibus 2022*; and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, effective for the year ending June 30, 2024, and No. 101, *Compensated Absences*, effective for the year ending June 30, 2025. The District is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100, and 101 will have on its financial position and results of operations when such statements are adopted.

Deficit Fund Balance—The Capital Projects Fund has a deficit fund balance at June 30, 2022 totaling \$4,227,596. The majority of this deficit exists because the District issued 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, expenses, and fund balances.) When the cash from the BANs is spent, expenditures are reported and fund balance is reduced. 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 or retire the BANs. The remaining deficit is anticipated to be remedied through the receipt of state aid.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

The District’s investment policies are governed by State statutes. District monies must be deposited in FDIC-insured commercial banks or trust companies located within New York State. The District’s Assistant Superintendent of for Finance and Operations is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposit, time deposit and certificates of deposit at 100 percent of all deposits not covered by Federal deposit insurance. The District has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligations that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York. Cash and cash equivalents reported by the District at June 30, 2022, are as follows:

	Governmental Funds	Fiduciary Funds	Total
Petty cash (uncollateralized)	\$ 170	\$ -	\$ 170
Deposits	<u>27,897,054</u>	<u>612,709</u>	<u>28,509,763</u>
Total	<u>\$ 27,897,224</u>	<u>\$ 612,709</u>	<u>\$ 28,509,933</u>

Deposits—All deposits are carried at fair value, and are classified by custodial credit risk at June 30, 2022 as shown on the following page.

	Bank Balance	Carrying Amount
FDIC insured	\$ 707,235	\$ 707,235
Uninsured:		
Collateral held by pledging bank's agent in the District's name	<u>28,298,341</u>	<u>27,802,528</u>
Total	<u>\$ 29,005,576</u>	<u>\$ 28,509,763</u>

Custodial Credit Risk—Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. As noted above, by State statute all deposits in excess of FDIC insurance coverage must be collateralized. At June 30, 2022, the District’s deposits were either FDIC insured or collateralized with securities held by the pledging bank’s agent in the District’s name.

Restricted Cash and Cash Equivalents—The District reports unspent proceeds of debt and amounts to support unearned revenues, restricted fund balances, and amounts held on behalf of others as restricted cash and cash equivalents. At June 30, 2022, the District reported \$23,133,012 and \$612,709 of restricted cash within its governmental and fiduciary funds, respectively.

Investments—The District had no investments at June 30, 2022.

Interest Rate Risk—In accordance with its investment policy, the District manages exposures by limiting investments to low risk type investments governed by New York State statutes.

3. RECEIVABLES

Revenues accrued by the District at June 30, 2022 consisted of the following:

Receivables— Represents amounts due from various sources. Receivables at June 30, 2022 are as follows:

Governmental funds:		
General Fund:		
Tuition due from other districts	\$ 288,962	
Pharmacy rebates	137,797	
Other	<u>155,053</u>	\$ 581,812
Nonmajor Funds:		
School Lunch Fund:		
Rebates		6,295
Student Activities Fund:		
Program fees		<u>31</u>
Total governmental funds		<u>\$ 588,138</u>

Intergovernmental Receivables—Represents amounts due from other units of government, such as Federal, New York State and other local governments. Intergovernmental receivables at June 30, 2022 are presented below.

General Fund:

New York State - BOCES aid	\$ 1,373,532	
New York State - Excess cost aid	844,067	
New York State - Medicaid claims	174,152	
Erie County - Sales tax	978,759	
Federal - ESSER & GEER funding	<u>70,120</u>	\$ 3,440,630

Special Aid Fund:

New York State - Supported Section 4201	191,768	
New York State - Preschool Grants	3,973	
New York State - Summer Student with Disabilities	260,481	
New York State - Title I Grants to Local Education Agencies	114,071	
New York State - Grants to States	294,781	
New York State - Universal Pre-K	168,665	
New York State - Title II Grants to Local Education Agencies	48,197	
Federal - ARP ESSER	727,450	
Federal - ARP GEER	109,197	
Federal - CRRSA ESSER	1,006,689	
Federal - ARP Universal Pre-K	65,551	
Federal - ARP Learning Loss	98,134	
Other	<u>4,116</u>	<u>3,093,073</u>

School Lunch Fund:

Breakfast and lunch programs		<u>488,164</u>
Total governmental funds		<u>\$ 7,021,867</u>

4. CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended June 30, 2022 was as follows:

	Balance 7/1/2021	Increases	Decreases	Balance 6/30/2022
Capital assets, not being depreciated and amortized:				
Land	\$ 802,150	\$ -	\$ -	\$ 802,150
Construction in progress	2,762,573	3,824,210	126,968	6,459,815
Total capital assets, not being depreciated and amortized	<u>3,564,723</u>	<u>3,824,210</u>	<u>126,968</u>	<u>7,261,965</u>
Capital assets, being depreciated and amortized:				
Land improvements	14,266,471	-	-	14,266,471
Buildings and building improvements	106,481,620	89,265	-	106,570,885
Equipment and vehicles	13,121,651	1,301,986	1,036,977	13,386,660
Right-to-use leased equipment	-	64,262	-	64,262
Total capital assets, being depreciated and amortized	<u>133,869,742</u>	<u>1,455,513</u>	<u>1,036,977</u>	<u>134,288,278</u>
Less accumulated depreciation and amortization for:				
Land improvements	3,513,681	573,093	-	4,086,774
Buildings and building improvements	35,423,661	1,975,150	-	37,398,811
Equipment and vehicles	8,965,017	1,201,594	1,036,977	9,129,634
Right-to-use leased equipment	-	13,622	-	13,622
Total accumulated depreciation and amortization	<u>47,902,359</u>	<u>3,763,459</u>	<u>1,036,977</u>	<u>50,628,841</u>
Total capital assets, being depreciated and amortized, net	<u>85,967,383</u>	<u>(2,307,946)</u>	<u>-</u>	<u>83,659,437</u>
Governmental activities capital assets, net	<u>\$ 89,532,106</u>	<u>\$ 1,516,264</u>	<u>\$ 126,968</u>	<u>\$ 90,921,402</u>

Depreciation/amortization expense for governmental activities was charged to functions and programs of the primary government as follows:

Governmental activities:	
General support	\$ 462,111
Instruction	3,076,435
Pupil transportation	224,913
Total	<u>\$ 3,763,459</u>

5. ACCRUED LIABILITIES

Accrued liabilities reported by governmental funds at June 30, 2022 were as follows:

	General Fund	Nonmajor Funds	Governmental Funds
Salary and employee benefits	\$ 1,677,194	\$ 3,461	\$ 1,680,655
Health claims	576,449	-	576,449
Total	<u>\$ 2,253,643</u>	<u>\$ 3,461</u>	<u>\$ 2,257,104</u>

6. PENSION PLANS

The District participates in the New York State Teachers' Retirement System ("TRS") and the New York State and Local Employees' Retirement System ("ERS") (the "Systems"). These cost-sharing multiple-employer public employee retirement systems compute contribution retirements based on the New York State Retirement and Social Security Law ("NYSRSSL").

Plan Descriptions and Benefits Provided

Teachers' Retirement System—TRS 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. TRS is governed by a 10 member Board of Trustees. TRS 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 TRS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding TRS, 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 Annual Comprehensive Financial Report which can be found at the TRS website at www.nystrs.org.

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

The Systems are noncontributory except for employees who joined after July 27, 1976, who contribute three percent (3.0%) of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010, who generally contribute three percent (3.0%) to three and one half percent (3.5%) 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.

