

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 27, 2019

NEW ISSUE/RENEWALS

BOND ANTICIPATION NOTES

In the opinion of Hodgson Russ LLP of Buffalo, New York, Bond Counsel, under the existing statutes, regulations, rulings and court decisions, and assuming continuing compliance with certain tax certification described herein, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"), as amended. Bond Counsel is also of the opinion that the interest on the Notes is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Furthermore, Bond Counsel is of the opinion that, under existing statutes, interest on the Notes is exempt from personal income taxes imposed by New York State and any political subdivision thereof. See "Tax Exemption" herein.

The Notes will **NOT** be designated by the District as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

**FRONTIER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK
(the "District" or the "School District")**

\$15,726,063

**BOND ANTICIPATION NOTES, 2019
(the "Notes")**

Dated: July 23, 2019

Due: July 23, 2020

Security and Source of Payment: The Notes are general obligations of the District and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Notes. Unless paid from other sources, all the taxable real property within the District is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, without limitation as to rate or amount (subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York). See "Tax Levy Limitation Law" herein.

Prior Redemption: The Notes will NOT be subject to redemption, in whole or in part, prior to maturity.

Form and Denomination: The Notes will be issued as registered notes and, at the option of the initial purchaser(s), may be registered to the payable to the Depository Trust Company ("DTC" or the "securities depository"), or may be registered in the name of the initial purchaser(s).

To the extent that the Notes are issued through DTC, the Notes will be registered in the name of Cede & Co., as nominee of DTC in New York, New York, which will act as securities depository for the Notes. In such event, individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or integral multiples thereof, except for one note of an odd denomination, as may be determined by such successful bidder(s). Initial purchasers of the Notes will not receive certificates representing their ownership interest in the Notes. Payment of the principal of and interest on the Notes will be made by the District to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Notes. See "Book-Entry-Only System," herein.

To the extent that the Notes are registered in the name of the initial purchaser (s), principal of and interest on the Notes will be payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denomination of \$5,000, or integral multiples thereof, except for one note of an odd denomination as may be determined by such successful bidder(s).

Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes are offered when, as and if issued and received by the purchaser(s) and subject to the receipt of the legal opinion as to the validity of the Notes of Hodgson Russ LLP, of Buffalo, New York., Bond Counsel, and certain other conditions. It is anticipated that the Notes will be available for delivery in Jersey City, New Jersey (through the facilities of DTC) or at such other place as may be agreed with the purchaser(s) on or about July 23, 2019.

Facsimile or telephone bids will be received TUESDAY, JULY 9, 2019 until 11:00 a.m. Prevailing Time, pursuant to the terms of the Notice of Sale.

THE DISTRICT DEEMS THIS OFFICIAL STATEMENT TO BE FINAL FOR PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"), EXCEPT FOR CERTAIN INFORMATION THAT HAS BEEN OMITTED HEREFROM IN ACCORDANCE WITH THE RULE AND THAT WILL BE SUPPLIED WHEN THIS OFFICIAL STATEMENT IS UPDATED FOLLOWING THE SALE OF THE NOTES. THIS OFFICIAL STATEMENT WILL BE SO UPDATED UPON REQUEST OF THE SUCCESSFUL BIDDER(S), AS MORE FULLY DESCRIBED IN THE NOTICE OF SALE WITH RESPECT TO THE NOTES. UNLESS THE NOTES ARE PURCHASED FOR THE SUCCESSFUL BIDDER'S OWN ACCOUNT AS PRINCIPAL FOR INVESTMENT AND NOT FOR RESALE, THE DISTRICT WILL ENTER INTO AN UNDERTAKING TO PROVIDE NOTICE OF CERTAIN DESIGNATED EVENTS, AS REQUIRED BY THE RULE (SEE "DISCLOSURE UNDERTAKING," HEREIN).

**FRONTIER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK**

School District Officials

2018-19 BOARD OF EDUCATION

Janet MacGregor Plarr - President
David Patton - Vice President

Larry Albert
Patrick Boyle
Dr. Mary Ann Costello
Martin Lalka
Davis Podkulski

Dr. Richard J. Hughes – Superintendent of Schools
William Thiel –Director of Finance
Mary Kaye Clouden – District Treasurer
Linda Leising – District Clerk

School District Attorney

Hodgson Russ LLP

BOND COUNSEL

Hodgson Russ LLP

MUNICIPAL ADVISOR



R. G. Timbs, Inc.

No person has been authorized by the District to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District.

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OFFICIAL STATEMENT

**FRONTIER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK
(the "District")**

**\$15,726,063
Bond Anticipation Notes, 2019
(the "Notes")**

This Official Statement, which includes the cover page, has been prepared by the Frontier Central School District, Erie County, New York (the "District", or "School District" "County" and "State," respectively) in connection with the sale by the District of its \$15,726,063 Bond Anticipation Notes, 2019 (the "Notes").

The factors affecting the District's financial condition and the Notes are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the District's tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement

All quotations from and summaries and explanations of provisions of the Constitution and Laws of the State and acts and proceedings of the District contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

Description of the Notes

The Notes are dated July 23, 2019 and mature, without option of prior redemption, July 23, 2020. Interest will be calculated on a 30-day month and 360-day year basis, payable at maturity.

The Notes are general obligations of the District, and will contain a pledge of its faith and credit of the District for payment of the principal of and interest on the Notes, as required by the Constitution and laws of the State of New York (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). Unless paid for from other sources, all the taxable real property within the District is subject to the levy of *ad valorem* taxes to pay the Notes and interest thereon, sufficient to pay such principal and interest as the same become due, subject to certain statutory limitations imposed by Chapter 97 of the 2011 Laws of New York. See "Tax Levy Limitation Law," herein.

The Notes will be issued in registered form. At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s), with principal of and interest on the Notes being payable in Federal Funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof, except for one note of an odd denomination, as may be determined by such successful bidder(s). Alternatively, the Notes may be registered in the name of Cede & Co., as nominee of DTC, with DTC acting as securities depository for the Notes. See "Book-Entry-Only System," herein. Under the DTC scenario, one fully registered note certificate will be issued for all Notes bearing the same rate of interest and CUSIP number, each in the aggregate principal amount of such issue, and purchasers will not receive certificates representing their interest in the Notes. Principal and interest will be paid in lawful money of the United State of America (federal funds) by the District directly to DTC for its nominee, Cede & Co.

The financial condition of the District as well as the market for the Notes could be affected a variety of factors, some of which are beyond the control of the District. See “Market Risk Factors,” herein.

Purposes and Authorizations

The Notes are issued in accordance with the Constitution and statutes of the State of New York, including the Education Law and the Local Finance Law, and pursuant to certain bond resolutions that were duly adopted by the Board of Education (the “Board”) of the District following positive votes at annual meetings of the qualified voters of the District that were held on May 16, 2017, May 15, 2018 and May 21, 2019, on (a) June 20, 2017 authorizing up to \$912,678 of serial bonds for the acquisition of various school buses for use in the transportation program of the District (\$395,250 of this issue); (b) August 22, 2017, authorizing the issuance of up to \$21,000,000 of serial bonds for the reconstruction, rehabilitation and renovation, in part, and the construction of improvements and upgrades to various District buildings and facilities and the sites thereof (\$13,770,000 of this issue); (c) June 5, 2018, authorizing up to \$843,111 of serial bonds for the acquisition of various school buses for use in the transportation program of the District (\$674,489 of this issue), and (d) June 4, 2019, authorizing up to \$886,324 of serial bonds for the acquisition of various school buses for use in the transportation program of the District (\$886,324 of this issue).

A portion of the proceeds of the Notes (\$2,839,739), along with \$855,372 of available funds of the District, will be used to redeem and renew, in part, and outstanding bond anticipation note of the District that was issued on July 25, 2018. Proceeds of the Notes in the amount of \$886,324 will provide original financing for the acquisition of buses under the June 4, 2019 bond resolution. Proceeds of the Notes in the amount of \$12,000,000 will provide additional financing for the capital project under the August 22, 2017 bond resolution.

Book-Entry Only System

The following is relevant only if the Notes are issued in book-entry form. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Notes, if so requested. The Notes will be issued as fully-registered Notes registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC, only if requested by the purchaser prior to the initial issuance of Notes. One fully-registered note certificate will be issued for each of the notes bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of

the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission of them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the Notes documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds, distributions and dividend payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC not its nominee or the District, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds, distributions, and dividend payments Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, note certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company

THE DISTRICT CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE NOTES; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE DISTRICT WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY

RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE NOTES; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE NOTES.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE DISTRICT MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Notes

At the option of the purchaser(s), the Notes may be registered in the name of the purchaser(s). In such event, principal of and interest on the Notes will be in federal funds at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder(s). In such case, the Notes will be issued in registered form in denominations of \$5,000 or integral multiples thereof, except for one note of an odd denomination, as may be determined by such bidder(s).

Security and Source of Payment

Each Note, when duly issued and paid for, will constitute a contract between the District and the holder thereof.

The Notes are general obligation of the District will contain a pledge of the faith and credit of the District for the payment of the principal of and interest thereon. For the payment of such principal and interest, the District has the power and statutory authorization to levy *ad valorem* taxes on all of the taxable real property in the District, subject to certain statutory limitation imposed by Chapter 97 of the 2011 Laws of New York. See "Tax Levy Limitation Law," herein.

Under the State Constitution, the District is required to pledge its faith and credit for the payment of principal of and interest on the Notes and the State is specifically precluded from restricting the power of the District to levy taxes on real property therefor. See the discussion under "Tax Levy Limitation Law," herein.

Remedies of Noteholders on Default

Section 99-b of the State Finance Law ("SFL") provides for a covenant between the State of New York (the "State") and the purchasers and the holders and owners from time to time of the notes and bonds issued by the school districts in the State for the school purposes provides that it will not repeal, revoke or rescind the provisions of Section 99-b of SFL, or amend or modify the same so as to limit, impair or impede the rights and remedies granted thereby.

Such section provides that in the event a holder or owner of any bond issued by a school district for school purposes shall file with the State Comptroller a verified statement describing such bond and alleging default in the payment thereof or the interest thereon or both, it shall be the duty of the State Comptroller to immediately investigate the circumstances of the alleged default and prepare and file in his office a certificate setting forth his determinations with respect thereto and to serve a copy thereof by registered mail upon the chief fiscal officer of the school district which issued the bond. Such investigation by the State Comptroller shall cover the current status with respect to the payment of principal of and interest on all outstanding bonds of such school district issued for school purposes and the statement prepared and filed by the State Comptroller shall set forth a description of all such bonds of the school district found to be in default and the amount of principal and interest thereon past due.

