**OFFICIAL STATEMENT DATED JULY 7, 2021**

**NEW ISSUE/RENEWALS**
**SERIAL BONDS**
**BOND ANTICIPATION NOTES**

**RATING: SEE "RATING" SECTION HEREIN**

*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 certifications described herein, interest on the Bonds and 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 Bonds and 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 Bonds and the Notes is exempt from personal income taxes imposed by New York State and any political subdivision thereof. See "TAX EXEMPTION" herein.*

**The Bonds and 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")**

## $16,570,000
## SCHOOL DISTRICT SERIAL BONDS, 2021
**(the "Bonds")**

**Dated Date: July 20, 2021** **Maturity Dates: July 15, 2022-2034**

## $4,022,107
## BOND ANTICIPATION NOTES, 2021
**(the "Notes")**

**At an Interest Rate of 1.00% to Yield 0.22%**
**CUSIP #: 35907F EP7**

**Dated Date: July 20, 2021** **Date of Maturity: July 20, 2022**

*Security and Source of Payment:* The Bonds and 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 Bonds and 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 Bonds and 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 Bonds are subject to redemption prior to maturity as set forth in "Optional Redemption for the Bonds" herein. The Notes will not be subject to redemption, in whole or in part, prior to maturity.

*Form and Denomination:* The Bonds and the Notes will be issued as registered bonds and notes, respectively, and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds and the Notes. Individual purchases of the Bonds and the Notes will be made in book-entry-only form, in denominations of $5,000 or integral multiples thereof, except for one necessary odd denomination in the case of the Notes. Bondholders and Noteholders will not received certificates representing their ownership interest in the Bonds and Notes purchased. See "THE BOND AND THE NOTES – Book-Entry-Only System" herein.

Purchaser of the Bonds:

FHN FINANCIAL CAPITAL MARKETS

Purchaser of the Notes:

PIPER | SANDLER

*Payment:* Payment of the principal of and interest on the Bonds and the Notes to the Beneficial Owners of the Bonds and the notes will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name". Payment will be the responsibility of the DTC Participant or Indirect Participant and not of DTC or the District, subject to any statutory and regulatory requirements as may be in effect from time to time. See "THE BONDS AND THE NOTES – Book-Entry-Only System" herein.

The Bonds bear interest from July 20, 2021, with interest thereon payable on January 15, 2022, July 15, 2022 and semi-annually thereafter on January 15 and July 15 in each year until maturity (or earlier redemption). The Bonds mature on July 15 in each year commencing July 15, 2022.

The record date for the Bonds is the last business day of the calendar month immediately preceding each respective interest payment date.

The Notes are dated July 20, 2021 and bear interest from that date until July 20, 2022, the maturity date, at the annual rate specified above. The Notes are not subject to redemption prior to maturity.

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

*The Bonds and 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 Bonds and the Notes of Hodgson Russ LLP, of Buffalo, New York, Bond Counsel, and certain other conditions. It is anticipated that the Bonds 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 20, 2021. 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 20, 2021.*

THIS REVISED OFFICIAL STATEMENT SUPPLEMENTS THE OFFICIAL STATEMENT OF THE SCHOOL DISTRICT DATED JUNE 24, 2021, RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISION RULE 15C2-12. OTHER THAN AS SET FORTH ON THIS REVISED COVER PAGE, "DISTRICT OFFICIALS", "DESCRIPTION OF THE BONDS" SECTION, "PURPOSE AND AUTHORIZATION FOR THE BONDS" SECTION, THE "DEBT STATEMENT', THE "DEBT RATIOS", THE "RATING" SECTION, AND THE DATED DATE ON PAGE 44, THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

DATED: July 7, 2021

The Bonds mature on July 15 in each year as set forth below:

| Year | Amount | | Interest Rate | Yield | CUSIP Number*** |
|---|---|---|---|---|---|
| 2022 | $1,540,000 | | 2.00% | 0.1900% | 35907F EA0 |
| 2023 | 1,495,000 | | 2.00% | 0.3000% | 35907F EB8 |
| 2024 | 1,500,000 | | 2.00% | 0.4100% | 35907F EC6 |
| 2025 | 1,505,000 | | 2.00% | 0.6000% | 35907F ED4 |
| 2026 | 1,515,000 | | 2.00% | 0.7500% | 35907F EE2 |
| 2027 | 1,185,000 | | 2.00% | 0.9300% | 35907F EF9 |
| 2028 | 1,165,000 | | 2.00% | 1.0300% | 35907F EG7 |
| 2029 | 1,120,000 | | 2.00% | 1.1800% | 35907F EH5 |
| 2030 | 1,125,000 | ** | 2.00% | 1.3000% | 35907F EJ1 |
| 2031 | 1,130,000 | ** | 2.00% | 1.4500% | 35907F EK8 |
| 2032 | 1,190,000 | ** | 2.00% | 1.6000% | 35907F EL6 |
| 2033 | 1,200,000 | ** | 2.00% | 1.7000% | 35907F EM4 |
| 2034 | 900,000 | ** | 2.00% | 1.8000% | 35907F EN2 |

** The Bonds maturing in the years 2030-2034 are subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS – Optional Redemption for the Bonds" herein.

*** CUSIP numbers have been assigned by an independent company not affiliated with the District and are included solely for the convenience of the holders of the Bonds. The District is not responsible for the selection or uses of these CUSIP numbers and no representation is made to their correctness on the Bonds or as indicated above.

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

School District Officials

**2021-22 BOARD OF EDUCATION**

Patrick Boyle - President
Dr. Mary Ann Costello - Vice President

Davis Podkulski
John Kilcoyne, Jr.
John Cordier
Daniel Diplock
Laura Errington

Christopher Swiatek – Superintendent of Schools
C. Douglas Whelan Ed.D. – Interim Assistant Superintendent of Finance and Operations
Mary Kaye Clouden – District Treasurer
Linda Leising – District Clerk

School District Attorneys

Hodgson Russ LLP

**BOND COUNSEL**

**Hodgson Russ LLP**

**MUNICIPAL ADVISOR**

RGT
R.G. TIMBS INC.

**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 Bonds or 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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**PREPARED WITH THE ASSISTANCE OF:**


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**OFFICIAL STATEMENT**

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

## $16,570,000
## SCHOOL DISTRICT SERIAL BONDS, 2021
**(the "Bonds")**

## $4,022,107
## BOND ANTICIPATION NOTES, 2021
**(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 $16,570,000 School District Serial Bonds, 2021 (the "Bonds") and $4,022,107 Bond Anticipation Notes, 2021 (the "Notes").

The factors affecting the District's financial condition and the Bonds 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 Bonds and the Notes and the proceedings of the District relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District's management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff.

**This Official Statement should be read with the understanding that the ongoing COVID-19 global pandemic has created prevailing economic conditions (at the global, national, State and local levels) that are highly uncertain, generally negative, and rapidly changing, and these conditions are expected to continue for an indefinite period of time. Accordingly, the District's overall economic situation and outlook (and all of the specific District-related information contained herein) should be carefully reviewed, evaluated and understood in the full light of this unprecedented worldwide event, the effects of which are extremely difficult to predict and quantify. See COVID-19 herein.**

## DESCRIPTION OF THE BONDS

The Bonds comprise an issue in the aggregate principal amount of $16,570,000, will be dated July 20, 2021 (the date of delivery) and will mature in installments on July 15, 2022 and annually thereafter as set forth on the cover page hereof. Interest on the Bonds will be payable on January 15, 2022, July 15, 2022 and semiannually thereafter on January 15 and July 15, until maturity (or earlier redemption).

The Bonds will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Purchase of the Bonds will be made in book-entry-only form in denominations of $5,000 each or any integral multiple thereof. Bondholders will not receive certificates representing their ownership interest in the Bonds purchased. Principal and interest on the bonds will be payable when due as described in "Book-Entry-Only System" herein. The record date for the Bonds is the last business day of the calendar month immediately preceding each respective interest payment date.

## Optional Redemption for the Bonds

The Bonds maturing on or before July 15, 2029 will not be subject to redemption prior to maturity. The Bonds maturing on or after July 15, 2030 will be subject to redemption prior to maturity, at the option of the District, on July 15, 2029 or on any date thereafter, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected at random within a maturity), at par (100%), plus accrued interest to the date of redemption.

The District may select the maturities of the Bonds to be redeemed and the amount to be redeemed of each maturity selected, as the District shall determine to be in the best interest of the District at the time of such redemption. If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected at random (by lot or in any other customary manner of selection as determined by the President of the Board of Education of the District).