Pension Liability/(asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions—At June 30, 2022, the District reported the following (assets) for its proportionate share of the net pension (asset) for each of the Systems. The net pension (assets) were measured as of June 30, 2021 for TRS and March 31, 2022 for ERS. The total pension (asset) used to calculate the net pension (assets) were determined by actuarial valuations as of June

30, 2020 and April 1, 2021, respectively, with update procedures used to rollforward the total pension liability to the measurement dates. The District's proportion of the net pension (assets) were 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.

	<u>TRS</u>	<u>ERS</u>
Measurement date	June 30, 2021	March 31, 2022
Net pension (asset)	\$ (36,636,393)	\$ (2,412,450)
District's portion of the Plan's total net pension (asset)	0.211416%	0.0295116%

For the year ended June 30, 2022, the District recognized pension expense (income) of (\$2,192,220) and \$405,685 for TRS and ERS, respectively. At June 30, 2022 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from sources below:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>TRS</u>	<u>ERS</u>	<u>TRS</u>	<u>ERS</u>
Difference between expected and actual experiences	\$ 5,049,938	\$ 182,698	\$ 190,342	\$ 236,970
Changes of assumptions	12,050,476	4,026,109	2,133,962	67,936
Net difference between projected and actual earnings on pension plan investments	-	-	38,343,776	7,899,765
Changes in proportion and differences between the District's contributions and proportionate share of contributions	4,318	665,890	372,255	45,386
District contributions subsequent to the measurement date	<u>3,845,654</u>	<u>396,993</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 20,950,386</u>	<u>\$ 5,271,690</u>	<u>\$ 41,040,335</u>	<u>\$ 8,250,057</u>

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below:

<u>Year Ending June 30,</u>	<u>TRS</u>	<u>ERS</u>
2023	\$ (4,821,182)	\$ (355,444)
2024	(5,652,648)	(710,867)
2025	(7,078,242)	(1,935,771)
2026	(9,293,052)	(373,278)
2027	1,702,957	-
Thereafter	1,206,564	-

Actuarial Assumptions—The total pension liability/(asset) as of the measurement dates were determined by using actuarial valuations as noted in the table below, with update procedures used to roll forward the total pension liability/(asset) to the respective measurement dates. The actuarial valuations used the following actuarial assumptions as shown below.

	TRS	ERS
Measurement date	June 30, 2021	March 31, 2022
Actuarial valuation date	June 30, 2020	April 1, 2021
Interest rate	6.95%	5.90%
Salary scale	1.95% - 5.18%	4.40%
Decrement tables	July 1, 2015 - June 30, 2020	April 1, 2015 - March 31, 2020
Inflation rates	2.40%	2.70%
Cost-of-living adjustments	1.30%	1.40%

For TRS, annuitant mortality rates are based on July 1, 2015 – June 30, 2020 System experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2020, applied on a generational basis. For ERS, annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System’s experience with adjustments for mortality improvements based on Society of Actuaries’ Scale MP-2020.

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

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

Measurement date	Target Allocation		Long-Term Expected Real Rate of Return	
	TRS	ERS	TRS	ERS
			June 30, 2021	March 31, 2022
Asset class:				
Domestic equities	33.0 %	32.0 %	6.8 %	3.3 %
International equities	16.0	15.0	7.6	5.9
Global equities	4.0	0.0	7.1	0.0
Private equity	8.0	10.0	10.0	6.5
Real estate	11.0	9.0	6.5	5.0
Opportunistics/absolute return strategies	0.0	3.0	0.0	4.1
Credit	0.0	4.0	0.0	3.8
Domestic fixed income securities	16.0	0.0	1.3	0.0
Global bonds	2.0	0.0	0.8	0.0
High-yield bonds	1.0	0.0	3.8	0.0
Private debt	1.0	0.0	5.9	0.0
Real assets	0.0	3.0	0.0	5.6
Real estate debt	7.0	0.0	3.3	0.0
Fixed income	0.0	23.0	0.0	0.0
Cash	1.0	1.0	(0.2)	(1.0)
Total	<u>100.0 %</u>	<u>100.0 %</u>		

Discount Rate—The discount rate used to calculate the total pension liability/(asset) was 6.95% for TRS and 5.90% 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. 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/(Asset) to the Discount Rate Assumption—The chart on the following page presents the District’s proportionate share of the net pension (assets) calculated using the discount rate of 6.95% for TRS and 5.90% for ERS, as well as what the District’s proportionate share of the net pension (assets) would be if it were calculated using a discount rate that is one percentage-point lower (5.95% for TRS and 4.90% for ERS) or one percentage-point higher (7.95% for TRS and 6.90% for ERS) than the current assumption.

TRIS	1% Decrease (5.95%)	Current Assumption (6.95%)	1% Increase (7.95%)
Employer's proportionate share of the net pension liability/(asset)	\$ (3,844,455)	\$ (36,636,393)	\$ (64,195,638)

ERS	1% Decrease (4.90%)	Current Assumption (5.90%)	1% Increase (6.90%)
Employer's proportionate share of the net pension liability/(asset)	\$ 6,209,621	\$ (2,412,450)	\$ (9,624,398)

Pension Plan Fiduciary Net Position—The components of the current-year net pension liability/(asset) of the employers as of the respective valuation dates, were as follows:

	(Dollar in Thousands)	
	TRIS	ERS
Valuation date	June 30, 2020	April 1, 2021
Employers' total pension liability	\$ 130,819,415	\$ 223,874,888
Plan fiduciary net position	148,148,457	232,049,473
Employers' net pension (asset)	<u>\$ (17,329,042)</u>	<u>\$ (8,174,585)</u>
System fiduciary net position as a percentage of total pension liability	113.2%	103.7%

Payables to the Pension Plan—For TRS, employer and employee contributions for the fiscal year ended June 30, 2022 are paid to the System in September, October and November 2022 through a state aid intercept. Accrued retirement contributions as of June 30, 2022 represent employee and employer contributions for the fiscal year ended June 30, 2022 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2022 amounted to \$4,037,785, which includes \$192,131 of employee contributions.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2022 represent the projected employer contribution for the period of April 1, 2022 through June 30, 2022 based on paid ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2022 amounted to \$396,993.

7. OTHER POSTEMPLOYMENT BENEFITS ("OPEB") OBLIGATION

Plan Description— In addition to pension benefits, the District provides group health, vision, and dental insurance benefits to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the District's contractual agreements. The estimated cost of such benefits totaled \$378,316 for the year ended June 30, 2022.

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

Inactive employees or beneficiaries currently receiving benefit payments	141
Active employees	<u>803</u>
Total	<u><u>944</u></u>

Under GASB Statement No. 75, the total OPEB liability represents the sum of expected future benefit payments which may be attributed to past service (or “earned”), discounted to the end of the fiscal year using the current discount rate. The total OPEB liability is analogous to the Unfunded Actuarial Accrued Liability (“AAL”) under GASB Statement No. 45.

Total OPEB Liability

The District’s total OPEB liability of \$5,035,554 was measured three months prior to fiscal year end and was determined by an actuarial valuation dated May 24, 2022, utilizing participant data measured on April 1, 2022.

Actuarial Methods and Assumptions—Calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the employer and the plan members) at the time of the valuation and on the pattern of cost sharing between the employee and plan members. Calculations reflect a long-term perspective, so methods and assumptions used include techniques that are designed to reduce short-term volatility.