Upon the filing of such a certificate in the office of the State Comptroller, he shall thereafter deduct and withhold from the next succeeding allotment, apportionment or payment of such State aid or assistance due to such school district such amount thereof as may be required to pay (a) the school district's contribution to the State teachers retirement system, and (b) the principal of and interest on such bonds of such school district then in default. In the event such State aid or assistance initially so withheld shall be insufficient to pay said amounts in full, the State Comptroller shall similarly deduct and withhold

from each succeeding allotment, apportionment or payment of such State aid or assistance due such school district such amount or amounts thereof as may be required to cure such default. Allotments, apportionments and payments of such State aid so deducted or withheld by the State Comptroller for the payment of principal and interest on bonds shall be forwarded promptly to the paying agent or agents for the bonds in default of such school district for the sole purpose of the payment of defaulted principal of and interest on such bonds. If any of such successive allotments, apportionments or payments of such State Aid so deducted or withheld shall be less than the amount of all principal and interest on the bonds in default with respect to which the same was so deducted or withheld, the State Comptroller shall promptly forward to each paying agent an amount in the proportion that the amount of such bonds in default payable to such paying agent bears to the total amount of the principal and interest then in default on such bonds of such school district. The State Comptroller shall promptly notify the chief fiscal officer of such school district of any payment or payments made to any paying agent or agents of defaulted bonds pursuant to section of SFL.

Under current law, provision is made for contract creditors (including holders of the Notes) of the District to enforce payments upon such contracts, if necessary, through court action, although the present statute limits interest on the amount adjudged due to creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgement, although judicial mandates have been issued to officials to appropriate and pay judgements out of current funds or the proceeds of a tax levy.

In recent times, certain events and legislation affecting remedies on default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of noteholders, such courts might hold that future events including financial crises as they may occur in the State and in municipalities of the State require exercise by the State of its emergency police power to assure the continuation of essential public service

Special Provisions Affecting Remedies Upon Default

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the District upon any judgement or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Notes in the event of a default in the payment of the principal of and interest on the Notes.

In accordance with a general rule with respect to municipalities, judgements against the District may not be enforced to levy and execution against property owned by the District.

The Federal Bankruptcy Code allows public bodies, such as the District, recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization or any municipality in the State or its emergency control board to file a petition under any provision of federal bankruptcy law for the composition or adjustment of municipal indebtedness. While this Local Finance Law provision does not apply to school districts, there can be no assurance that it will not be made so applicable in the future.

Under the Bankruptcy Code, a petition may be filed in federal bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Bankruptcy Code also requires the municipality to file a plan for the adjustment of its debts, which may modify or alter the rights of creditors and would authorize the federal bankruptcy court to permit the municipality to issue certificates of indebtedness, which could have priority over existing creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite majority of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it. The District has legal capacity to file a petition under the Bankruptcy Code.

It might be asserted that under the Bankruptcy Code interest and principal debt service payments made by the District within 90 days of the District filing a bankruptcy petition were voidable preferences. In the event these assertions were made and sustained by the bankruptcy court, the recipients of those preferential payments could be required to refund them, and their claims would then be treated as if the preferential payments had not been made.

At the Extraordinary Session of the State Legislature held in November 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of

the City of New York. The effect of such act was to create a three-year moratorium on action to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violated the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of the Local Finance Law enacted at the 1975 Extraordinary Session of the State Legislature, authoring any county, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has ever been declared with respect to the District.

No Principal or interest payment on District indebtedness is past due. The District has never defaulted in the payment of principal of an interest of any indebtedness.

The District

The District comprises an area of approximately 39 square miles, and is located in the southern portion of Erie County along the shore of Lake Erie in the Town of Hamburg. The District includes a major portion of the Town of Hamburg and a small portion of the Town of Eden. Portions of the District closest to Buffalo are suburban residential in character while outlying areas are more rural. Most residents of the District are employed in business, industry, and professions in Buffalo or the Niagara Frontier.

Transportation is provided through the District on State Routes 5 and 20. Bus service is provided by the Niagara Frontier Transportation Authority (Metro) on a regular, commuter basis. Major airlines operate from the Buffalo-Niagara International Airport, a 30-minute drive from the District. Conrail provides rail facilities within the District, which operates several mainlines and spurs with industrial sidings. Passenger rail service is provided by Amtrak in the Village of Depew, north of the District.

Police protection is provided by the Town of Hamburg Police Department, the Erie County Sheriff's Department and the State Police. Electricity is supplied throughout the District by the New York State Electric and Gas Corporation and National Grid. Water services are provided by the Erie County Water Authority. Sanitary sewage collection and treatment facilities are provided throughout the unincorporated portions of the District by the Towns' special assessment sewer districts. The Village of Hamburg (within the Town of Hamburg) provides sanitary services to residents. The following banks have one or more offices within the District: Citizen's Bank, Bank of America, Key Bank, Evans Bank, M&T Bank and Northwest Savings Bank.

District Facilities

Name	Year Built	<u>Current Maximum Capacity</u>	Date of Last Addition or Alteration
Senior High School	1955	2,349	2013
Middle School	1963	1,971	2009
Big Tree Elementary School	1992	918	2009
Pinehurst Elementary School	1955	810	2009
Cloverbank Elementary School	1959	891	2009
Blasdell Elementary School	1959	891	2009
Frontier Community Learning Center	2002	270	2002

Source: District Official

District Employees

The School District employs 1,000 full-time and part-time employees. The number of members, the collective bargaining units which represent them and their current contract expiration dates are as follows:

<u>Employees</u>	<u>Bargaining Unit</u>	<u>Expiration Date</u>
414	Frontier Central Teachers Association	6/30/2021
367	Frontier Central Employees Association	06/30/2022
15	Frontier Central Administrators Association	6/30/2022
11	Frontier Central Registered Nurses Association	6/30/2020

Source: District Officials

Historical and Projected Enrollment

<u>Fiscal Year</u>	<u>Actual</u>	<u>Fiscal Year</u>	<u>Projected</u>
2014-15	4,873	2019-20	4,760
2015-16	4,846	2020-21	4,750
2016-17	4,844	2021-22	4,740
2017-18	4,790	2022-23	4,730
2018-19	4,679	2023-24	4,720

Source: District Officials

Employee Pension Benefits

All non-teaching and non-certified administrative employees of the District eligible for pension or retirement benefits under the Retirement and Social Security Law of the State of New York are members of the New York and Local Employees' Retirement -System ("ERS"). In the District's 2019-20 Budget, the appropriation for payments to ERS is \$1,583,822.

Teachers and certified administrators are members of the New York State Teachers' Retirement System ("TRS"). Payments to TRS are deducted from the School District's State aid payments. In the District's 2019-20 Budget, the appropriation for payments to TRS is \$3,390,596.

Both the ERS and the TRS (together, the "Retirement Systems") are non-contributory with respect to members hired prior to July 27, 1976. Other than those in Tier V and Tier VI, all members hired on or after July 27, 1976 with less than 10 years of service must contribute 3% of their gross annual salary toward the cost of retirement programs.

On December 10, 2009, pension reform legislation was signed into law that created a new Tier V pension level. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

Members of the TRS have a separate Tier V benefit structure that will achieve equivalent savings as other civilian public employees. It includes:

- Raising the minimum age an individual can retire without penalty from 55 to 57 years.
- Contributing 3.5% of their annual wages to pension costs rather than 3% and continuing this increased contribution so long as they accumulate additional pension credits.
- Increasing the 2% multiplier threshold for final pension calculations from 20 to 25 years.

In accordance with constitutional requirements, Tier V applies only to public employees hired after December 31, 2009 and before April 2, 2012.

On March 16, 2012, legislation was signed into law that created a new Tier VI pension program, The Tier VI plan only applies to those employees hired on or after April 1, 2012. The new pension tier has progressive contribution rates between 3% to 6% of salary; it increases the retirement age for new employees from 62 to 63 and includes provisions allowing early

retirement with penalties. Under previous tiers, there was no limit to the number of public employers a public employee worked for from which retirement benefits could be calculated. Tier VI permits only two salaries to be included in the calculation. The pension multiplier for Tier VI is 1.75% for the first 20 years of service and 2% thereafter; Vesting will occur after 10 years of service. The final average salary is based on a five-year average instead of the previous Tiers' three-year average. Pension eligible overtime for civilian and non-uniformed employees will be capped at \$15,000, indexed for inflation. For uniformed employees outside of New York City, the cap is set at 15% of base pay. The number of sick and leave days that can be applied toward retirement service credit is reduced from 200 to 100. The legislation includes an optional defined contribution plan for new non-union employees with annual salaries of \$75,000 or more. The State is required to fund any pension enhancements on an ongoing basis. This is a potential future cost savings for local governments.

The average contribution rate for the ERS for the 2018-19 fiscal year is 14.9% and for the 2019-20 years is 14.6%. The average contribution rate for the TRS for the 2018-19 fiscal year is 10.62% and for the 2019-20 years it is estimated to be 8.86%.

In 2003, Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and the Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program for ERS. The reform program established a minimum contribution for any local governmental employer equal to 4.5% of pensionable salaries for bills which were due December 15, 2003 and for all fiscal years thereafter, as a minimum annual contribution where the actual rate would otherwise be 4.5% or less due to the investment performance of the fund. In addition, the reform program instituted a billing system to match the budget cycle of municipalities and school districts that will advise such employers over one year in advance concerning actual pension contribution rates for the next annual billing cycle. Under the previous method, the requisite ERS contributions for a fiscal year could not be determined until after the local budget adoption process was complete. Under the new system, a contribution for a given fiscal year is based on the valuation of the pension fund on the prior April 1 of the calendar year preceding the contribution due date instead of the following April 1 in the year of contribution so that the exact amount may now be included in a budget.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating employers, if they so elect, to amortize an eligible portion of their annual required contributions to ERS when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use. The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount.

Stable Rate Pension Contribution Option: The 2013-14 State Budget included a provision that provides local governments and school districts, including the District, with the option to "lock-in" long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and TRS. The stable rates would be 12% for ERS and 12.5% for TRS. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years. The District did not participate in the Stable Rate Pension Contribution Option nor does it intend to do so in the foreseeable future.

The investment of monies, and assumptions underlying same, of the Retirement Systems covering the District's employees is not subject to the direction of the District. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the District which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

The State's 2019-2020 Enacted Budget, which was signed into law as Chapter 59 of the Laws of 2019, includes a provision that will allow school districts in the State to establish a reserve fund for the purpose of funding the cost of TRS contributions, as a sub-fund of retirement contribution reserve funds presently authorized for amounts payable to the ERS by a school district. School districts will be permitted to pay into such reserve fund during any particular fiscal year, an amount not to exceed two percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year; provided that the balance of such fund may not exceed ten percent of the total compensation or salaries of all district-employed teachers who are members of the TRS paid during the immediately preceding fiscal year. As of the date of this Official Statement, the School District has not yet determined whether it will establish such a fund.

Other Post-Employment Benefits

The District provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. School districts and Boards of Cooperative Educational Services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB") requires governmental entities, such as the School District, to account for the cost of certain non-pension post-employment benefits as it accounts for vested pension benefits.

GASB 75 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 75, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 75 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. However, GASB 75 also addresses certain circumstances in which a non-employer entity provides financial support for OPEB of employees of another entity and requires: (a) explanations of how and why the OPEB liability changed from year to year (b) amortization and reporting of deferred inflows and outflows due to assumption changes, (c) use of a discount rate that takes into account resources of an OPEB plan and how they will be invested to maximize coverage of the liability (d) a single actual cost method and (e) immediate recognition of OPEB expense and effects of changes to benefit terms.