Written notice of any such redemption (the "Notice") shall be given to the registered owner(s) of the Bonds to be redeemed not more than sixty (60) days nor less than thirty (30) days prior to the date set for such redemption. Such Notice will be provided in accordance with the prevailing Depository Trust Company ("DTC") redemption notification procedure (currently, transmission of the Notice by e-mail to redemptionnotification@dtcc.com, with the date of such email transmission being deemed the date that the Notice was given). In the event that such procedure is modified by DTC, the Notice will be provided in accordance with any new DTC procedure or, in the absence of any DTC procedure, by mailing the Notice by first class mail to the registered owner(s) thereof. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in the Notice, become due and payable, together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

The District may provide conditional notice of redemption, which may state that such redemption is conditioned upon the receipt of moneys and/or any other event. If any such condition is not satisfied, such redemption shall not occur, and the District is to give notice thereof, as soon as practicable, in the same manner, to the same person(s), as notice of such redemption was given. Additionally, any such redemption notice may be rescinded by the District no later than one business day prior to the date specified for redemption, by written notice by the District given in the same manner, to the same person(s), as notice of such redemption was given.

## Purpose and Authorization for the Bonds

The Bonds are being 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 a bond resolution that was duly adopted by the Board of Education (the "Board") of the District on August 22, 2017,, following a positive vote at annual meeting of the qualified voters of the District that was held on May 16, 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.

Proceeds of the Bonds in the amount of $16,570,000 along with $1,915,000 available funds of the District, will be used to redeem and retire a portion of an outstanding bond anticipation note of the District that was issued on July 22, 2020.

## Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the District and discharging its responsibilities with respect thereto under applicable law, or the District may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provision will apply: The Bonds will be issued in fully registered form in denominations of $5,000 each or any integral multiple thereof for any single maturity. Principal of the Bonds when due will be payable upon presentation at the principal corporate trust office of a bank (s) or trust company(ies) located and authorized to do business and act as a fiscal agent in the State of New York to be named by the District. Interest on the Bonds will be payable on January 15, 2022, July 15, 2022 and semi-annually thereafter on January 15 and July 15 in each year to maturity (or earlier redemption). Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month immediately preceding each respective interest payment date. The Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Certificates of Determination executed by the President of the Board authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of the bonds between the record date for the Bonds and such interest payment date.

# THE NOTES

## Description of the Notes

The Notes are dated July 20, 2021 and mature, without option of prior redemption, on July 20, 2022. 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 States 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 AND RISK FACTORS," herein.

## Purpose and Authorization for the Notes

The Notes are being 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 or special meetings of the qualified voters of the District that were held on May 16, 2017, May 15, 2018, September 27, 2018, May 21, 2019 and June 9, 2020 (and then adjourned until 5:00 pm on June 16, 2020, for the purpose of receiving mailed absentee ballots), 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 ($131,750 of this issue); (b) 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 ($337,244 of this issue), (c) November 6, 2018 authorizing up to $1,804,000 of serial bonds for the replacement of doors at the High School and (primarily) the development of a multi-use synthetic turf athletic field ($1,456,000 of this issue); (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 ($530,000 of this issue); (e) June 23, 2020, authorizing up to $888,485 of serial bonds for the acquisition of various buses for use in the transportation program of the District ($685,000 of this issue); and (f) June 1, 2021, authorizing up to $882,113 of serial bonds for the acquisition of various buses for use in the transportation program of the District ($882,113 of this issue).

A portion of the proceeds of the Notes ($2,968,994), along with $803,857 of available funds of the District will be used to redeem and renew, in part, a portion of an outstanding bond anticipation note of the District that was issued on July 22, 2020.

A portion of the proceeds of the Notes in the amount of $171,000 will provide new money pursuant to the November 6, 2018 bond resolution.

A portion of the proceeds of the Notes in the amount of $882,113 will provide original financing for the acquisition of buses pursuant to the June 1, 2021 bond resolution.