In the May 24, 2022 actuarial valuation, the entry age normal method, over a level percent of pay was used. The single discount rate changed from 2.27% to 2.83% effective June 30, 2022. The salary scale changed from 3.11% to 3.44% effective June 30, 2022. The mortality rates changed to MP-2021, fully generational tables, while the retirement rates remained unchanged using the Pub-2010 Public Retirement Plan. In order to estimate the change in the cost of healthcare, the actuaries initial healthcare cost trend rate used is 6.10%, while the ultimate healthcare cost trend rate is 4.37%. 75% of Instructional and 25% of Non-Instructional employees are assumed to continue coverage into retirement. Previously 100% of both groups were assumed to continue coverage into retirement which led to a large change in assumptions.

The actuarial assumptions used in the May 24, 2022 valuation were based on the results of an actuarial experience study of plan participants for the period July 1, 2021 through March 30, 2022.

Changes in the Total OPEB Liability—The following table presents the changes to the total OPEB liability during the fiscal year, by source:

	<u>Total OPEB</u>
	<u>Liability</u>
Balance at June 30, 2021:	<u>\$ 8,235,372</u>
Changes for the year:	
Service cost	306,624
Interest	185,316
Changes of assumptions	(3,590,435)
Differences between expected and actual experience	276,993
Benefit payments	<u>(378,316)</u>
Net changes	<u>(3,199,818)</u>
Balance at June 30, 2022	<u><u>\$ 5,035,554</u></u>

Sensitivity of the Total OPEB Liability to the Change in the Discount Rate and Healthcare Cost Trend Rate—The discount rate assumption can have an impact on the total OPEB liability. The following table presents the effect a 1% change in the discount rate assumption would have on the total OPEB liability:

	1% Decrease (1.83%)	Current Discount Rate (2.83%)	1% Increase (3.83%)
Total OPEB liability	\$ 5,447,308	\$ 5,035,554	\$ 4,658,163

Additionally, healthcare costs can be subject to considerable volatility over time. The table below presents the effect on the total OPEB liability of a 1% change in the initial (6.10%) and ultimate (4.37%) healthcare cost trend rates.

	1% Decrease (5.10% / 3.37%)	Healthcare Cost Trend Rates (6.10% / 4.37%)	1% Increase (7.10% / 5.37%)
Total OPEB liability	\$ 4,589,715	\$ 5,035,554	\$ 5,548,711

Funding Policy—Authorization for the District to pay a portion of retiree health insurance premiums was enacted through various union contracts, which were ratified by the District’s Board of Education. The District contributes funding to satisfy the current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the District. The District’s governmental activities contributed \$378,316 for the fiscal year ended June 30, 2022.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB—The District reports deferred outflows of resources and deferred inflows of resources due to differences during the measurement period between the employer’s contributions and its proportionate share of the total contributions from employers included in the collective total OPEB liability are required to be determined. The table below presents the District’s deferred outflows of resources and deferred inflows of resources at June 30, 2022.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 190,433	\$ 199,433
Changes of assumptions	102,387	2,468,424
Contributions subsequent to the measurement date	94,579	-
Total	<u>\$ 387,399</u>	<u>\$ 2,667,857</u>

The District’s benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as shown on the following page.

<u>Year Ending June 30,</u>	
2023	\$ (1,119,454)
2024	(1,048,494)
2025	(207,089)

8. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets, vehicle liability, injuries to employees, health insurance, unemployment insurance, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The District purchases commercial insurance to cover such potential risks. There have not been any significant changes in any type of insurance coverage from the prior year, nor have there been any settlements which have exceeded insurance coverage in the past three fiscal years. The general liability insurance is limited to \$1 million per occurrence and a \$3 million aggregate. All other policies have limits ranging from \$2,500 to \$10,000,000.

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.

9. LEASES

The District is a lessee for a noncancellable lease of various equipment. The District recognizes a liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rates charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease terms include the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

During the year ended June 30, 2022, the District entered into long-term lease agreements as the lessee for the acquisition and use of various equipment. As of June 30, 2022, the value of the lease liability was \$49,426. The District is required to make annual principal and interest payments on the equipment ranging from \$3,090 to 10,111. The leases have interest rates of 2.87%. The value of the right-to-use lease assets as of the end of the current fiscal year was \$64,262 and had accumulated amortization of \$13,622.

The future principal and interest payments as of June 30, 2022, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 12,506	\$ 1,253	\$ 13,759
2024	12,869	891	13,760
2025	10,111	558	10,669
2026	10,405	264	10,669
2027	3,535	21	3,556
	<u>\$ 49,426</u>	<u>\$ 2,987</u>	<u>\$ 52,413</u>

10. SHORT-TERM DEBT

Liabilities for bond anticipation notes (“BANs”) are generally accounted for in the Capital Projects Fund. Principal payments on BANs must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. A summary of the District’s short-term debt for the fiscal year ended June 30, 2022 is shown below:

Description	Interest Rate	Maturity Date	Balance 7/1/2021	Issues	Redemptions	Balance 6/30/2022
Capital Projects Fund:						
Various purposes	1.25%	7/22/2021	\$ 22,567,851	\$ -	\$ 22,567,851	\$ -
Various purposes	1.00%	7/20/2022	-	4,022,107	-	4,022,107
Total			<u>\$ 22,567,851</u>	<u>\$ 4,022,107</u>	<u>\$ 22,567,851</u>	<u>\$ 4,022,107</u>

11. LONG-TERM LIABILITIES

In the government-wide financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities in the statement of net position.

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

The District’s outstanding long-term liabilities include bonds payable, lease liability, compensated absences, workers’ compensation liability, other postemployment benefits obligation and net pension liability. The serial bonds of the District are secured by its general credit and revenue raising powers, as per State statute.

A summary of changes in the District’s long-term liabilities for the year ended June 30, 2022 follows:

	Balance 7/1/2021	Additions	Reductions	Balance 6/30/2022	Due Within One Year
Serial bonds	\$ 23,205,000	\$ 16,570,000	\$ 2,605,000	\$ 37,170,000	\$ 4,205,000
Premium on serial bonds	346,013	691,900	100,379	937,534	100,379
Bonds payable, net	23,551,013	17,261,900	2,705,379	38,107,534	4,305,379
Lease liability	-	64,262	14,836	49,426	12,506
Compensated absences*	4,917,372	1,129,781	-	6,047,153	302,358
Workers' Compensation	2,907,947	2,857	824,932	2,085,872	104,294
OPEB obligation	8,235,372	768,933	3,968,751	5,035,554	-
Net pension liability*	5,791,538	-	5,791,538	-	-
Total	<u>\$ 45,403,242</u>	<u>\$ 19,227,733</u>	<u>\$ 13,305,436</u>	<u>\$ 51,325,539</u>	<u>\$ 4,724,537</u>

(*Activity for compensated absences and the net pension liability is shown net.)

Serial Bonds—The District issues general obligation bonds to provide funds for the acquisition, construction, and renovation of major capital facilities. Serial bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds generally are issued as serial bonds with equal amounts of principal maturing each year with original maturities that range from 4 to 16 years.

In the current year, the District issued \$16,570,000 in School District Serial Bonds for various purposes and received a premium of \$691,900. The interest rate is 2.0% and the bonds will mature on July 15, 2034.

In the event of a default in the payment of the principal of or interest on the serial bonds, the State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the Bonds.

The District does not hold any lines of credit.

Principal is paid annually, interest is paid semi-annually; these payments are recorded in the Debt Service Fund. A summary of additions and payments for the year ended June 30, 2022 is shown on the following page.