Under GASB 75, a total OPEB liability is determined for each municipality or school district. A net change in the total OPEB Liability is calculated as the sum of changes for the year including service cost, interest, difference between expected and actual experience, changes in benefit terms, changes in assumptions or other inputs, less the benefit payments made by the School District for the year.

Based on the most recent actuarial valuation dated June 30, 2018 and financial data as of June 30, 2018, the School District's beginning year total OPEB liability was \$5,051,052 the net change for the year was (\$422,669), resulting in a total OPEB liability of \$5,473,721 for a fiscal year ending June 30, 2018. The aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the School District's June 30, 2018 financial statements.

The total OPEB liability* is required to be determined through an actuarial valuation every two years, at a minimum. However, OPEB plans with fewer than 100 members may use an alternative measurement method in place of an actuarial valuation. Additional information about GASB 75 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

There is no authority in current State law to establish a trust account or reserve fund for this liability. While State Comptroller Thomas P. DiNapoli proposed a bill in April of 2015 that would create an optional investment pool to help local governments fund their OPEB liabilities, such legislation has not advanced past the committee stage.

The School District's total OPEB liability is expected to increase. As is the case with most municipalities, this is being handled by the School District on a "pay-as-you-go" bases. Substantial future increases could have a material adverse impact upon the School District's finances and could force the School District to reduce services, raise taxes or both.

Major Employers

<u>Name</u>	<u>Nature of Business</u>	<u>Estimated Number of Employees</u>
Ford Motor Company	Manufacturing	1,120
Frontier Central School District	Education	1,000
FedEx Corp.	Shipping	600
Wegmans Markets, Inc.	Retail Food	550
West Herr Ford	Store Auto Sales	500
Walmart, Inc.	Retail Store	450

Source: District Officials

Unemployment Rate Statistics

Unemployment statistics are not available for the District as such. The smallest area for which such statistics are available (which includes the District) is Erie County. The data set forth below with respect to the County is included for information purposes only. It should not be inferred from the inclusion of such data in this Statement that the District is necessarily representative of the County or vice versa.

<u>Year</u>	<u>Erie County Unemployment Rate</u>	<u>New York State Unemployment Rate</u>	<u>U.S. Unemployment Rate</u>
2014	6.1%	6.3%	6.2%
2015	5.3%	5.3%	5.3%
2016	4.9%	4.9%	4.9%
2017	5.1%	4.7%	4.4%
2018	4.4%	4.1%	4.0%

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted)

Investment Policy

The Board has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the District are made in accordance with such policy.

The primary objectives of the District's investment policy are, in priority order, as follows:

- To conform to all applicable federal, State and other legal requirements.
- To adequately safeguard principal.
- To provide sufficient liquidity to meet all operating requirements.
- To obtain a reasonable rate of return on invested funds.

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the District is generally permitted to deposit moneys which are not required for immediate expenditure in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The District may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State; (4) with the approval of the State Comptroller, tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the District itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the District pursuant to law, obligations of the District.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the District, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML. The District is not presently investing in repurchase agreements.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

Form of School Government

The District is an independent entity governed by an elected Board previously defined comprised of seven members. District operations are subject to the provisions of the State Education Law affecting school districts; other statutes applicable to the District include the General Municipal Law, the Local Finance Law and the Real Property Tax Law.

Members of the Board are elected on a staggered term basis by qualified voters within the District boundaries at the annual election of the District (held in May). The term of office for each board member is five years and the number of terms that may be served is unrestricted.

During the first seven days of July each year, the Board meets for the purpose of reorganization. At that time an election is held within the Board to elect a President (who serves as the chief fiscal officer of the District) and Vice President, and to appoint a District Clerk and District Treasurer.

The Board is vested with various powers and duties as set forth in the Education Law. Among these are the adoption of annual budgets (subject to voter approval), the levy of real property taxes for the support of education, the appointment of such employees as may be necessary, and other such duties reasonably required to fulfill the responsibilities provided by law.

The Board appoints the Superintendent of Schools, who serves under a written contract which, by statute, must be of no less than three and no more than five years in duration. Such Superintendent is the chief executive officer of the District. It is the responsibility of the Superintendent to enforce all provisions of law and all rules and regulations relating to the management of the schools and other educational, social and recreational activities, under the direction of the Board. Certain other administrative and financial duties are performed by the Assistant Superintendent for Business, who is appointed by the Board.

Budgetary Procedures

Pursuant to the Education Law, the Board annually prepares, a budget for the ensuing fiscal year. A public hearing on such budget is held not less than seven and not more than fourteen days prior to the vote. The Board of Education causes notice of such public hearing to be published four times beginning seven weeks prior to the vote. After the public hearing, but not less than six days prior to the budget vote, the School District must mail a school budget notice to all qualified voters which contains the total budgeted amount, the dollar and percentage increase or decrease in the proposed budget (or contingency budget) as compared to the current budget, the percentage increase or decrease in the consumer price index, the estimated property tax levy, the basic STAR exemption impact and the date, time and place of the budget vote. After the budget hearing and subsequent notice, a referendum upon the question of the adoption of the budget is held on the third Tuesday in May each year. All qualified School District residents are eligible to participate.

Pursuant to Chapter 97 of the Laws of 2011 of the State of New York ("Chapter 97"), beginning with the 2012-13 fiscal year, if the proposed budget requires a tax levy increase that does not exceed the lesser of 2% (plus certain adjustments, if applicable) or the rate of inflation (the " Tax Cap"), then a majority vote is required for approval. If the proposed budget requires a tax levy increase that exceeds the Tax Cap, the budget proposition must include special language and a 60% vote is required for approval. Any separate proposition that would cause the School District to exceed the School District Tax Cap also must receive at least 60% voter approval.

If the proposed budget is not approved by the required margin, the Board of Education may resubmit the original budget or a revised budget to the voters on the third Tuesday in June, or adopt a contingency budget (which would provide for ordinary contingent expenses, including debt service) that levies a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy).

If the resubmitted and/or revised budget is not approved by the required margin, the Board of Education must adopt a budget that requires a tax levy no greater than that of the prior fiscal year (i.e. a 0% increase in the tax levy). For a complete discussion of Chapter 97, see "Tax Levy Limitation Law" herein.

The budget for the 2019-20 fiscal year was adopted by the qualified voters on May 21, 2019 by a vote of 1,237 to 311.

State Aid

The School District receives financial assistance from the State. In its adopted budget for the 2018-19 fiscal year, approximately 40.58% of the revenues of the School District are estimated to be received in the form of State aid. If the State should experience difficulty borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the School District, in any year, the School District may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments. Additionally, should the State budget not be adopted in a timely manner, municipalities and school districts in the State, including the School District, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the School District. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which could eliminate or substantially reduce State aid could have a material adverse effect upon the District requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Potential Reductions in Federal Aid Received by the State - The State receives a substantial amount of Federal aid for education. Many of the policies that drive this Federal aid are subject to change under the current presidential administration and Congress. However, the State's current financial projections concerning Federal aid, and the assumptions on which they are based, are subject to revision as more information becomes available about the proposals for Federal tax policy and legislation, health care, including amendments to the Affordable Care Act, infrastructure, taxation, the Budget Control Act of 2011 (as amended), Federal regulatory reform, and other issues may arise.

Reductions in Federal funding levels could have a materially adverse impact on the State budget. In addition the potential fiscal impact of policies that may be processed and adopted by the new administration and Congress, the State budget may be adversely affected by other actions taken by the Federal government, including audits, disallowances, and changes to Federal participation rates or other Medicaid rules.

The State's Enacted 2019-20 Budget allows the Governor to reduce aid to school districts mid-year if receipts from the Federal government are less than what was expected. If federal support is reduced by \$850 million or more the New York State Director of the Budget will develop a plan to make uniform spending reductions by the State. Such plan would take effect automatically unless the State Legislature passes its own plan within 90 days.

There can be no assurance that the State's financial position will not change materially and adversely from current projections. If this were to occur, the State would be required to take additional gap-closing actions. Such actions may include but are not limited to reductions in State agency operations' delays or reductions in payments to local governments or other recipients of State aid including school districts in the State. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State.

Should the District fail to receive State aid expected from the State in the amounts and at the time expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State Aid, The District is authorized by Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

State Aid History -The State's 2012-13 Budget provided for school aid of approximately \$20 billion, which represented an increase of approximately \$751 million in State aid for school districts.

The State's 2013-14 Budget provided for school aid of approximately \$21.1 billion, which represented an increase of approximately \$936.6 million, or 4.4% in total school aid spending from the 2012-13 school year.

The State's 2014-15 Budget included a \$1.1 billion or 5.3% increase in state aid for the 2014-15 school year. High-needs school districts received approximately 70% of the 2014-15 allocated increase. The 2014-2015 State budget restored \$602 million of Gap Elimination Adjustment ("GEA") reductions that had been imposed on school districts from 2010-2011 to 2012-2013. The 2014-2015 State budget invested \$1.5 billion over five years to support the phase-in of a statewide universal full-day pre-kindergarten program.

The State's 2015-16 Budget contained a school aid increase of \$1.4 billion that is tied to changes in the teacher evaluation and tenure process. School districts must obtain approval of their revised teacher evaluation plans by November 15, 2015 in order to receive their allotted increase in State aid.

The 2016-2017 State Budget included a school aid increase of \$991 million over 2015-2016, \$863 million of which consisted of traditional operating aid. In addition to full-funding of expense based aids (\$408 million), the Enacted 2016-2017 State Budget included a \$266 million increase in Foundation Aid and an \$189 million restoration to the Gap Elimination Adjustment (the "GEA"). The majority of the remaining increase (\$100 million) related to Community Schools Aid, a newly adopted aid category, to support school districts that wish to create community schools. Such funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families.

The State's 2017-18 Budget increased State aid to education by \$1.1 billion, including a \$700 million increase in Foundation Aid, bringing the total amount of State aid to education to \$25.8 billion or an increase of 4.4%. Expense-based aids to support school construction, pupil transportation, BOCES and special education were continued in full, as is the State's usual practice. Transportation aid increased by 5.5% and building aid increased by 4.8%. The State's 2017-18 Budget continued to link school aid increases for 2017-18 and 2018-19 to teacher and principal evaluation plans approved by September 1 of the current year in compliance with Education Law Section 3012-d.

The State's 2018-19 Enacted Budget included nearly \$1 billion in additional education funding, representing a 3.9% increase over 2017-18. Approximately \$859 million of that increase was comprised of traditional public school aid, including increased Foundation Aid and full-funding of expense-based aids. Formula-based school aid was \$26.03 billion statewide, a 3.4% increase over the prior year. The State's 2018-19 Enacted Budget included an increase of \$618 million in Foundation Aid for school districts. Foundation Aid now totals nearly \$17.8 billion statewide. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State's 2018-19 Enacted Budget guaranteed that all school districts received an increase in Foundation Aid over their 2017-18 levels. \$50 million of the Foundation Aid increase "set aside" for certain school districts to fund community schools. The State's 2018-19 Enacted Budget fully funded all expense-based aid for 2018-19, including building, transportation, BOCES and special education aid. These categories serve as State reimbursements for school district expenses made in the prior year, based on school district-specific aid ratios. A total of \$240 million was approved for increases in all expense-based aids in 2018-19.