### 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 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).

## THE BONDS AND THE NOTES

### Nature of the Obligation

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

Holders of any series of notes or bonds of the District may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds and the Notes will be general obligations of the District and will contain a pledge of the faith and credit of the District for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the District has power and statutory authorization to levy *ad valorem* taxes on all real property within the District subject to such taxation by the District, without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the 2011 Law of New York, as amended. See “TAX LEVY LIMITATION LAW” herein.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay "interest on or principal of indebtedness theretofore contracted" prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law" or "Chapter 97"). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the District is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the Notes and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the District's power to increase its annual tax levy, with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See "TAX LEVY LIMITATION LAW" herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State's highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

> "A pledge of the city's faith and credit is both a commitment to pay and a commitment of the city's revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City's "faith and credit" is secured by a promise both to pay and to use in good faith the city's general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, "faith" and "credit" are used and they are not tautological. That is what the words say, and this is what the courts have held they mean... So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City's power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted... While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded".

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution, which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term "faith and credit" in its context is "not qualified in any way". Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, "with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations." According to the Court in Quirk, the State Constitution "requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness."

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

## Book-Entry-Only System

DTC will act as securities depository for the Bonds and if so requested, the Notes. The Bonds and if so requested, the Notes will be issued as fully-registered securities 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.

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 Bonds and Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and Notes on DTC's records. The ownership interest of each actual purchaser of each Bond and 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 Bonds and 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 Bonds and Notes, except in the event that use of the book-entry system for the Bond and Note is discontinued.

To facilitate subsequent transfers, all Bonds and 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 Bonds and Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and 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 Bonds and Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds and Notes, such as redemptions, tenders, defaults, and proposed amendments to the Bond and Note documents. For example, Beneficial Owners of Bonds and Notes may wish to ascertain that the nominee holding the Bonds and 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.

Principal and interest payments on the Bonds and 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 or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal and interest payments to 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 Bonds and Notes at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor depository is not obtained, bond 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, bond 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 BONDS AND NOTES (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS AND NOTES; (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS; OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS AND 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 BONDS; (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 BONDS.

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.

## Security and Source of Payment

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

The Bonds and the Notes are general obligations of the District and 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 Bonds and 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 Upon Default

Section 99-b of the State Finance Law ("SFL") provides for a covenant between 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 such section of the SFL.

Under current law, provision is made for contract creditors (including holders of the Bonds and 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 judicia 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 bondholders or 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 centrum per annum This provision might be construed to have application to the holders of the Bonds and the Notes in the event of a default in the payment of the principal of and interest on the Bonds and 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 or interest of any indebtedness.

# THE SCHOOL DISTRICT

## General Information

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 sewer 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.

Source: District Officials.

## District Population

The 2019 population of the School District is estimated to be 35,848. (Source: 2019 U.S. Census Bureau estimate).

## Selected Wealth and Income Indicators

Per capita income statistics are not available for the District as such. The smallest areas for which such statistics are available, which include the District are the Towns and County listed below. The figures set below with respect to such Towns, County and State are included for information only. It should not be inferred from the inclusion of such data in this Official Statement that the Towns, County or State are necessarily representative of the District, or vice versa.

| | Per Capita Income | | | Median Family Income | | |
|---|---|---|---|---|---|---|
| | **2000** | **2006-2010** | **2015-2019** | **2000** | **2006-2010** | **2015-2019** |
| Towns Of: | | | | | | |
| Hamburg | $21,943 | $29,730 | $37,735 | $56,974 | $75,857 | $88,713 |
| Eden | 23,060 | 28,379 | 38,067 | 60,640 | 73,675 | 93,065 |
| County Of: | | | | | | |
| Erie | 20,357 | 26,378 | 33,598 | 49,490 | 63,404 | 78,166 |
| State Of: | | | | | | |
| New York | 23,389 | 30,948 | 39,326 | 51,691 | 67,405 | 84,385 |

Note: 2016-2020 American Community Survey Estimates are not available as of the date of this Official Statement

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2015-2019 American Survey data.