Description	Original Issue	Interest Rate (%)	Year of Issue/ Maturity				Balance 6/30/2022
				Balance 7/1/2021	Increases	Decreases	
2015 Refunding Bond	\$ 4,580,000	2.00-4.00	2016/2032	\$ 3,200,000	\$ -	\$ 245,000	\$ 2,955,000
2016 Refunding Bond	5,715,000	1.00-4.00	2017/2021	3,005,000	-	720,000	2,285,000
2017 Serial Bond	23,935,000	2.00-3.00	2018/2031	17,000,000	-	1,640,000	15,360,000
2021 Serial Bond	16,570,000	2.00	2021/2034	-	16,570,000	-	16,570,000
Total				<u>\$ 23,205,000</u>	<u>\$ 16,570,000</u>	<u>\$ 2,605,000</u>	<u>\$ 37,170,000</u>

Premiums on Serial Bonds—Governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized within governmental activities.

	Balance			Balance
	6/30/2021	Additions	Reductions	6/30/2022
Premium on Serial Bonds	<u>\$ 346,013</u>	<u>\$ 691,900</u>	<u>\$ 100,379</u>	<u>\$ 937,534</u>

Lease Liability—The District entered into long-term capital leases for various equipment. The outstanding balance at June 30, 2022 was \$49,426. Refer to Note 9 for additional information related to the District’s leases.

Compensated Absences—The District records the value of compensated absences in the government-wide financial statements. The liability for compensated absences consists of unpaid accumulated annual sick and vacation time. The liability has been calculated using the vesting method, in which leave amounts for both employees currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments are included. The annual budgets of the operating funds provide for these benefits as they become due. The liability for compensated absences at June 30, 2022 amounts to \$6,047,153, of which \$302,358 has been included within the current portion of long-term debt. Since payment of compensated absences is dependent upon many factors, the timing of future payments is not readily determinable.

Workers’ Compensation—Accrued workers’ compensation, which totals \$2,085,872 represents the City’s estimate of both asserted and unasserted workers’ compensation losses. The payments related to these liabilities are dependent upon many factors and, therefore, timing of future payments are not readily determinable. Refer to Note 8 for additional information related to workers’ compensation.

OPEB Obligation—As explained in Note 8, the District provides health insurance coverage for certain retirees. The District’s annual postemployment benefit (“OPEB”) cost is measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees’ past periods of service (total OPEB liability), less the amount of the OPEB plan’s fiduciary net position. The long-term OPEB obligation is estimated to be \$5,035,554 at June 30, 2022.

The following is a maturity schedule of the District's indebtedness:

Year Ending June 30,	Serial Bonds	Premium on Serial Bonds	Lease Liability	Compensated Absences	Workers' Compensation	OPEB Obligation	Total
2023	\$ 4,205,000	\$ 100,379	\$ 12,506	\$ 302,358	\$ 104,294	\$ -	\$ 4,724,537
2024	4,235,000	100,379	12,869	-	-	-	4,348,248
2025	4,290,000	87,307	10,111	-	-	-	4,387,418
2026	3,650,000	74,234	10,405	-	-	-	3,734,639
2027	3,705,000	74,234	3,535	-	-	-	3,782,769
2028-2032	13,795,000	352,736	-	-	-	-	14,147,736
2033-2035	3,290,000	148,265	-	-	-	-	3,438,265
Thereafter	-	-	-	5,744,795	1,981,578	5,035,554	12,761,927
Total	<u>\$ 37,170,000</u>	<u>\$ 937,534</u>	<u>\$ 49,426</u>	<u>\$ 6,047,153</u>	<u>\$ 2,085,872</u>	<u>\$ 5,035,554</u>	<u>\$ 51,325,539</u>

Interest requirements on serial bonds and leases are as follows:

Year Ending June 30,	Serial Bonds	Lease Liability	Total
2023	\$ 859,251	\$ 1,253	\$ 860,504
2024	769,113	891	770,004
2025	675,388	558	675,946
2026	579,713	264	579,977
2027	501,113	21	501,134
2028-2032	1,205,350	-	1,205,350
2033-2035	92,900	-	92,900
Total	<u>\$ 4,682,828</u>	<u>\$ 2,987</u>	<u>\$ 4,685,815</u>

12. NET POSITION AND FUND BALANCE

The government-wide 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 position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Position**—This category represents 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.
- **Unrestricted Net Position**—This category represents net position of the District not restricted for any project or other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by the District at June 30, 2022 includes:

- **Cash value of life insurance**—Represents long-term investments in the District’s life insurance contract of \$278,141.
- **Inventories**—Represents the portion of fund balance, \$68,541, composed of inventory. This balance is nonspendable as the inventory does not represent an available resource.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as creditors, grantors, contributors, or laws and regulations of other governments) through constitutional provisions or enabling legislation. At June 30, 2022, the District had restricted funds as shown below:

	General Fund	Total Nonmajor Funds	Total
Workers' compensation	\$ 2,908,495	\$ -	\$ 2,908,495
Retirement contribution	5,682,188	-	5,682,188
Tax certiorari	351,184	-	351,184
Employee benefits	7,748,320	-	7,748,320
Capital projects	766	-	766
Debt service	-	1,670,097	1,670,097
Student activities	-	204,221	204,221
Total	<u>\$ 16,690,953</u>	<u>\$ 1,874,318</u>	<u>\$ 18,565,271</u>

- **Workers’ Compensation**—According to General Municipal Law Section 6-j, this restriction must be used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers’ Compensation Law, and for payment of expenses of administering this self-insurance program. The reserve may be established by Board action, and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within sixty days after the end of the fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year’s budget.
- **Retirement Contribution**—According to General Municipal Law Section 6-r, this restriction must be used to pay “retirement contributions”. The restriction may be established by Board resolution; there are no referendum requirements to create the funds or expend money from the funds. The Board may authorize the transfer of the moneys to a reserve fund established pursuant to Sections 6c-g of the GML or Section 3651 of Education Law.
- **Tax Certiorari**—According to Education Law Section 3651.1-a, this restriction must be used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the restriction shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeds in the year such monies are deposited

that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceeds in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies.

- **Employee Benefits**—According to General Municipal Law Section 6-p, this restriction must be used for the payment of accrued employee benefit due an employee upon termination of the employee’s service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated.
- **Capital Projects**—According to Education Law Section 3651, this restriction must be used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the restriction only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in Section 3651 of the Education Law.
- **Debt Service**—According to General Municipal Law Section 6-l, the mandatory reserve for debt service must be established for the purpose of retiring the outstanding obligations upon the sale of District property or capital improvement that was financed by obligations that remain outstanding at the time of sale. The funding of the reserve is from unspent debt proceeds and premiums.
- **Student Activities**—Amounts generated by the Extraclassroom Activities of the District, which are restricted for use only within the Student Activities Fund for specified student activities.

In the fund financial statements, commitments are amounts that are subject to a purpose constraint imposed by a formal action of the District’s highest level of decision-making authority. As of June 30, 2022, the District has no committed fund balance.

In the fund financial statements, assignments are not legally required segregations but are segregated for a specific purpose by the District at June 30, 2022 and include:

	General Fund	Total Nonmajor Funds	Total
Subsequent year's expenditures	\$ 2,849,640	\$ -	\$ 2,849,640
Encumbrances	221,953	-	221,953
Specific use	-	661,126	661,126
Total	<u>\$ 3,071,593</u>	<u>\$ 661,126</u>	<u>\$ 3,732,719</u>

- **Assigned to Subsequent Year’s Expenditures**—Representing available fund balance being appropriated to meet expenditure requirements in the 2022-2023 fiscal year.
- **Assigned to Encumbrances**—Represents amounts related to unperformed (executory) contracts for goods and services.