The State's 2019-20 Enacted Budget includes more than \$1 billion increase in aid to school districts, including a \$618 million increase in Foundation Aid. The new State education aid total is \$27.9 billion and increase of 3.8%. The 2019-20 Enacted Budget directs a majority of such additional funding (over 70%) to the State's more economically disadvantaged school districts.

State Aid Litigation -In January 2001, the State Supreme Court issued a decision in Campaign for Fiscal Equity v. New York mandating that the system of apportionment of State aid to school districts within the State be restructured by the Governor and the State Legislature. On June 25, 2002, the Appellate Division of the State Supreme Court reversed that decision. On June 26, 2003, the State Court of Appeals, the highest court in the State, reversed the Appellate Division, holding that the State must, by July 30, 2004, ascertain the actual cost of providing a sound basic education, enact reforms to the system of school funding and ensure a system of accountability for such reforms. The Court of Appeals further modified the decision of the Appellate Division by deciding against a Statewide remedy and instead limited its ruling solely to the New York City school system.

After further litigation, on appeal in 2006, the Court of Appeals held that \$1.93 billion of additional funds for the New York City schools – as initially proposed by the Governor and presented to the Legislature as an amount sufficient to provide a sound basic education – was reasonably determined. State legislative reforms in the wake of The Campaign for Fiscal Equity decision included increased accountability for expenditure of State funds and collapsing over 30 categories of school aid for school districts in the State into one classroom operating formula referred to as foundation aid. The stated purpose of foundation aid is to prioritize funding distribution based upon student need. As a result of the Court of Appeals ruling schools were to receive \$5.5 billion increase in foundation aid over a four fiscal year phase-in covering 2007 to 2011.

In school district fiscal year 2009-2010, foundation aid funding was frozen by the State Legislature to the prior fiscal year level, and in the fiscal year thereafter foundation aid funding was reduced through a "gap elimination adjustment" as described above, and other aid adjustments. The final phase-in of foundation aid as originally projected has not occurred as of this date.

A case related to the *Campaign for Fiscal Equity, Inc. v. State of New York* was heard on appeal on May 30, 2017 in *New Yorkers for Students' Educational Rights v. State of New York* ("NYSER") and a consolidated case on the right to a sound basic education. The NYSER lawsuit asserts that the State has failed to comply with the original decision in the Court of Appeals in the Campaign for Fiscal Equity case, and asks the Court of Appeals to require the State to develop new methodologies, formulas and mechanisms for determining State aid, to fully fund the foundation aid formula, to eliminate the supermajority requirement for voter approval of budgets which increase school district property tax levies above the property tax cap limitation, and related matters. On June 27, 2017, the Court of Appeals held that the plaintiffs causes of action were properly dismissed by the earlier Appellate Division decision except insofar as two causes of action regarding accountability mechanisms and sufficient State funding for a "sound basic education" as applicable solely to the school districts in New York City and Syracuse. The Court emphasized its previous ruling in the CFE case that absent "gross education inadequacies", claims regarding state funding for a "sound basic education" must be made on a district-by-district basis based on the specific facts therein.

While the increases in State aid in prior years have been targeted to high-needs schools, other schools have shared in the overall increase in State aid. The School District is unable to predict whether this pattern of distribution will continue beyond that which is included in the legislation dealing with foundation aid. Increased State aid for New York City schools and other high-needs schools may result in reductions in the future of State aid to certain school districts, including the School District.

Fiscal Stress Monitoring

The New York State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent information to School District officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's diverse school districts are operating.

The fiscal stress scores are based on financial information submitted as part of each School District's ST-3 report filed yearly with the State Education Department. Using financial indicators that include June 30, 2018 year-end fund balance, cash position and patterns of operating deficits, the OSC system creates an overall fiscal stress score which classifies whether a district is in "significant fiscal stress", in "moderate fiscal stress", as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation". This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of OSC designates the District as "No Designation" (Fiscal Score: 6.7%). More information on the FSMS may be obtained from the Office of the State Comptroller.

Note: See the official website of the New York State Comptroller for more information on FSMS. Reference to websites implies no warranty of accuracy of information therein.

New York State Comptroller Report of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the District has complied with the requirements of various State and Federal statutes. These audits can be found by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

The State Comptroller's office released an audit report of the District on August 17, 2018. The purpose of the audit was to Determine whether the District procured professional services in accordance with Board policies and applicable statutory requirements and whether payments for such services were for proper District purposes for the period July 1, 2016 through March 6, 2018

Key Findings

- The Board did not establish adequate policies or ensure that District officials developed adequate written procedures for procuring professional services.
- The District selected and paid nine professional service providers \$466,960, but could not provide documented evidence for how or why those vendors were selected.

Key Recommendations

- Review and update the purchasing policy and procedures to ensure they include detailed guidance for procuring professional services.

District officials generally agreed with our recommendation and indicated they planned to initiate corrective action.

A copy of the complete report and response can be found via the website of the Office of the New York State Comptroller.

There are no State Comptroller's audits of the District that are currently in progress or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Notes were issued is the Education Law and the Local Finance Law.

The District is in compliance with the procedure for the publication of the estoppel notice with respect to the Notes as provided in Title 6 of Article 2 of the Local Finance Law.

No principal or interest upon any obligation of the School District is past due.

The fiscal year of the School District is from July 1 to June 30.

Other than "Estimated Calculation of Overlapping Indebtedness", this Official Statement does not include the financial data of any other political subdivisions of the State having power to levy taxes within the School District

Financial Statements

The School District retains an independent Certified Public Accountant, whose most recent report covers the period ended June 30, 2018 and may be found attached hereto as Appendix B

The District complies with the Uniform System of Accounts as prescribed for school districts in New York State. This system differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting ("GAAFR"), published by the National Committee on Government Accounting.

Tax Information

Assessed and Full Valuations

Fiscal Year Ended June 30:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuations:					
Hamburg	\$ 1,390,946,590	\$ 1,398,972,278	\$ 1,407,090,810	\$ 1,408,179,641	\$ 1,406,790,042
Eden	1,006,133	1,005,209	1,077,034	1,194,284	1,173,198
Total	<u>\$ 1,391,952,723</u>	<u>\$ 1,399,977,487</u>	<u>\$ 1,408,167,844</u>	<u>\$ 1,409,373,925</u>	<u>\$ 1,407,963,240</u>
Equalization Rates:					
Hamburg	56.60%	54.50%	53.00%	52.00%	50.00%
Eden	64.00%	64.00%	64.00%	63.00%	59.00%
Full Valuations:					
Hamburg	\$ 2,457,502,809	\$ 2,566,921,611	\$ 2,654,888,321	\$ 2,708,037,771	\$ 2,813,580,084
Eden	1,572,083	1,570,639	1,682,866	1,895,689	1,988,471
Total	<u>\$ 2,459,074,892</u>	<u>\$ 2,568,492,250</u>	<u>\$ 2,656,571,186</u>	<u>\$ 2,709,933,460</u>	<u>\$ 2,815,568,555</u>

Equalized values shown here are those used by the School District for tax levy purposes as provided in the Real Property Tax Law. In some cases, equalization rates established specifically for school tax apportionment may have been used, as is also provided in the Real Property Tax Law.

Tax Rate per \$1,000 Assessed Value

		Fiscal Year Ending June 30:				
		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Hamburg	\$	26.03	\$ 26.43	\$ 26.85	\$ 27.48	\$ 28.23
Eden		23.02	22.51	22.24	22.70	23.91

Tax Collection Procedure

District taxes are payable and due by October 15. There is a 7.5% penalty if paid after October 15 until October 31 and a 9.0% penalty for the entire month of November.

On November 30, a list of all unpaid taxes is given to the County Treasurer for relevy on County/School District tax rolls with additional penalties.

The District is reimbursed by the County for all unpaid taxes so that it is assured of 100% collection of its tax levy each year.

Tax Collection Record

Fiscal Year Ended June 30:	2015	2016	2017	2018	2019
Total Tax Levy	\$36,232,188	\$37,021,114	\$37,846,431	\$38,722,282	\$39,765,353
Less STAR Reimbursement	5,983,020	6,012,490	5,681,324	5,527,269	5,421,234
Total Taxes to be Collected	30,249,168	31,008,624	32,165,107	33,195,013	34,344,119
Taxes Collected Prior to Return to County	29,605,086	30,330,054	31,445,675	32,511,299	33,440,034
Uncollected Returned to County ¹	\$644,082	\$678,570	\$719,432	\$683,714	\$904,085
% Collected Prior to Return	97.87%	97.81%	97.76%	97.94%	97.37%

Note: ¹ The County reimburses the District for any unpaid taxes, thus assuring the District of 100% collection each year. See "Tax Collection Procedure".

Major Taxpayers 2018

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
McKinley Mall, LLC	Retail	\$22,228,630 ²
Burke & Related Companies	Apartments/Developers	21,952,900
G&I IX Empire	Retail	21,587,000
Benderson & Related Companies	Retail	20,392,800
National Fuel Gas	Utility	13,091,467
Niagara Mohawk	Utility	12,688,221
Ford Motor Company	Manufacturing	11,300,000
Villages of Mission Hills	Apartments	9,663,100
Wal-Mart	Retail	9,000,000
Morgan Maplewood	Apartments	7,500,000
Total		\$149,404,118

1. The above taxpayers represent 10.61% of the School District's 2018-19 assessed valuation of \$1,407,963,240
2. The assessed valuation of the McKinley Mall was reduced to \$16,440,630 by consent order. The District will pay a \$186,316.72 refund of 2018-2019 taxes on July 15, 2019. For the 2019-20 tax rolls, the McKinley Mall will be assessed at \$14,888,630 pursuant to the order

General Fund Operations

District finances are operated primarily through its General Fund. All taxes and most other revenues are paid into this fund and all current operating expenditures are made from it. (A statement of such revenues and expenditures for the five-year period ending June 30, 2018 is contained in the Appendices). As reflected in the Appendices, the District derives the bulk of its annual revenues from a tax on real property and from State aid. Capital improvements are generally financed by the issuance of bonds and bond anticipation notes.

STAR – School Tax Exemption

The STAR (School Tax Relief) program provides State-funded exemptions from school property taxes to homeowners for their primary residences. School districts receive full reimbursement from the State for real property taxes exempted pursuant to the STAR program.

Homeowners over 65 years of age with household adjusted gross incomes, less the taxable amount of total distributions from individual retirement accounts and individual retirement annuities (“STAR Adjusted Gross Income”) of \$88,050 or less in 2020, increased annually according to a cost-of-living adjustment, are eligible for a “full value” exemption of the first \$68,700 for the 2019-20 school year (adjusted annually). Other homeowners with household STAR Adjusted Gross Income not in excess of \$250,000 (\$500,000 in the case of a STAR credit, as discussed below) are eligible for a \$30,000 “full value” exemption on their primary residence.