## District Facilities

| Name | Year Built | Current Maximum Capacity | Date of Last Addition or Alteration |
|---|---|---|---|
| Senior High School | 1955 | 2,349 | 2021 |
| Middle School | 1963 | 1,971 | 2021 |
| Big Tree Elementary School | 1992 | 918 | 2021 |
| Pinehurst Elementary School | 1955 | 810 | 2021 |
| Cloverbank Elementary School | 1959 | 891 | 2021 |
| Blasdell Elementary School | 1959 | 891 | 2021 |
| Frontier Community Learning Center | 2002 | 270 | 2021 |

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:

| Employees | Bargaining Unit | Expiration Date |
|---|---|---|
| 414 | Frontier Central Teachers Association | 6/30/2021* |
| 367 | Frontier Central Employees Association | 6/30/2022 |
| 15 | Frontier Central Administrators Association | 6/30/2022 |
| 11 | Frontier Central Registered Nurses Association | 6/30/2023 |

*Under Negotiation
Source: District Officials

## Historical and Projected Enrollment

| Fiscal Year | Actual | Fiscal Year | Projected |
|---|---|---|---|
| 2016-17 | 4,844 | 2021-22 | 4,619 |
| 2017-18 | 4,790 | 2022-23 | 4,617 |
| 2018-19 | 4,679 | 2023-24 | 4,645 |
| 2019-20 | 4,605 | 2024-25 | 4,639 |
| 2020-21 | 4,527 | 2025-26 | 4,628 |

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"). 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. 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 District is required to contribute at an actuarially determined rate. The actual contribution for the last four years and the budgeted figures for the 2020-21 and 2021-22 fiscal years are as follows:

| Fiscal Year | ERS | TRS |
|---|---|---|
| 2016-2017 | 1,453,176 | 3,664,357 |
| 2017-2018 | 1,335,122 | 3,134,478 |
| 2018-2019 | 1,365,016 | 3,538,465 |
| 2019-2020 | 1,448,038 | 3,097,735 |
| 2020-2021 (Budgeted) | 1,629,614 | 3,448,217 |
| 2021-2022 (Budgeted) | 1,640,240 | 3,665,680 |

Source: District records

**Retirement Incentive Program –** Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The District does not currently have early retirement incentive programs for its employees.

**Historical Trends and Contribution Rates –** Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially to 15% to 20% of payroll for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

A chart of average ERS and TRS rates as a percent of payroll (2017 to 2021) is show below:

| Fiscal Year | ERS | TRS |
|---|---|---|
| 2016-2017 | 15.5 | 11.72% |
| 2017-2018 | 15.3 | 9.80 |
| 2018-2019 | 14.9 | 10.62 |
| 2019-2020 | 14.6 | 8.86 |
| 2020-2021 | 14.6 | 9.53 |

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 District is not amortizing any pension payments, nor does it intend to do so in the foreseeable future.

**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 State's 2019-2020 Enacted Budget will allow school districts in the State to establish a reserve fund for the purpose of funding/offsetting the cost of TRS contributions. School districts may pay into such 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. The District has established a TRS Reserve Fund as of June 2019. It is expected funding will occur with a beginning contribution prior to June 30, 2020.

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.

## 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.

**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. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been 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, 2020 and financial data as of June 30, 2020, the School District's beginning year total OPEB liability was $8,296,054, and the net change for the year was ($83,348) resulting in a total OPEB liability of $8,212,706 for the fiscal year ending June 30, 2020. The aforementioned liability is recognized and disclosed in accordance with GASB 75 standards in the School District's June 30, 2020 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" basis. 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

| Name | Nature of Business | Estimated Number of Employees |
|---|---|---|
| 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.

| Year | County Unemployment Rate | New York State Unemployment Rate | U.S. Unemployment Rate |
|---|---|---|---|
| 2016 | 5.0% | 4.9% | 4.9% |
| 2017 | 5.1% | 4.6% | 4.1% |
| 2018 | 4.4% | 4.1% | 3.9% |
| 2019 | 4.1% | 3.8% | 3.7% |
| 2020 | 9.5% | 10.0% | N/A |

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

**2020-21 Monthly Figures**

| | Jun | Jul | Aug | Sept | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Erie County | 13.5% | 13.1% | 10.1% | 6.9% | 6.4% | 6.5% | 7.9% | 7.8% | 8.0% | 7.1% | 6.2% | N/A |
| New York State | 14.8% | 14.8% | 11.6% | 9.9% | 8.3% | 8.3% | 8.5% | 9.4% | 9.7% | 8.4% | 7.8% | N/A |

Note: Figures in this section are historical and do not speak as to current or projected unemployment rates. Unemployment drastically increased in the period immediately following mid-March 2020 due to the COVID-19 global pandemic but has since begun to decrease. See "COVID-19" herein.