- **Assigned to Specific Use**—Representing fund balance within the special revenue funds that is assigned for a specific purpose. The assignments’ purpose relates to each fund’s operations and represent remaining amounts within funds that are not restricted or committed.

If the District must use funds for emergency expenditures, the Board of Education shall authorize the Assistant Superintendent of Business and Support Services to expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available, the District will use unassigned fund balance.

13. INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables are short-term in nature and exist because of temporary advances or payments made on behalf of other funds. The composition of interfund balances as of June 30, 2022 is as shown below:

Fund	Interfund	
	Receivable	Payable
Governmental Funds:		
General Fund	\$ 6,397,725	\$ -
Special Aid Fund	-	2,283,103
Capital Projects Fund	-	4,568,557
Nonmajor Funds	453,935	-
Total governmental funds	<u>\$ 6,851,660</u>	<u>\$ 6,851,660</u>

The outstanding balances between funds result from payments made on behalf of other funds or temporary advances. All of these balances are expected to be collected/paid within the subsequent year.

The District made the following transfers during the year ended June 30, 2022:

Fund	Transfers in:		
	Capital Projects Fund	Special Aid Fund	Total
Transfers out:			
General Fund	\$ 7,657,675	\$ 164,511	\$ 7,822,186
Total	<u>\$ 7,657,675</u>	<u>\$ 164,511</u>	<u>\$ 7,822,186</u>

14. SCHOLARSHIPS—PRIVATE PURPOSE TRUST

Within the Private-Purpose Trust, the District maintains various scholarships funds. The funds are increased through interest earnings and contributions and decreased through annual awards. A summary of the Private-Purpose Trust Fund balances in the accounts at June 30, 2022 is presented on the following page.

Richard Verreault-Noreen Falkner Scholarship	\$ 2,925
Alexander Patterson Scholarship	23,273
Rober O. Starr Award	2,533
S.J. Grottanelli Scholarship	7,765
Blasdell Highschool Scholarship	570
Walter Sikes Scholarship	2,338
C.H. Mead Scholarship	493
Dorothy Klimowicz Scholarship	3,618
Alice I. Royce Scholarship	4,640
Detective Sgt. Joseph Larosa Memorial	1,067
Michael J. Sutfin Scholarship	127
Arsillio Capuani Scholarship	266
Spicer Scholarship	506,377
Brian W. Moore Memorial Scholarship	12,144
Franc E. Titus Scholarship	6,144
Elma L. Titus Scholarship	6,410
Tara Panzarella Memorial Scholarship	4,836
The Kenny Award	694
Frontier Secretaries Association Scholarship	1,724
William Rauch Scholarship	608
Lois Koss Memorial Scholarship	865
Frontier Annual Scholarship	23,292
	<u>\$ 612,709</u>

15. LABOR CONTRACTS

District employees are represented by four bargaining units, with the balance governed by Board of Education rules and regulations. Negotiated contracts are in place through June 30, 2026 for the Frontier Central Employees' Association, through June 30, 2025 for the Frontier Central Teachers' Association, through June 30, 2023 for the Frontier Central Registered Nurses' Association, and through June 30, 2022 for the Frontier Central Administrative and Supervisory Association.

16. COMMITMENTS

Encumbrances—Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrances 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 executor contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

The District considers encumbrances to be significant for amounts that are encumbered in excess of \$10,000. As of June 30, 2022, the District reports the following significant encumbrances within the General Fund:

Description	Amount Encumbered
General Fund:	
Building Conditions Survey	\$ 33,743
Window Installation	32,275
Tuition	12,763
Auditing Services	20,300
Tennis Court Surfacing	28,410
Utility Vehicle	55,900

17. TAX ABATEMENTS

The District is subject to tax abatements granted by the the Erie County Industrial Development Agency (“ECIDA”). These programs have the stated purpose of increasing business activity and employment in the region. Economic development agreements are entered into by the ECIDA and incentives include the abatement of state, county, local and school district taxes, in addition to other assistance. In the case of the District, the abatements have resulted in reductions of property taxes, which the District administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent. Under the agreements entered into by ECIDA, the District collected \$848,701 during the 2021-2022 fiscal year in payments in lieu of taxes (“PILOT”), these collections were made in lieu of \$1,468,287 in property taxes.

18. CONTINGENCIES

Litigation—Various legal actions are pending against the District. The outcome of these matters is not presently determinable but, in the opinion of management, the ultimate liability will not have a material adverse effect on the financial condition or results of operation of the District.

Grants—In the normal course of business, the District receives grant funds from various Federal and State agencies. These grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed expenditures resulting from such audits could become a liability of the governmental funds. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

Other—The District is involved in litigation in the ordinary course of its operations. The District believes that its ultimate liability, if any, in connection with these matters will not have a material effect on the District’s financial condition or results of operation.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 4, 2022, which is the date the financial statements are available for issuance, and has determined, except as disclosed below, there are no subsequent events that require disclosure under generally accepted accounting principles.

- On July 13, 2022, the District issued serial bonds in the amount of \$1,598,000 with interest rates ranging from 3.25% - 3.75% which mature on July 15, 2036.
- On July 19, 2022, the District issued bond anticipation notes in the amount of \$2,059,253 with an interest rate of 2.94% and with a maturity date of July 19, 2023.
- On July 28, 2022, the District issued bond anticipation notes in the amount of \$13,000,000 with an interest rate of 2.94% and with a maturity date of June 28, 2023.

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REQUIRED SUPPLEMENTARY INFORMATION

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FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Teachers' Retirement System
Last Eight Fiscal Years*

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability/(asset)	0.211416%	0.208508%	0.206507%	0.204187%	0.202696%	0.200839%	0.201219%	0.199165%
District's proportionate share of the net pension liability/(asset)	<u>\$ (36,636,393)</u>	<u>\$ 5,761,645</u>	<u>\$ (5,365,054)</u>	<u>\$ (3,692,246)</u>	<u>\$ (1,540,688)</u>	<u>\$ 2,151,073</u>	<u>\$ (20,900,283)</u>	<u>\$ (22,185,698)</u>
District's covered payroll	\$ 38,138,195	\$ 35,390,446	\$ 34,720,230	\$ 33,606,676	\$ 32,120,579	\$ 30,991,259	\$ 30,225,884	\$ 29,419,717
District's proportionate share of the net pension liability/(asset) as a percentage of its covered payroll	(96.1%)	16.3%	(15.5%)	(11.0%)	(4.8%)	6.9%	(69.1%)	(75.4%)
Plan fiduciary net position as a percentage of the total pension liability/(asset)	113.2%	97.8%	102.2%	101.5%	100.7%	99.0%	110.5%	111.5%

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

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Teachers' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,419,305	\$ 3,135,594	\$ 3,097,753	\$ 3,660,284	\$ 3,258,316	\$ 3,758,675	\$ 4,186,421	\$ 5,371,978	\$ 4,868,910
Contributions in relation to the contractually required contribution	<u>(3,419,305)</u>	<u>(3,135,594)</u>	<u>(3,097,753)</u>	<u>(3,660,284)</u>	<u>(3,258,316)</u>	<u>(3,758,675)</u>	<u>(4,186,421)</u>	<u>(5,371,978)</u>	<u>(4,868,910)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 39,449,747	\$ 36,243,440	\$ 35,390,446	\$ 34,720,230	\$ 33,606,676	\$ 32,120,579	\$ 30,991,259	\$ 30,225,884	\$ 29,419,717
Contributions as a percentage of covered payroll	8.7%	8.7%	8.8%	10.5%	9.7%	11.7%	13.5%	17.8%	16.5%