Part A of Chapter 60 of the Laws of 2016 of the State of New York (“Chapter 60”) gradually converts the STAR program from a real property tax exemption to a personal income tax credit. Chapter 60 prohibits new STAR exemptions from being granted unless at least one of the applicants held title to the property on the taxable status date of the assessment roll that was used to levy school district taxes for the 2015-16 school year (generally, March 1, 2015), and the property was granted a

STAR exemption on that assessment roll. However, a new homeowner may receive a new personal income tax credit in the form of a check. The dollar benefit to eligible taxpayers will not change. A taxpayer who is eligible for the new credit will receive a check from the State equal to the amount by which the STAR exemption would have reduced his or her school tax bill. A homeowner who owned his or her home on the taxable status date for the assessment roll used to levy taxes for the 2015-16 school year, and who received a STAR exemption on that roll, may continue to receive a STAR exemption on that home as long as he or she still owns and primarily resides in it. No further action is required (unless the homeowner has been receiving Basic STAR and wants to apply for Enhanced STAR, which is permissible).

The 2019-20 Enacted State Budget makes several changes to the STAR program, which went into effect immediately. The changes are intended to encourage home owners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to \$250,000, compared to a \$500,000 limit for the credit. Homeowners with STAR Adjusted Gross Income of \$250,000 have the option. The amount received for the STAR exemption will remain the same each year, while the amount of the STAR credit can increase up to two percent annually.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor. The Tax Levy Limitation Laws modifies current law by imposing a limit on the amount of real property taxes that a school district may levy. The Law will affect school district tax levies for the school district fiscal year beginning July 1, 2012.

Prior to the enactment of the Law, there was no statutory limitation on the amount of real property taxes that a school district could levy if its budget had been approved by a simple majority of its voters. In the event the budget had been defeated by the voters, the school district was required to adopt a contingency budget. Under a contingency budget, school budget increases were limited to the lesser of four percent (4%) of the prior year's budget or one hundred twenty percent (120%) of the consumer price index ("CPI").

The Tax Levy Limitation Laws requires that a school district hereafter submit its proposed tax levy (not its proposed budget) to the voters each year, and imposes a limitation on the amount of tax levy growth from one fiscal year to the next. Such limitation is the lesser of (i) 2% or (ii) the annual percentage increase in the CPI, as described in the Law. Tax levies that do not exceed such limit will require approval by at least 50% of the voters. Approval by at least 60% of the voters will be required for a tax levy in excess of the limit. In the event the voters reject the tax levy, the school district's tax levy for the ensuing fiscal year may not exceed the amount of the tax levy for the prior fiscal year, without any stated exceptions.

There are exceptions for school districts to the tax levy limitation provided in the law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System and the Teachers' Retirement System. School districts are also permitted to carry forward a certain portion of their unused levy limitation from a prior year.

There is also an exception for school districts for "Capital Local Expenditures" subject to voter approval where required by law. This term is defined in a manner that does not include certain items for which a school district may issue debt, including the payment of judgments or settled claims, including tax certiorari payments, and cashflow borrowings, including tax anticipation notes, revenue anticipation notes, budget notes and deficiency notes. "Capital Local Expenditures", are defined as "the taxes associated with budgeted expenditures resulting from the financing, refinancing, acquisition, design, construction, reconstruction, rehabilitation, improvement, furnishing and equipping of or otherwise providing for school district capital facilities or school district capital equipment, including debt service and lease expenditures, and transportation capital debt service, subject to the approval of the qualified voters where required by law". The portion of the tax levy necessary to support "Capital Local Expenditures" is defined as the "Capital Tax Levy", and is an exclusion from the tax levy limitation, applicable to the Notes.

Real Property Tax Rebate

Chapter 20 of the Laws of 2015 (“Chapter 20”) introduced a new real property tax rebate program that provides state financed tax rebate checks and credits to taxpayers who are eligible for the STAR exemption in the years 2016-2019. For 2016, eligible taxpayers who resided outside New York City but within the Metropolitan Commuter Transportation District (“MCTD”) received \$130, and eligible taxpayers who resided outside the MCTD received \$185. Credits in 2017-2019 will vary based on a taxpayer’s personal income level and STAR tax savings

Under Chapter 20, the eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction’s compliance with the provisions of the Tax Levy Limitation Law. However, for many taxpayers, only the compliance of the school district in which the taxpayer resides is relevant. Municipal compliance with the Tax Levy Limitation Law is only required in the case of the “Big 4” cities that have fiscally dependent school districts. In such cases, the joint school/city levy must remain in compliance with the Tax Levy Limitation Law. In either scenario, the relevant jurisdiction (independent school district or joint city/school district) must certify its compliance with the provisions of the Tax Levy Limitation Law

While the provisions of Chapter 20 do not, directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do, provide an incentive for such tax levies to remain with the tax cap limits established by the Tax Levy Limitation Law. The implication of this for future tax levies and for operations and services of the District are uncertain at this time.

Status of Indebtedness

Constitutional Requirements

The New York State Constitution limits the power of the District (and other municipalities and certain school districts of the State) to issue obligations and to contract indebtedness. Such constitutional limitations in summary form and as generally applicable to the District include the following:

Purpose and Pledge. The District shall not give or loan any money or property to or in aid of any individual or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The District may contract indebtedness only for a District purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; unless substantially level or declining annual debt service is utilized, no installment may be more than fifty percent in excess of the smallest prior installment. The District is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit the District has the power to contract indebtedness for any school district purpose so long as the principal amount thereof shall not exceed ten per centum of the full valuation of the taxable real estate of the District and subject to certain enumerated deductions. The constitutional method for determining full valuation by taking the assessed valuation of taxable real estate for the last completed assessment roll and applying thereto the ratio which such assessed valuation bears to the full valuation as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined.

Statutory Procedure

In general, the State Legislature has, by the enactment of the Local Finance Law, authorized the powers and procedure for the District to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Education Law.

The District is generally required by such laws to submit propositions for the expenditure of money for capital purposes to the qualified electors of the District. Upon approval thereby, the Board of Education may adopt a bond resolution authorizing the issuance of bonds, and notes in anticipation of the bonds. With respect to certain school building construction projects, the District is not permitted to spend in excess of \$100,000 for construction costs until the plans and specifications for such project have been approved by the Commissioner of Education of the State. The District has obtained such approval with respect to the project to be financed by the Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

1. (a) Such obligations are authorized for an object or purpose of which the District is not authorized to expend money; or

(b) The provisions of the law which should be complied with as of the date of publication of the notice were not substantially complied with;

and an action, suit or proceeding contesting such validity is commenced within 20 days after the date of such publication or the notice; or
2. Such obligations were authorized in violation of the provisions of the Constitution of New York.

The District typically complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

The Board, as the finance board of the District, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may delegate the power to sell the obligations to the President of the Board of Education, the chief fiscal officer of the District, pursuant to the Local Finance Law.

The District is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation and contracting indebtedness; however, the State Legislature is prohibited by a specific constitutional provision from restricting the power of the District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

Statutory law in the State permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first issuance of such notes and provided that such renewal issues do not exceed five years beyond the original date of borrowing.

In general, the Local Finance Law contains provisions providing the District with power to issue certain other short term general obligation indebtedness including revenue, tax anticipation, budget and capital notes.

Debt Outstanding End of Fiscal Year

Fiscal Year Ending June 30:	2014	2015	2016	2017	2018
Serial Bonds	\$ 14,055,000	\$ 12,335,000	\$ 10,720,000	\$ 33,780,000	\$ 31,055,000
Bond Anticipation Notes	17,024,100	25,005,492	26,025,343	-	883,701
Installment Purchase Contracts	1,872,439	1,798,427	1,730,944	1,819,291	1,110,774
Total Debt Outstanding	\$ 32,951,539	\$ 39,138,919	\$ 38,476,287	\$ 35,599,291	\$ 33,049,475

Status of Outstanding Bond Issues

Year of Issue:	2015	2016
Amount Issued:	\$4,580,000	\$5,715,000
Final Maturity:	6/15/2032	6/15/2025
Purpose/Instrument:	Refunding	Refunding

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 230,000*	\$ 119,900	\$ 665,000*	\$ 140,963
2020	235,000	115,300	690,000	114,363
2021	240,000	110,600	705,000	100,563
2022	245,000	105,500	720,000	84,700
2023	250,000	99,988	740,000	66,700
2024	265,000	94,050	765,000	46,350
2025	270,000	87,425	780,000	23,400
2026	275,000	80,000	-	-
2027	285,000	69,000	-	-
2028	295,000	57,600	-	-
2029	310,000	45,800	-	-
2030	325,000	33,400	-	-
2031	335,000	20,400	-	-
2032	<u>345,000</u>	<u>10,350</u>	<u>-</u>	<u>-</u>
Totals:	\$ 3,905,000	\$ 1,049,313	\$ 5,065,000	\$ 577,039

*Principal reduction payment made prior to the date of the June 27, 2019 Debt Calculation.

Year of Issue: 2017
 Amount Issued: \$23,935,000
 Final Maturity: 6/15/2031
 Purpose/Instrument: Building

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,745,000	\$ 511,063
2020	1,730,000	476,163
2021	1,610,000	441,563
2022	1,640,000	409,363
2023	1,675,000	376,563
2024	1,710,000	343,063
2025	1,740,000	308,863
2026	1,870,000	274,063
2027	1,905,000	236,663
2028	1,950,000	193,800
2029	2,010,000	135,300
2030	1,785,000	75,000
2031	<u>715,000</u>	<u>21,450</u>
Totals:	\$ 22,085,000	\$ 3,802,917

*Principal reduction payment made prior to the date of the June 27, 2019 Debt Calculation

Total Annual Bond Principal and Interest Due

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>%Paid</u>
2019	\$ 2,640,000	\$ 771,926	\$ 3,411,926	9.35%
2020	2,655,000	705,826	3,360,826	18.56%
2021	2,555,000	652,726	3,207,726	27.36%
2022	2,605,000	599,563	3,204,563	36.14%
2023	2,665,000	543,251	3,208,251	44.93%
2024	2,740,000	483,463	3,223,463	53.77%
2025	2,790,000	419,688	3,209,688	62.57%
2026	2,145,000	354,063	2,499,063	69.41%
2027	2,190,000	305,663	2,495,663	76.26%
2028	2,245,000	251,400	2,496,400	83.10%
2029	2,320,000	181,100	2,501,100	89.95%
2030	2,110,000	108,400	2,218,400	96.03%
2031	1,050,000	41,850	1,091,850	99.03%
2032	<u>345,000</u>	<u>10,350</u>	<u>355,350</u>	100.00%
Totals:	\$ 31,055,000	\$ 5,429,269	\$ 36,484,269	

Cash Flow Borrowings

The District has not found it necessary to borrow in anticipation of taxes or revenues in recent years, nor does it anticipate having to undertake such borrowing.