## 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 of Finance and Operations, 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 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 ("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 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 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.

The school district budget vote for the 2020-21 fiscal year was originally scheduled to be held on May 19, 2020, however, annual school budget votes across the State were postponed until June 9, 2020 (and then adjourned until 5:00 pm on June 16, 2020, for the purpose of receiving mailed absentee ballots), under an Executive Order from Governor Andrew Cuomo that extended and expanded restrictions aimed at limiting the spread of COVID-19. The budget for the 2020-21 fiscal year was adopted by the qualified voters on by a vote of 4,717, to 2,373. The 2020-21 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

The budget for the 2021-22 fiscal year was adopted by the qualified voters on May 18, 2021 by a vote of 562 to 310. The 2021-22 Budget remained within the School District Tax Cap imposed by Chapter 97 of the laws of 2011.

## State Aid

The District receives appropriations from the State. In its adopted budget for the 2020-21 fiscal year, approximately 43.19% of the revenues of the District are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner, in any year, municipalities and school districts in the State, including the District, may be affected by a delay in the payment of State aid.

The City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State suffered significant revenue shortfalls and unanticipated expenses beginning at the end of the State's 2019-2020 fiscal year and continuing during the State's 2020-2021 fiscal year.

In response, the enacted State budget for the 2020-21 fiscal year allowed the State to reduce expenditures (including aid to local school districts and municipalities) if tax receipts were lower than anticipated. Accordingly, in June 2020 the State Division of the Budget ("DOB") began withholding 20 percent of most local aid payments, although such aid has generally since been restored.

Many of the State's 2020-2021 budget decisions were based on the uncertainty of future federal aid. In the period of time since such decisions were made, the $1.9 trillion American Rescue Plan Act was signed into law (on March 11, 2021), which legislation includes almost $24 billion in funding for various levels of government in the State, including approximately $12.5 billion for the State, $6 billion for New York City, and $4 billion to be divided among counties in the State; another $12 billion is intended to be used toward the safe reopening of K-12 schools as well as colleges and universities.

Accordingly, the State enacted budget for the 2021-2022 fiscal year is more expansive (about 10% higher) than the prior budget, including significantly increased funding for schools and local governments. School districts will benefit from a $1.4 billion increase in Foundation Aid and a three-year Foundation Aid full restoration phase-in that will allow all school districts to receive the increased level of Foundation Aid that was originally promised in 2007, along with a $105 million expansion of full-day prekindergarten. Local governments will receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding. Further, municipalities that host Video Lottery Terminal ("VLT") facilities will receive a full restoration of $10.3 million in proposed VLT aid cuts.

Although the 2021-2022 budget contains additional aid for school districts and municipalities, it is uncertain whether the State will have future budget shortfalls necessitating cuts to State aid. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District. See "COVID-19," herein, for further details on the COVID-19 pandemic and its effects on the State.

The availability of State aid and the timeliness of payment of State aid to school districts could be affected by a delay in the adoption of the State budget. No assurance can be given that the State will not experience delays in the adoption of the budget in future fiscal years. Significant delays in the adoption of the State budget could result in delayed payment of State aid to school districts in the State which could adversely affect the financial condition of school districts in the State.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the School District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

The State is not constitutionally obligated to maintain or continue State aid to the 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 (See also "MARKET AND RISK FACTORS" herein).

Should the District fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies, the District is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid. In the event a mid-year reduction in State aid, a deficiency note may be issued in a restricted amount.

**Potential Reductions in Federal Aid Received by the State -** The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy, the general condition of the global and national economies and other circumstances, including the diversion of federal resources to address the current COVID-19 outbreak.

In addition to the potential fiscal impact of policies that may be proposed 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.

Reduction in Federal funding levels could have a material adverse effect on the State budget, which could in turn affect State aid for school districts. Reductions in the payment of Stat 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 (See also “MARKET AND RISK FACTORS” herein).

**State Aid History -** Following a State budgetary crisis in 2009, State aid to school districts in the State decreased for a number of years with increases established in more recent years. However, as discussed below the COVID-19 outbreak has affected and is expected to continue to affect State aid to the District.