*Information prior to the year ended June 30, 2014 is not available.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of the District's Proportionate Share of the Net Pension Liability/(Asset)—
Employees' Retirement System
Last Eight Fiscal Years*

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Measurement date	March 31, 2022	March 31, 2021	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016	March 31, 2015
District's proportion of the net pension liability	0.0295116%	0.0300213%	0.029693%	0.029957%	0.028875%	0.030700%	0.031920%	0.033097%
District's proportionate share of the net pension liability	<u>\$ (2,412,450)</u>	<u>\$ 29,893</u>	<u>\$ 7,862,822</u>	<u>\$ 2,122,535</u>	<u>\$ 931,911</u>	<u>\$ 2,884,615</u>	<u>\$ 5,123,257</u>	<u>\$ 1,118,096</u>
District's covered payroll	\$ 10,537,770	\$ 10,302,572	\$ 10,427,688	\$ 10,151,868	\$ 9,945,946	\$ 9,320,776	\$ 9,447,556	\$ 9,249,399
District's proportionate share of the net pension liability as a percentage of its covered payroll	(22.9%)	0.3%	75.4%	20.9%	9.4%	30.9%	54.2%	12.1%
Plan fiduciary net position as a percentage of the total pension liability	103.7%	100.0%	86.4%	96.3%	98.2%	94.7%	90.7%	97.9%

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

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of District's Contributions—
Employees' Retirement System
Last Nine Fiscal Years*

	Year Ended June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 1,686,869	\$ 1,515,646	\$ 1,546,502	\$ 1,482,268	\$ 1,433,342	\$ 1,548,078	\$ 1,642,155	\$ 1,848,331	\$ 2,055,555
Contributions in relation to the contractually required contribution	<u>(1,686,869)</u>	<u>(1,515,646)</u>	<u>(1,546,502)</u>	<u>(1,715,884)</u>	<u>(1,685,390)</u>	<u>(1,658,630)</u>	<u>(1,804,983)</u>	<u>(2,023,088)</u>	<u>(1,983,916)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,895,191	\$ 10,087,573	\$ 10,623,960	\$ 10,225,157	\$ 10,080,677	\$ 9,513,256	\$ 9,397,076	\$ 9,511,756	\$ 10,056,949
Contributions as a percentage of covered payroll	15.5%	15.0%	14.6%	14.5%	14.2%	16.3%	17.5%	19.4%	20.4%

*Information prior to the year ended June 30, 2014 is not available.

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FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Five Fiscal Years*

	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 306,624	\$ 323,373	\$ 270,900	\$ 195,231	\$ 159,015
Interest	185,316	204,345	283,118	197,990	190,152
Differences between expected and actual experience	276,993	(371,651)	(961,018)	2,538,890	201,601
Changes of assumptions	(3,590,435)	162,963	660,431	74,678	77,979
Benefit payments	(378,316)	(296,364)	(336,779)	(184,456)	(206,078)
Net changes in total OPEB liability	(3,199,818)	22,666	(83,348)	2,822,333	422,669
Total OPEB liability—beginning	8,235,372	8,212,706	8,296,054	5,473,721	5,051,052
Total OPEB liability—ending	<u>\$ 5,035,554</u>	<u>\$ 8,235,372</u>	<u>\$ 8,212,706</u>	<u>\$ 8,296,054</u>	<u>\$ 5,473,721</u>
Plan fiduciary net position					
Contributions—employer	\$ 378,316	\$ 296,364	\$ 336,779	\$ 184,456	\$ 206,078
Benefit payments	(378,316)	(296,364)	(336,779)	(184,456)	(206,078)
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position—beginning	-	-	-	-	-
Plan fiduciary net position—ending	<u>\$ -</u>				
District's net OPEB liability—ending	<u>\$ 5,035,554</u>	<u>\$ 8,235,372</u>	<u>\$ 8,212,706</u>	<u>\$ 8,296,054</u>	<u>\$ 5,473,721</u>
Plan's fiduciary net position as a percentage of total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	\$ 46,706,449	\$ 41,318,182	\$ 40,071,945	\$ 38,769,297	\$ 39,932,376
District's net OPEB liability as a percentage of covered-employee payroll	10.8%	19.9%	20.5%	21.4%	13.7%

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

The notes to the Required Supplementary Information are an integral part of this schedule.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
Real property taxes	\$ 38,897,602	\$ 39,036,972	\$ 39,156,840	\$ 119,868
Real property tax items	5,500,924	5,361,554	5,397,695	36,141
Non-property tax items	5,460,000	5,460,000	7,016,024	1,556,024
Charges for services	470,250	470,250	525,343	55,093
Use of money and property	109,998	109,998	69,062	(40,936)
Sale of property and compensation for loss	25,250	25,250	210,191	184,941
Miscellaneous	349,448	349,448	874,233	524,785
State sources:				
Basic formula and excess cost aid	35,056,699	28,231,905	27,668,066	(563,839)
Lottery aid	-	6,824,794	6,824,794	-
BOCES aid	3,407,460	3,407,460	2,899,626	(507,834)
Textbook aid	403,515	294,131	292,707	(1,424)
Computer software	84,702	161,836	161,836	-
Library / loan program	-	32,250	32,250	-
Miscellaneous	-	-	43,000	43,000
Federal sources:				
Other federal aid	-	66,139	48,305	(17,834)
Medicaid assistance	250,000	250,000	350,262	100,262
Total revenues	<u>90,015,848</u>	<u>90,081,987</u>	<u>91,570,234</u>	<u>1,488,247</u>
OTHER FINANCING SOURCES				
Transfers in	173,547	173,547	-	(173,547)
Lease proceeds	-	-	64,262	64,262
Total other financing sources	<u>173,547</u>	<u>173,547</u>	<u>64,262</u>	<u>(109,285)</u>
Total revenues and other financing sources	<u>\$ 90,189,395</u>	<u>\$ 90,255,534</u>	<u>\$ 91,634,496</u>	<u>\$ 1,378,962</u>

(continued)

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Revenues, Expenditures, and Changes in Fund Balance—
Budget (Non-GAAP Basis) and Actual—General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual		Variance with
	Original	Final	Amounts	Encumbrances	Final Budget
					(concluded)
EXPENDITURES					
General support:					
Board of education	\$ 65,324	\$ 60,197	\$ 43,515	\$ -	\$ 16,682
Central administration	521,544	527,544	510,000	-	17,544
Finance	722,661	755,451	698,277	20,300	36,874
Staff	664,568	801,282	848,861	7,935	(55,514)
Central services	5,003,054	5,286,164	5,021,765	118,053	146,346
Special items	1,384,354	1,352,744	1,324,926	-	27,818
Instruction:					
Instruction, administration and improvements	2,810,716	2,811,773	2,715,625	2,373	93,775
Teaching—regular school	28,240,583	28,233,474	27,020,703	64,078	1,148,693
Programs for pupils with handicapping conditions	12,485,040	12,198,174	11,626,896	6,500	564,778
Occupational education	1,596,158	1,596,158	1,596,158	-	-
Teaching—special school	388,819	388,819	289,919	-	98,900
Instructional media	2,951,762	3,194,052	3,063,776	764	129,512
Pupil services	3,554,615	3,733,412	3,777,715	1,792	(46,095)
Pupil transportation	3,791,883	3,949,785	3,971,891	158	(22,264)
Employee benefits	22,259,509	21,617,914	18,814,896	-	2,803,018
Debt service:					
Principal	2,605,000	2,614,322	2,614,322	-	-
Interest and other fiscal charges	1,221,862	1,212,326	1,043,639	-	168,687
Total expenditures/ encumbrances	90,267,452	90,333,591	84,982,884	221,953	5,128,754
OTHER FINANCING USES					
Transfers out	2,888,857	7,888,857	7,822,186	-	66,671
Total expenditures/ encumbrances and other financing uses	93,156,309	98,222,448	92,805,070	221,953	5,195,425
Net change in fund balance*	(2,966,914)	(7,966,914)	(1,170,574)		
Fund balance—beginning	25,077,994	25,077,994	25,077,994		
Fund balance—ending	\$ 22,111,080	\$ 17,111,080	\$ 23,907,420		

*The net change in fund balance was included as an appropriation (i.e., spendown) of fund balance and re-appropriation of prior year encumbrances.