Status of Short-Term Indebtedness

<u>Type</u>	<u>Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
BAN	07/25/18	07/24/19	2.75%	3,695,111 ¹

1. Note: To be renewed, in part, by this BAN issue

Other Obligations

The District currently has the following installment purchase contracts outstanding:

<u>Type</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Bus Acquisition	6/15/2020	1.66%	\$341,763
Bus Acquisition	6/15/2021	1.59%	591,019

Capital Project Plans

District voters approved a \$24,400,000 capital project on May 16, 2017. The project addresses infrastructure needs identified in the 2015 Building Conditions Survey, including health and safety issues, energy efficiencies, improvements and upgrades to District buildings, parking lot improvements and athletic field upgrades. The work will begin this summer and will be taking place in phases over a multi-year period. The project is being financed with \$3,400,000 of capital reserve funds and borrowed funds. This Note is the second borrowing against such authorization

On September 27, 2018, District voters approved a \$1,804,000 multi-use field project consisting of a modest amount of door replacement work at the District High School and the development of a multi-use synthetic turf athletic field inside the track at the District High School. The project has received SED approval, with construction anticipated in the summer of 2020.

Building Aid Estimate

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the School District is eligible to receive a Building Aid Estimate from the New York State Department of Education. The School District has not applied for a Building Aid Estimate, but anticipates that aid may be received on its outstanding indebtedness at their Building Aid Ratio of 75.0%.

The State building aid ratio is calculated each year based upon a formula which reflects Resident Weighted Average Daily Attendance (RWADA) and the full value per pupil compared with the State average. Consequently, the estimated aid will vary over the life of each issue. State building aid is further dependent upon the continued apportionment of funds by the State Legislature.

A fundamental reform of building aid was enacted as Chapter 383 of the Laws of 2001. The provisions legislated, among other things, a new “assumed amortization” payout schedule for future State building aid payments based on an annual “average interest rate” and mandatory periods of probable usefulness with respect to the allocation of building aid. The School District has no reason to believe that it will not ultimately receive all of the building aid it anticipates, however, no assurance can be given as to when and how much building aid the School District will receive in relation to its outstanding debt. See “State Aid” herein

Debt Statement Summary

As of June 27, 2019

<u>Town</u>	<u>Taxable Assessed Valuation</u>	<u>State Equalization Rate</u>	<u>Taxable Full Valuation</u>
Hamburg	\$ 1,406,790,042	50.00%	\$ 2,813,580,084
Eden	1,173,198	59.00%	1,988,471
			<u>\$ 2,815,568,555</u>
Debt Limit: 10% of Full Valuation			\$ 281,556,856
Inclusions:			
Serial Bonds			\$ 28,415,000
Bond Anticipation Notes			3,695,111
Total Inclusions:			<u>\$ 32,110,111</u>
Exclusions:			
Building Aid Estimate ¹			\$0
Total Exclusions:			<u>\$0</u>
Total Net Indebtedness Before Giving Effect to This Issue			<u>\$ 32,110,111</u>
This Issue		\$15,726,063	
Proceeds to Be Used to Renew Indebtedness Listed Under Inclusions		<u>2,839,739</u>	<u>\$ 12,886,324</u>
Total Net Indebtedness After Giving Effect to This Issue			<u>\$ 44,996,435</u>
Net Debt Contracting Margin			\$ 236,560,421
Percentage of Debt-Contracting Power Exhausted			15.98%

Notes: 1. Pursuant to the provisions of Chapter 760 of the Laws of New York State of 1963, the School District receives aid on existing building debt. Since the Gross Indebtedness of the School District is within the debt limit, the School District is not required to apply for a Building Aid Estimate and therefore is not permitted to deduct Estimated Building Aid.

Estimated Overlapping Indebtedness

<u>Overlapping Unit</u>	<u>Applicable Equalized Value</u>	<u>Percent</u>	<u>Gross Indebtedness</u>	¹	<u>Exclusions</u>	<u>Net Indebtedness</u>	<u>Estimated Applicable Overlapping Indebtedness</u>
Erie County	\$ 2,815,568,555		\$ 673,874,148		N/A	\$ 673,874,148	\$ 34,541,358
Town of Hamburg	\$ 4,127,849,836	68.16%	8,795,652		N/A	8,795,652	\$ 5,995,197
Town of Eden	\$ 1,988,471		16,085,180		N/A	16,085,180	<u>\$ 60,842</u>
Total							<u><u>\$ 40,597,397</u></u>

Source: Comptroller's Special Report on Municipal Affairs for Local Fiscal Years Ended in 2017

Notes: 1 Bonds and Bond Anticipation notes as of 2017 fiscal year. Not adjusted to include subsequent bond and note sales
 N/A Information not available from source document

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of June 27, 2019:

	Amount	Per Capita ^(a)	Percentage of Full Value ^(b)
Net Indebtedness	\$ 44,996,435	\$ 1,245.92	1.598%
Net Indebtedness Plus Net Overlapping Indebtedness	\$ 85,593,832	\$ 2,370.04	3.040%

- (a) The District's estimated population is 36,115 (Source: 2017 U.S. Census Bureau estimate)
 (b) The District's full valuation of taxable real estate for 2018-19 is \$2,815,568,555

Note: The above ratios do not take into account State building aid the District will receive for past and current construction building projects.

Market And Risk Factors

There are various forms of risk associated with investing in the Notes. One such risk is that the District will be unable to promptly pay interest and principal on the Notes as they become due (see “Remedies of Noteholder on Default,” herein). If a Noteholder elects to sell his or her investment prior to its scheduled maturity date, market access or price risk may be incurred. The following is a discussion of certain events that could affect the risk of investing in the Notes. In addition, there may be other risk factors which a potential investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential risk.

There are a number of factors which could have a detrimental effect on the ability of the District to continue to generate revenues, particularly its property taxes. For instance, the termination of a major commercial enterprise or an unexpected revenue increase in tax certiorari proceedings could result in a reduction in the assessed valuation of taxable real property in the District. In addition, to the extent that the District is dependent on State aid, there can be no assurance that such aid will be continued in the future. Unforeseen developments could also result in substantial increases in District expenditures, thus placing considerable strain on the District’s financial condition.

The financial condition of the District as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the District’s control. There can be no assurance that adverse events in the State, including for example, the seeking by a municipality or remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the District to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

If and when a holder of any Note should elect to sell a Note prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Notes. In addition, the price and principal value of the Notes is dependent on the prevailing level of interest rates; if interest rates rise. The price of a Note will decline, causing the Noteholder to incur a capital loss upon the sale of such Note (unless such Note is held to maturity).

On December 22, 2017, President Trump signed into law the significant tax reform legislation that is generally referred to as the “Tax Cuts and Jobs Act of 2017” (the “TCJA”). The TCJA made significant changes to the Code, most of which became effective for the 2018 tax year. The TCJA made extensive changes to the deductibility of various taxes, including placing a cap of \$10,000 on a taxpayer’s deduction of state and local taxes (the “SALT Deduction Limitation”). While it cannot yet be predicted what precise effects the SALT Deduction Limitation will have for the State, it is possible that government officials at both the State and local level may find it politically more difficult to raise new revenues via tax increases, since the deduction thereof, for taxpayers who itemize deductions, is now limited.

Further amendments to the Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Notes and other debt issued by District. Which it is impossible to predict at this time what, if any, tax reform legislation will be proposed or enacted, any such future legislation could have an adverse effect on the market value of the Notes (see “Tax Exemption,” herein).

The District, like many other public and private entities, relies on a large and complex technology environment to conduct its operations. As such, it may face multiple cybersecurity threats including but not limited to, hacking, viruses, malware and other attacks on computer or other sensitive digital system and networks. To mitigate the risks of impact on the District operations and/or damage from cyber incidents or cyber-attacks, the District has invested in cybersecurity and other operational controls. While the District continues to review its policies and practices in this regard, there can be no assurances that such security and operational control measures will be completely successful in guarding against and preventing cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the cost of remedying any such damage could be significant.

Tax Exemption

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel will deliver an opinion that, under existing law, the interest on the Notes is excluded from gross income, of the holders thereof for federal income tax purposes and is not an item of tax preference for the purpose of the individual alternative minimum tax imposed by the Code. However, such opinion will note that the District, by failing to comply with certain restrictions contained in the Code, may cause interest on the Notes to become subject to federal income taxation from the date of issuance of the Notes. Such opinion will state that interest on the Notes is exempt from personal income taxes imposed by New York State or any political subdivision thereof (including the City of New York).

In rendering the foregoing opinions, Hodgson Russ LLP will note that the exclusion of the interest on the Notes from gross income for federal income tax purposes is subject to among other things, continuing compliance by the District with the applicable requirements of Sections 141, 148 and 149 of the Code and regulations promulgated thereunder (collectively, the "Tax Requirements"). In the opinion of Hodgson Russ LL, the tax certificate and the non-arbitrage certificate (collectively, the "Certificates") establish the requirements and procedures, compliance with which will satisfy the Tax Requirements applicable to the Notes.

The Tax Requirements referred to above, which must be complied with in order that interest on the Notes remains excluded from gross income for federal income tax purposes, include, but are not limited to:

1. The requirement that the proceeds of the Notes be used in a manner so that the Notes are not obligations which meet the definition of a "private activity bond" within the meaning of Code Section 141;
2. The requirement contained in Code Section 148 relating to arbitrage bonds; and
3. The requirement the payment of principal or interest on the Notes not be directly or indirectly

In the Certificates, the District will covenant to comply with the Tax Requirements, and to refrain from taking any action which would cause the interest on the Notes to includable in gross income for federal income tax purposes. Any violation of Tax Requirements may cause the interest on the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Notes. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Notes.

Prospective purchasers of the Notes should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Notes may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S corporations, certain foreign corporation, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisors as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Notes. Bond Counsel expresses no opinion regarding any such collateral federal tax consequences.

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest, and proceeds of the sale of a bond or note before maturity within the United States. Backup withholding may apply to a holder of the Notes under Code Section 3406, if such holder fails to provide the information required on Internal Revenue Service ("IRS") form W-9, Request for Taxpayer Identification Number and Certification, or the IRS has specifically identified the holder as being subject to backup withholding because of prior underreporting. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or credit against such beneficial owner's United State federal income tax provided the required information is furnished to the IRS. Neither the information reporting requirement nor the backup withholding requirement affects the excludability of interest on the Notes from gross income for federal income tax purposes.

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Notes may affect the tax status of interest on the Notes. The Code has been continuously subject to legislative modifications, amendments, and revisions and proposals for future changes are regularly submitted by leaders of the legislative and executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation, and no assurances can be given that

such proposals or amendments will not materially and adversely affect the economic value of the Notes or the tax consequences of ownership of the Notes. Prospective purchasers are encouraged to consult their own legal and tax advisors with respect to these matters.

Approval of Legal Proceedings

The validity of the Notes will be covered by the unqualified legal opinion of Hodgson Russ LLP of Buffalo, New York, Bond Counsel to the School District, such opinion to be delivered with the Notes.