The 2016-17 State budget included a school aid increase of $991 million over 2015-16, $863 million of which consists of traditional operating aid. In addition to full-funding of expense based aids ($408 million), the budget also includes a $266 million increase in Foundation Aid and an $189 million restoration to the Gap Elimination Adjustment. The bulk of the remaining increase included $100 million in Community Schools Aid, an aid category, to support school districts that wish to create community schools. The funds may only be used for certain purposes such as providing health, mental health and nutritional services to students and their families. The District received $0 in State aid (in the form of Foundation aid) to be used on community schools activities. The District is not a part of the Community Schools Grant Initiative (CSGI).

The State 2017-2018 Enacted 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 2017-18 Enacted Budget continued to link school aid increases for 2017-2018 and 2018-2019 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 2018-2019 Enacted Budget included nearly $1 billion in additional education funding, representing a 3.9% increase over 2017-2018. 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 stood at $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. For the seventh consecutive year, the Foundation Aid increase was distributed using a one year, off formula methodology. The State's 2018-2019 Enacted Budget guaranteed that all school districts receive an increase in Foundation Aid over their 2017-2018 levels. $50 million of the Foundation Aid increase was "set aside" for certain school districts to fund community schools. The State's 2018-2019 Enacted Budget fully funded all expense-based aid for 2018-2019, including building, transportation, BOCES and special education aid. These categories served 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 2018-2019.

The State's 2019-2020 Enacted Budget included a total of $27.69 billion for School Aid, a year-to-year funding increase of $956 million or 3.6 percent and provided additional funding for Foundation Aid of $338.0 million and $409.65 million in reimbursements for expense-based aids. In addition, the 2019-2020 Enacted Budget increased the Community Schools set-aside funding amount by $49.99 million to a total of $250 million. This increased funding was targeted to districts with failing schools and/or districts experiencing significant growth in English language learners. The 2019-2020 Enacted Budget also increased the minimum community schools funding amount from $75,000 to $100,000, to enable all high-need districts across the State to apply the funds to a wide-range of activities.

Due to the anticipated impact of the COVID-19 pandemic on State revenues, State aid in the State's 2020-2021 Enacted Budget was 3.7 percent lower than in the State's 2019-2020 Enacted Budget but was offset in part with increased federal support. This reduction in State Operating Funds support was offset by approximately $1.1 billion in funding provided to the State through the federal CARES Act, including the Elementary and Secondary School Emergency Education Relief Fund and the Governor's Emergency Education Relief Fund. With these federal funds, State aid in the school district fiscal year 2020-2021 totaled $27.9 billion, an annual increase of approximately $100 million or 0.4 percent. The State's 2020- 2021 Enacted Budget continued prior year funding levels for existing programs, including Foundation Aid, Community Schools and Universal Prekindergarten. The 2020-2021 Enacted Budget also provided over $200 million in support for competitive grant programs, including $1 million for development of a new Civics Education curriculum and $10 million for a Student Mental Health 11 program. Funding for expense-based aids, such as Building Aid, Transportation Aid, and Boards of Cooperative Educational Services (BOCES) Aid was continued under existing aid formulas. Out-year growth in School Aid reflected current projections of the ten-year average growth in State personal income.

The State's 2021-22 Budget included $29.5 billion in state aid to school districts, and significantly increased funding for schools and local governments, including a $1.4 billion increase in Foundation Aid and a three year phase-in of the full restoration to school districts of Foundation Aid that was initially promised in 2007. Additionally, the budget includes the use of $13 billion of federal funds for emergency relief, along with the Governor's Emergency Education Relief, which includes, in part, the allocation of $629 million to school districts as targeted grants in an effort to address learning loss as a result of the loss of enrichment and after-school activities. In addition, $105 million of federal funds are to be allocated to expand full-day kindergarten programs. Under the budget, school districts are to be reimbursed for the cost of delivering school meals and instructional materials in connection with COVID-19-related school closures in spring 2020, along with the costs of keeping transportation employees and contractors on stand-by during the short-term school closures prior to the announcement of the closure of schools for the remainder of the 2019-20 year.

**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. While foundation aid remained below the initially promised amounts, the State has announced, as part of the State's 2021-22 budget, that the final foundation aid phase in will take place over the next three years.

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 Campaign for Fiscal Equity 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.

There can be no assurance that the State appropriation for building aid and other State aid to school districts will be continued in future years, either pursuant to existing formulas or in any form whatsoever. State aid, including building aid appropriated and apportioned to the District, can be paid only if the State has such monies available therefor. The availability of such monies and the timeliness of such payment could be affected by a delay in the adoption of the State budget or their elimination therefrom.