The notes to the Required Supplementary Information are an integral part of this schedule.

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FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Required Supplementary Information
Year Ended June 30, 2022

1. OPEB LIABILITY

Changes of Assumptions—Changes of assumptions reflect the effects of changes in the long-term bond rate and the healthcare cost trend rate. The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date, which changed from 2.27% to 2.83% at June 30, 2022. 75% of Instructional and 25% of Non-Instructional employees are assumed to continue coverage into retirement. Previously 100% of both groups were assumed to continue coverage into retirement which led to a large change in assumptions. Finally, the initial healthcare cost trend rate used is 6.10%, while the ultimate healthcare cost trend rate is 4.37%.

2. BUDGETARY INFORMATION

Budgetary Basis of Accounting—An annual budget is adopted on a basis consistent with generally accepted accounting principles in the United States of America for the General Fund. The Capital Projects Fund is appropriated on a project-length basis. No formal annual budget is adopted for the School Lunch Fund, the Special Aid Fund, the Student Activities Fund, and the Debt Service Fund. A budget is maintained for the School Lunch Fund as a management tool for internal control purposes. Appropriation limits, where applicable, for the Special Aid Fund and the Debt Service Fund is maintained based on individual grants and donations or fundraising revenues accepted by the Board of Education and debt schedules. The periods of such grants may vary from the District's fiscal year. No budget is adopted for the Student Activities Fund as the extraclassroom activities of the District are maintained by the individual clubs.

The appropriated budget is prepared by fund, function, and department. The District's department heads may make transfers of appropriations within a department. Transfers of appropriations exceeding \$10,000 between departments require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expended in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Excess of Expenditures over Appropriations

During the year ended June 30, 2022, certain items exceed the adjusted budget, these items are shown below:

- General Fund staff expenditures exceed the final budget by \$55,514. This difference was a result of expenditures for personal service costs that were not included in the budget.
- General Fund pupil services expenditures exceed the final budget by \$46,095. This difference was a result of expenditures for personal service costs that were not included in the budget.

- General Fund pupil transportation expenditures exceed the final budget by \$22,264. This difference was a result of expenditures for personal service costs that were not included in the budget.

SUPPLEMENTARY INFORMATION

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Change from Adopted Budget to Final Budget
and the Real Property Tax Limit—General Fund
Year Ended June 30, 2022

Change from Adopted Budget to Final Budget

Adopted budget, 2021-2022		\$ 93,039,035
Add: Prior year's encumbrances		<u>117,274</u>
Original budget, 2021-2022		93,156,309
Budget revisions:		
Federal aid	\$ 66,139	
Voter approved transfer to Capital Projects Fund	<u>5,000,000</u>	<u>5,066,139</u>
Final budget, 2021-2022		<u>\$ 98,222,448</u>

Section 1318 of Real Property Tax Law Limit Calculation

2022-2023 Voter-approved expenditure budget	\$ 96,668,323	
Maximum allowed (4% of 2022-2023 budget)		<u>\$ 3,866,733</u>

General Fund fund balance subject to Section 1318
of Real Property Tax Law*:

Unrestricted fund balance:		
Assigned fund balance	\$ 3,071,593	
Unassigned fund balance	<u>3,866,733</u>	
Total unrestricted fund balance		\$ 6,938,326

Less:

Appropriated fund balance	\$ 2,849,640	
Encumbrances included in assigned fund balance	<u>221,953</u>	
Total adjustments		<u>3,071,593</u>

General Fund fund balance subject to Section 1318 of Real Property Tax Law		<u>\$ 3,866,733</u>
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Actual percentage 4.00%

* Per Office of the State Comptroller's "Fund Balance Reporting and Governmental Fund Type Definitions", updated April 2011 (originally issued November 2010), the portion of General Fund fund balance subject to Section 1318 of the Real Property Tax Law is: unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance for subsequent year's budget, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Capital Project Expenditures
Year Ended June 30, 2022

Description	Original Appropriation	Revised Appropriation	Expenditures to Date			Unexpended Balance
			Prior Years	Current Year	Total	
2018 Project - Phase 1	\$ 12,243,587	\$ 5,537,777	\$ 5,537,777	\$ -	\$ 5,537,777	\$ -
2018 Project - Phase 2	12,156,413	16,954,858	16,923,453	495	16,923,948	30,910
2018 Project - Phase 3	-	1,907,365	1,907,365	-	1,907,365	-
SOAR Project - Phase 1a	70,116,550	50,468,497	39,164	2,125,032	2,164,196	48,304,301
SOAR Project - Phase 1b	-	2,500,000	-	121,109	121,109	2,378,891
SOAR Project - Phase 2	-	17,148,053	-	335,672	335,672	16,812,381
Capital Outlay 2021/2022	100,000	100,000	-	88,770	88,770	11,230
Multi-Use Field	1,804,000	829,563	829,563	-	829,563	-
Multi-Use Field - Phase 2	-	849,437	62,386	747,400	809,786	39,651
Multi-Use Field - Phase 3	-	125,000	-	17,239	17,239	107,761
Smart Schools Bonds Act	3,056,630	3,053,195	2,609,867	388,493	2,998,360	54,835
Buses 2020/2021	741,077	741,077	-	741,077	741,077	-
Total	\$ 100,218,257	\$ 100,214,822	\$ 27,909,575	\$ 4,565,287	\$ 32,474,862	\$ 67,739,960

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Net Investment in Capital Assets
June 30, 2022

Capital assets, net of accumulated depreciation/amortization	\$	90,921,402
Add:		
Unspent debt proceeds		1,670,097
Deduct:		
Serial bonds issued for capital assets	\$	(37,170,000)
Unamortized premium on serial bonds		(937,534)
Lease liability		(49,426)
Bond anticipation notes issued for capital assets		(4,022,107)
Retainage payable		(13,455)
		<u>(42,192,522)</u>
Net investment in capital assets	\$	<u>50,398,977</u>

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Combining Balance Sheet—
Nonmajor Governmental Funds
June 30, 2022