Continuing Disclosure Compliance

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, the School District will enter into an Undertaking to provide Material Event Notices, the description of which is attached hereto as "Appendix C".

For the past five years, The District has complied, in all material respects, with its previous continuing disclosure undertakings to provide audited annual financial statements and statements of annual financial information and operating data: however, the District did fail to file certain material event notices for various bond insurance rating changes within ten days following the occurrence of such events. The required notices have been filed as of the date of this Official Statement

Litigation

In common with other school districts, the District from time to time receives notices of claim and is party to litigation. In the opinion of the District, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the District has not asserted a substantial and adequate defense, nor which, if determined against the District, would have an adverse material effect on the financial condition of the District.

Bond Rating

The Notes are not rated. The purchaser(s) of the Notes may choose to have a rating completed after the sale at the expense of the purchaser(s), including any fees to be incurred by the District, as such rating action will result in a material event notification to be posted to EMMA which is required by the District's Continuing Disclosure Undertakings. (See "APPENDIX - D" herein.)

Moody's Investor's Services rates the outstanding long-term debt of the District as "Aa3"

A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating of the District's outstanding serial bonds may have an adverse effect on the market price of the bonds.

Municipal Advisor

R.G. Timbs, Inc. is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the District on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the District and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the District or the information set forth in this Official Statement or any other information available to the District with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

Miscellaneous

The execution and delivery of this Official Statement have been duly authorized by the Board. Concurrently with the delivery of the Notes, the District will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, subject to the condition that while information in the Official Statement obtained from sources other than the District is not guaranteed as to accuracy, completeness or fairness, the District has no reason to believe and does not believe that such information is materially inaccurate or misleading, and to the knowledge of the District, since the date of the Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the District and no material adverse changes in the general affairs of the District or in its financial condition as shown in the Official Statement other than as disclosed in or contemplated by the Official Statement. Certain information contained in the Official Statement has been obtained from sources other than the District. All quotations from and summaries and explanations of provisions of laws herein do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Notes

R.G. Timbs, Inc. may place a copy of this Official Statement on its website at www.RGTimbsInc.net. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. R.G. Timbs, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the School District nor R.G. Timbs, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, R.G. Timbs, Inc. and the School District disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website

The School District's contact information is as follows: William Thiel, Director of Finance, phone: (716) 926-1717; email: wthiel@frontiersd.org.

Additional copies of the Notice of Sale and the Official Statement may be obtained from the offices of R.G. Timbs, Inc., telephone number (585) 747-8111 or at www.RGTimbsInc.net.

Frontier Central School District

Dated: June 27, 2019
Hamburg, New York

JANET MACGREGOR PLARR
President of the Board of Education
And Chief Fiscal Officer
(or such Board President's
Successor or Designated Agent)

APPENDIX A

Financial Information

General Fund – Statement of Revenues, Expenditures and Fund Balance

Fiscal Year Ending June 30:	Budget					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Beginning Fund Balance - July 1	\$7,140,277	\$6,702,241	\$7,041,123	\$11,937,839	\$15,146,571	\$15,475,518
<u>Revenues:</u>						
Real Property Taxes	\$29,079,346	\$36,229,965	\$36,996,183	\$37,846,431	\$38,727,313	\$39,741,467
Real Property Tax Items	6,505,526	670,820	724,442	669,435	745,826	0
Non-Property Tax Items	5,373,017	5,472,316	5,269,961	5,405,756	5,587,800	5,460,000
Charges for Services	1,270,711	1,170,626	1,190,075	1,172,762	979,982	0
Use of Money & Property	84,404	70,363	81,536	79,923	135,626	0
Sale of Property & Comp. for Loss	103,025	120,325	19,575	89,767	46,700	0
Miscellaneous Local Sources	564,485	383,137	390,096	611,345	491,955	2,462,679
State Aid	27,355,634	28,305,563	31,642,980	31,907,712	32,931,659	33,679,384
Federal Aid	469,796	304,245	213,940	280,984	314,337	0
Interfund Transfer	<u>0</u>	<u>0</u>	<u>0</u>	<u>218,000</u>	<u>0</u>	<u>0</u>
Total Revenues	\$70,805,944	\$72,727,360	\$76,528,788	\$78,282,115	\$79,961,198	\$81,343,530
<u>Expenditures:</u>						
General Support	\$6,407,033	\$6,140,090	\$6,048,430	\$6,224,921	\$6,516,830	\$7,167,366
Instruction	40,072,934	40,501,772	40,093,967	42,492,301	44,721,299	47,594,229
Transportation	3,279,227	3,239,495	2,981,803	3,266,681	3,358,481	3,450,534
Employee Benefits	17,803,460	18,935,379	17,582,915	18,154,197	17,060,189	20,148,692
Debt Service	3,531,326	3,439,932	4,690,028	4,706,361	4,287,536	4,382,709
Interfund Transfer	<u>150,000</u>	<u>131,810</u>	<u>234,929</u>	<u>228,922</u>	<u>3,687,916</u>	<u>250,000</u>
Total Expenditures	\$71,243,980	\$72,388,478	\$71,632,072	\$75,073,383	\$79,632,251	\$82,993,530
Adjustments	0	0	0	0	0	0
Year End Fund Balance	\$6,702,241	\$7,041,123	\$11,937,839	\$15,146,571	\$15,475,518	\$13,825,518
Excess (Deficit) Revenues Over Expenditures	(\$438,036)	\$338,882	\$4,896,716	\$3,208,732	\$328,947	(\$1,650,000)

Source: Audited Annual Financial Reports and Annual Budget. This table is NOT audited.

Note: 1. Appropriated Fund Balance is planned to be used
E. Estimated

E

1

General Fund – Budget Summary

2019-20 Adopted Budget

Revenues:

Real Property Taxes	\$40,998,287
Other Tax Items	757,233
Non Property Tax	5,460,000
Charges for Services	1,155,250
Use of Money & Property	145,498
Sale of Property/Comp. for Loss	55,250
Miscellaneous	349,448
State Aid	35,174,540
Federal Aid	250,000
Interfund Transfers	0
Appropriation of Fund Balance	<u>1,948,488</u>
Total Revenues	<u><u>\$86,293,994</u></u>

Expenditures:

General Support	\$7,287,617
Instruction	49,891,699
Transportation	3,620,167
Employee Benefits	20,548,494
Debt Service	4,696,017
Interfund Transfer	<u>250,000</u>
Total Expenditures	<u><u>\$86,293,994</u></u>

Source: Adopted Budget of the School District. This table is NOT audited

General Fund – Comparative Balance Sheet

Fiscal Year Ending June 30:	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Assets:					
Cash	\$7,292,872	\$8,970,606	\$13,007,836	\$15,992,370	\$15,325,259
Accounts Receivable	423,924	178,404	220,910	253,893	161,531
Due from Other Funds	1,082,748	1,734,140	1,317,596	753,211	1,588,740
State & Federal Aid Receivable	901,992	975,353	1,490,524	939,572	1,048,840
Due from Other Governments	3,255,756	2,994,108	2,909,387	2,944,813	3,060,916
Cash Value of Life Insurance	<u>344,493</u>	<u>344,493</u>	<u>344,493</u>	<u>344,493</u>	<u>344,493</u>
Total Assets	<u>\$13,301,785</u>	<u>\$15,197,104</u>	<u>\$19,290,746</u>	<u>\$21,228,352</u>	<u>\$21,529,779</u>
Liabilities:					
Accounts Payable	\$692,241	\$609,457	\$1,195,502	\$849,976	\$1,470,246
Accrued Liabilities	720,636	799,818	878,305	810,183	709,262
Unearned Revenues	0	3,102	33,400	57,135	47,858
Due to Other Funds	0	1,076,460	721,093	115,781	61,987
Due to Retirement Systems	<u>5,186,667</u>	<u>5,667,144</u>	<u>4,524,607</u>	<u>4,248,706</u>	<u>3,764,908</u>
Total Liabilities:	<u>\$6,599,544</u>	<u>\$8,155,981</u>	<u>\$7,352,907</u>	<u>\$6,081,781</u>	<u>\$6,054,261</u>
Fund Balances:					
Nonspendable	\$344,493	\$344,493	\$344,493	\$344,493	\$344,493
Restricted	3,508,395	3,508,395	7,628,869	10,209,389	10,087,671
Assigned	1,594,876	930,736	821,230	1,237,505	1,723,613
Unassigned	<u>1,254,477</u>	<u>2,257,499</u>	<u>3,143,247</u>	<u>3,355,184</u>	<u>3,319,741</u>
Total Fund Balance	<u>\$6,702,241</u>	<u>\$7,041,123</u>	<u>\$11,937,839</u>	<u>\$15,146,571</u>	<u>\$15,475,518</u>
Total Liabilities and Fund Balance	<u>\$13,301,785</u>	<u>\$15,197,104</u>	<u>\$19,290,746</u>	<u>\$21,228,352</u>	<u>\$21,529,779</u>

Audited Financial Reports. This table is NOT audited.

Source:

APPENDIX B

Audited Financial Statements For The Fiscal Year Ended June 30, 2018

Note: Such Financial Reports and opinions were prepared as of the date thereof and have not been reviewed and/or updated by the District's Auditors in connection with the preparation and dissemination of this official statement. Consent of the Auditors for inclusion of the Audited Financial Reports in this Official Statement has neither been requested nor obtained

**AUDITED
BASIC FINANCIAL STATEMENTS**

FRONTIER CENTRAL SCHOOL DISTRICT
HAMBURG, NEW YORK

JUNE 30, 2018

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**FRONTIER CENTRAL SCHOOL DISTRICT
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INTERNAL CONTROL AND COMPLIANCE

Independent Auditor's Report on Internal Control Over Financial Reporting
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Financial Statements Performed in Accordance with
Government Auditing Standards

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

Freed Maxick CPAs, P.C.