	<u>Special Revenue</u>			Total Nonmajor Funds
	<u>School Lunch</u>	<u>Student Activities</u>	<u>Debt Service</u>	
ASSETS				
Cash and cash equivalents	\$ 140,165	\$ -	\$ -	\$ 140,165
Restricted cash and cash equivalents	31,070	207,262	1,288,197	1,526,529
Receivables	6,295	31	-	6,326
Intergovernmental receivables	488,164	-	-	488,164
Due from other funds	72,035	-	381,900	453,935
Inventories	68,541	-	-	68,541
Total assets	<u>\$ 806,270</u>	<u>\$ 207,293</u>	<u>\$ 1,670,097</u>	<u>\$ 2,683,660</u>
LIABILITIES				
Accounts payable	\$ 10,136	\$ 3,072	\$ -	\$ 13,208
Accrued liabilities	3,461	-	-	3,461
Due to retirement systems	31,936	-	-	31,936
Unearned revenue	31,070	-	-	31,070
Total liabilities	<u>76,603</u>	<u>3,072</u>	<u>-</u>	<u>79,675</u>
FUND BALANCES				
Nonspendable	68,541	-	-	68,541
Restricted	-	204,221	1,670,097	1,874,318
Assigned	661,126	-	-	661,126
Total fund balances	<u>729,667</u>	<u>204,221</u>	<u>1,670,097</u>	<u>2,603,985</u>
Total liabilities and fund balances	<u>\$ 806,270</u>	<u>\$ 207,293</u>	<u>\$ 1,670,097</u>	<u>\$ 2,683,660</u>

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Combining Statements of Revenues, Expenditures and Changes in
Fund Balances—Nonmajor Governmental Funds
Year Ended June 30, 2022

	<u>Special Revenue</u>			Total Nonmajor Funds
	<u>School Lunch</u>	<u>Student Activities</u>	<u>Debt Service</u>	
REVENUES				
Use of money and property	\$ 14	\$ -	\$ 424	\$ 438
Miscellaneous	11,006	-	-	11,006
State sources	44,874	-	-	44,874
Federal sources	2,502,258	-	-	2,502,258
Sales—food service	200,823	-	-	200,823
Student activity collections	-	269,413	-	269,413
Total revenues	<u>2,758,975</u>	<u>269,413</u>	<u>424</u>	<u>3,028,812</u>
EXPENDITURES				
Current:				
Employee benefits	364,276	-	-	364,276
Cost of sales (school lunch)	1,875,692	-	-	1,875,692
Student activities	-	234,739	-	234,739
Total expenditures	<u>2,239,968</u>	<u>234,739</u>	<u>-</u>	<u>2,474,707</u>
Excess of revenues over expenditures	<u>519,007</u>	<u>34,674</u>	<u>424</u>	<u>554,105</u>
OTHER FINANCING SOURCES				
Premium on serial bonds issued	-	-	381,900	381,900
Total other financing sources	<u>-</u>	<u>-</u>	<u>381,900</u>	<u>381,900</u>
Net change in fund balances	519,007	34,674	382,324	936,005
Fund balances—beginning	210,660	169,547	1,287,773	1,667,980
Fund balances—ending	<u>\$ 729,667</u>	<u>\$ 204,221</u>	<u>\$ 1,670,097</u>	<u>\$ 2,603,985</u>

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FEDERAL AWARDS
INFORMATION

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor Program or Cluster Title (1a)	Federal Assistance Listing Number (1b)	Pass-through Entity's Identifying Number (1c)	Passed- Through to Subrecipients	Total Federal Expenditures (1d)
U.S. DEPARTMENT OF AGRICULTURE:				
<i>Passed through New York State Department of Agriculture:</i>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	n/a	\$ -	\$ 421,220
National School Lunch Program	10.555	n/a	-	1,966,324
Summer Food Service Program for Children	10.559	n/a	-	114,714
Total Child Nutrition Cluster			-	2,502,258
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	2,502,258
U.S. DEPARTMENT OF EDUCATION:				
<i>Passed through New York State Department of Education:</i>				
Title I Grants to Local Educational Agencies	84.010	0021-22-0810	-	526,271
Title I Grants to Local Educational Agencies	84.010	0021-21-0810	-	88,532
Total Title I Grants to Local Educational Agencies			-	614,803
Special Education Cluster:				
Special Education - Grants to States	84.027	0032-22-0230	-	1,156,824
Special Education - Preschool Grants	84.173	0033-22-0230	-	35,737
Total Special Education Cluster			-	1,192,561
Student Support and Academic Enrichment Program	84.424	0204-22-0810	-	3,548
Supporting Effective Instruction State Grants	84.367	0147-22-0810	-	72,829
Supporting Effective Instruction State Grants	84.367	0147-21-0810	-	14,592
Education Stabilization Fund:				
Governor's Emergency Education Relief Fund	84.425C	5895-21-0810	-	31,732
Governor's Emergency Education Relief Fund	84.425C	5896-21-0810	-	184,257
Elementary and Secondary School Emergency Relief Fund	84.425D	5890-21-0810	-	16,573
Elementary and Secondary School Emergency Relief Fund	84.425D	5891-21-0810	-	1,775,584
American Rescue Plan—Elementary and Secondary School Emergency Relief	84.425U	5870-22-9099	-	196,810
American Rescue Plan—Elementary and Secondary School Emergency Relief	84.425U	5880-21-0810	-	1,133,520
American Rescue Plan—Elementary and Secondary School Emergency Relief	84.425U	5884-21-0810	-	198,133
Total Education Stabilization Fund			-	3,536,609
TOTAL U.S. DEPARTMENT OF EDUCATION			-	5,434,942
TOTAL EXPENDITURES OF FEDERAL AWARDS (1e)			\$ -	\$ 7,937,200

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

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FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Frontier Central School District, New York (the “District”) under programs of federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. The following notes were identified on the Schedule:

- a) Includes all federal award programs of the Frontier Central School District, New York.
- b) Source: Federal Assistance Listing Numbers, previously known as Catalog of Federal Domestic Assistance.
- c) Pass-through entity identifying numbers are presented where available.
- d) Prepared under accounting principles generally accepted in the United States of America and includes all federal award programs.
- e) Total federal expenditures for the District’s 2021-2022 fiscal year are reconciled to Federal sources as reported in the basic financial statements as follows:

Balance per schedule of expenditures of federal awards	\$ 7,937,200
Medicaid reimbursement	<u>350,262</u>
Total Federal sources per financial statements	<u>\$ 8,287,462</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The District has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. NON-MONETARY FEDERAL PROGRAM

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a “non-monetary program.” During the year ended June 30, 2022, the District used \$68,028 worth of commodities.

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Certified Public Accountants

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

The Board of Education
Frontier Central School District, 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 the Frontier Central School District, New York (the "District") as of and for the year ended June 30, 2022, 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 4, 2022.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Drescher & Malecki LLP

October 4, 2022

Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

The Board of Education
Frontier Central School District, New York:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Frontier Central School District, New York's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Drescher & Malecki LLP

October 4, 2022

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of report the auditor issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes _____ No

Significant deficiency(ies) identified? _____ Yes _____ None reported

Noncompliance material to the financial statements noted? _____ Yes _____ No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ Yes _____ No

Significant deficiency(ies) identified? _____ Yes _____ None reported

Type of report the auditor issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ Yes _____ No

Identification of major federal programs

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to Local Educational Agencies
84.425C	Governor's Emergency Education Relief Fund
84.425D	Elementary and Secondary School Emergency Relief Fund
84.425U	American Rescue Plan - Elementary and Secondary School Emergency Relief

Dollar threshold used to distinguish between Type A and Type B programs? \$ 750,000

Auditee qualified as low-risk auditee? _____ Yes _____ No

Section II. FINANCIAL STATEMENT FINDINGS

No findings noted.

Section III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

FRONTIER CENTRAL SCHOOL DISTRICT, NEW YORK
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022
(Follow-up on June 30, 2021 Findings)

No findings were reported.