Batavia, New York
October 2, 2018

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

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

Financial Highlights

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

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

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

Overview of the Financial Statements

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

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

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

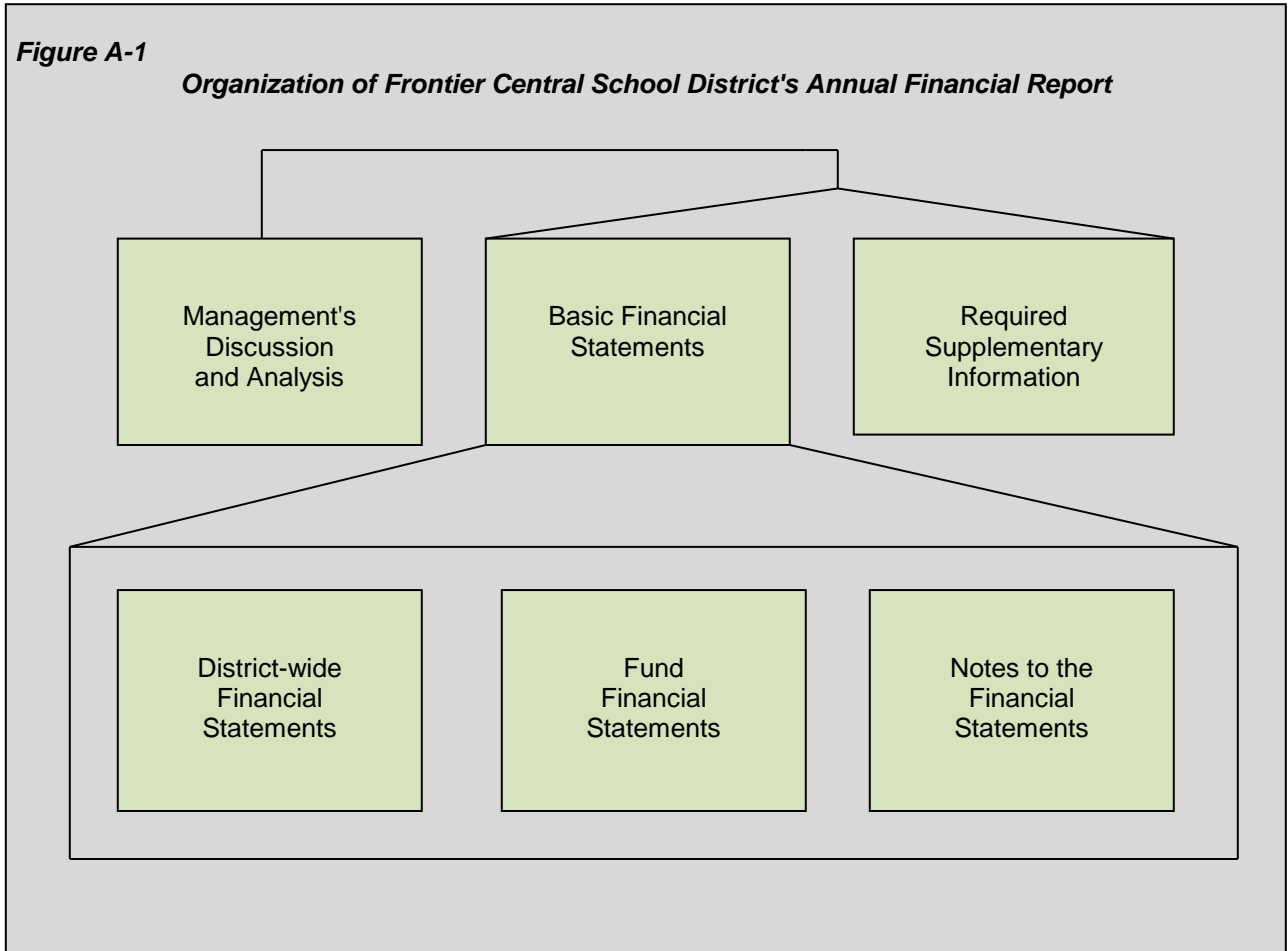


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents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

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

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

District-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The District has two kinds of funds:

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

Financial Analysis of the District as a Whole

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

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

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

Figure A-3

Condensed Statement of Net Position
(in thousands of dollars)

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

Figure A-4

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

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

Governmental Activities

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

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

Figure A-5

Net Cost of Governmental Activities
(in thousands of dollars)

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

Financial Analysis of The District's Funds

General Fund

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

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

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

School Lunch Fund

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

Capital Projects Fund

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

General Fund Budgetary Highlights

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

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

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

Figure A-6

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

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

Capital Asset and Debt Administration

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

Figure A-7

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

Long-Term Debt

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

Figure A-8

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

Factors Bearing on the District's Future

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

Contacting the District's Financial Management

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

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

The reporting entity of the District is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Component Units*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. INCLUDED IN THE REPORTING ENTITY

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

2. JOINT VENTURE

The District is a component school district in the Erie 1 Board of Cooperative Educational Services (BOCES). The BOCES is a voluntary cooperative association of school districts in a geographic area that share planning, services and programs which provide educational and support activities.

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

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

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

B. BASIS OF PRESENTATION

1. DISTRICT-WIDE STATEMENTS:

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

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

2. FUND FINANCIAL STATEMENTS:

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

The District reports the following major governmental funds:

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

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

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, state aid, grants and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is appropriated by the State. Revenue from grants and similar items are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within one year of the end of the current fiscal period with the exception of property taxes, which the period of availability is sixty days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

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

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

1. CASH AND CASH EQUIVALENTS

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

2. RESTRICTED ASSETS

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

3. CASH VALUE OF LIFE INSURANCE

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

4. RECEIVABLES

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

5. INVENTORY

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

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

6. INTERFUND TRANSACTIONS

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

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

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

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

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

7. CAPITAL ASSETS

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

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

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

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

8. INSURANCE

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

9. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

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

10. UNEARNED REVENUE

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

11. VESTED EMPLOYEE BENEFITS

Compensated Absences

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

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

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

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

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

12. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

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

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

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

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

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

13. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS

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

14. SHORT TERM DEBT

The District may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the fund that will actually receive the proceeds from the issuance of the Bonds.

15. NET POSITION FLOW ASSUMPTION

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

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

16. FUND BALANCE FLOW ASSUMPTIONS

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

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

17. FUND BALANCE POLICIES

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

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

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

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

E. REVENUES AND EXPENDITURES/EXPENSES

1. PROGRAM REVENUES

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

2. PROPERTY TAXES

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

F. USE OF ESTIMATES

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

G. ACCOUNTING PRONOUNCEMENTS

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

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

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

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

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

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

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

The GASB has issued the following new pronouncements:

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

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

NOTE 2 – STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. LEGAL COMPLIANCE BUDGETS

BUDGET POLICIES

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

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

NOTE 3 - DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. DEPOSITS AND INVESTMENTS

The District's investment policies are governed by State statutes. In addition, the District has its own written investment policy. The District funds must be deposited in FDIC insured commercial banks or trust companies located within the State. Permissible investments include demand accounts and certificates of deposit, obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits, time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of New York State and its municipalities and school districts and obligations issued by other than New York State rated in one of the three highest rating categories by at least one nationally recognized statistical rating organizations.

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

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

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

Investment and Deposit Policy

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

Interest Rate Risk

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

Credit Risk

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

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

Custodial Credit Risk

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

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

B. RECEIVABLES

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

State and federal aid receivable:

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

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

Due from other governments:

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

C. CAPITAL ASSETS

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

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

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

D. ACCRUED LIABILITIES

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

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

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

E. PENSION OBLIGATIONS

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

Provisions and Administration

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

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

Funding Policies

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

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

At June 30, 2018, the District reported the following (asset)/liability for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2017 for TRS and March 31, 2018 for ERS. The total pension liability used to calculate the net pension (asset)/liability was determined by an actuarial valuation. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

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

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

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

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

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

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

Actuarial Assumptions

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

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

Significant actuarial assumptions used in the valuations were as follows:

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

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

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

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

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

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

Discount Rate

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

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

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

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

Pension Plan Fiduciary Net Position

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

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

Payables to the Pension Plan

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

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

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

F. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)

Plan Description

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

Funding Policy

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

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

Employees Covered by Benefit Terms

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

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

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

Actuarial Assumptions and Other Inputs

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

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

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

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

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

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

Changes in the Total OPEB Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

G. SHORT-TERM LIABILITIES

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

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

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

H. CAPITAL LEASES

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

The following is a summary of maturities of leases:

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

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

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

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

I. LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

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

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

The following is a summary of maturities of indebtedness:

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

OTHER LONG-TERM LIABILITIES

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

CHANGES IN LONG-TERM LIABILITIES

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

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

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

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

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

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

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

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

J. INTERFUND ACTIVITY

Interfund activity at June 30, 2018 are as follows:

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

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

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

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

I. NET POSITION AND FUND BALANCE

1. NET POSITION

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

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

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

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

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

2. FUND BALANCE

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 4 - RISK MANAGEMENT

A. WORKERS' COMPENSATION PLAN

The District is exposed to various risks of loss related to workers' compensation. The District is self-insured pursuant to Article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The District maintains excess insurance that limits self-insured claims to \$550,000 per incident and \$1,000,000 in the aggregate.

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

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

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

B. SELF-FUNDED HEALTH INSURANCE PLAN

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

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

NOTE 5 - COMMITMENTS AND CONTINGENCIES

A. GRANT AWARDS

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

B. ENCUMBRANCES

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

C. CONSTRUCTION COMMITMENTS

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

NOTE 6 – TAX ABATEMENTS

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

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

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

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

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

NOTE 7 – RESTATEMENT OF NET POSITION

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

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

NOTE 8 -- SUBSEQUENT EVENTS

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 1 - BUDGETARY INFORMATION

BUDGETARY BASIS OF ACCOUNTING

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

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

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved by the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions if the Board approves them because of a need that exists that was not determined at the time the budget was adopted.

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

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

NOTE 2 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

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

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

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

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

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

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

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

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INTERNAL CONTROL AND COMPLIANCE

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

INDEPENDENT AUDITOR'S REPORT

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

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

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Freed Maxick CPAs, P.C.

Batavia, New York

October 2, 2018

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APPENDIX C

Disclosure Undertaking

Disclosure Undertaking

In accordance with the provisions of Rule 15c2-12, as the same may be amended or officially interpreted from time to time (the "Rule"), promulgated by the Commission pursuant to the Securities Exchange Act of 1934, unless the notes are purchased for the buyer's own account as principal for investment and not resale, the District has agreed to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, during the period in which the Notes are outstanding, to the EMMA system of the Municipal Securities Rulemaking Board ("MSRB") or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of the occurrence of any of the following events with respect to the Notes:

- (a) principal and interest payment delinquencies
- (b) non-payment related defaults, if material
- (c) unscheduled draws on debt service reserves reflecting financial difficulties
- (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Notes, unscheduled draws on credit enhancements reflecting financial difficulties
- (e) substitution of credit or liquidity providers, or their failure to perform
- (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Note, or other material events affecting the tax status of the Notes
- (g) modifications to rights of Note holders, if material
- (h) note calls, if material and tender offers
- (i) Defeasances
- (j) release, substitution, or sale of property securing repayment of the Note
- (k) rating changes
- (l) bankruptcy, insolvency, receivership or similar event of the District
- (m) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- (n) appointment of a successor or additional trustee or the change of name of a trustee, if material
- (o) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and
- (p) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Notes.

With respect to event (d) the District does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Notes.

For the purposes of the event identified in paragraph (1) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S.

Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

With respect to events (o) and (p), the term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

The District may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the District determines that any such other event is material with respect to the Notes; but the District does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above

The District reserves the right to terminate its obligation to provide the aforescribed notices of material events, as set forth above, if and when the District no longer remains an obligated person with respect to the Notes within the meaning of the Rule. The District acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Notes (including holders of beneficial interests in the Notes). The right of holders of the Notes to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the District's obligations under its material event notices undertaking and any failure by the District to comply with the provisions of the undertaking will neither be a default with respect to the Notes nor entitle any holder of the Notes to recover monetary damages.

The District reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the District; provided that the District agrees that any such modification will be done in a manner consistent with the Rule upon review of nationally recognized bond counsel.

An "Undertaking to Provide Notice of Material Events" to this effect shall be provided to the purchaser(s) at closing