The following table illustrates the percentage of total revenue of the District for each of the below fiscal years comprised of State aid.

| Fiscal Year | Total Revenues | Total State Aid | Percentage of Total Revenues Consisting of State Aid |
|---|---|---|---|
| 2015-2016 | $ 76,528,788 | $ 31,642,980 | 41.35% |
| 2016-2017 | 78,282,115 | 31,907,712 | 40.76 |
| 2017-2018 | 79,961,198 | 32,931,659 | 41.18 |
| 2018-2019 | 82,568,218 | 33,942,561 | 41.11 |
| 2019-2020 | 84,266,849 | 34,783,634 | 41.28 |
| 2020-2021 (Budgeted) | 88,210,584 | 37,002,866 | 41.95 |
| 2021-2022 (Budgeted) | 90,189,395 | 38,952,376 | 43.19 |

Source: Audited financial statements for the 2015-2016 fiscal year through the 2019-2020 fiscal year and the adopted budget of the District for the 2020-2021 and 2021-2022 fiscal years. This table is not audited.

## 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 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 reports of State Comptroller for the past five fiscal years of the District are as follows:

| Fiscal Year Ending In | Stress Designation | Fiscal Score |
|---|---|---|
| 2020 | No Designation | 6.7 |
| 2019 | No Designation | 6.7 |
| 2018 | No Designation | 6.7 |
| 2017 | No Designation | 3.3 |
| 2016 | No Designation | 6.7 |

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 their Board policies and the applicable statutory requirements, and whether payments for such services were proper for the District's purposes between July 1, 2016 through March 6, 2018.

**Key Findings**

- The Board did not establish adequate policies, or ensure the 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.

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 Bond and the Notes were issued is the Education Law and 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 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, 2020 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: | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Assessed Valuations: | | | | | |
| Hamburg | $ 1,407,090,810 | $ 1,408,179,641 | $ 1,406,790,042 | $ 1,416,828,026 | $ 1,429,527,809 |
| Eden | 1,077,034 | 1,194,284 | 1,173,198 | $ 1,172,217 | $ 1,176,925 |
| Total | $ 1,408,167,844 | $ 1,409,373,925 | $ 1,407,963,240 | $ 1,418,000,243 | $ 1,430,704,734 |
| Equalization Rates: | | | | | |
| Hamburg | 53.00% | 52.00% | 50.00% | 47.00% | 44.50% |
| Eden | 64.00% | 63.00% | 59.00% | 57.00% | 53.00% |
| Full Valuations: | | | | | |
| Hamburg | $ 2,654,888,321 | $ 2,708,037,771 | $ 2,813,580,084 | $ 3,014,527,715 | $ 3,212,422,043 |
| Eden | 1,682,866 | 1,895,689 | 1,988,471 | 2,056,521 | 2,220,613 |
| Total | $ 2,656,571,186 | $ 2,709,933,460 | $ 2,815,568,555 | $ 3,016,584,236 | $ 3,214,642,656 |

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:

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Hamburg | $ 26.85 | $ 27.48 | $ 28.23 | $ 28.92 | $ 29.62 |
| Eden | 22.24 | 22.70 | 23.91 | 23.85 | 24.88 |

## 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 re-levy 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:

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|
| Total Tax Levy | $37,846,431 | $38,722,282 | $39,765,353 | $41,030,166 | $42,406,338 |
| Less STAR Reimbursement | 5,681,324 | 5,527,269 | 5,421,234 | 5,088,719 | 4,834,855 |
| Total Taxes to be Collected | 32,165,107 | 33,195,013 | 34,344,119 | 35,941,447 | 37,571,483 |
| Taxes Collected Prior to Return to County | 31,445,675 | 32,511,299 | 33,440,034 | 35,058,353 | 36,735,791 |
| Uncollected Returned to County [1] | $719,432 | $683,714 | $904,085 | $883,094 | $835,692 |
| % Collected Prior to Return | 97.76% | 97.94% | 97.37% | 97.54% | 97.78% |

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

## Real Property Tax Revenues

The following table illustrates the percentage of total revenues of the District for each of the below fiscal years comprised of Real Property Taxes.

| Fiscal Year | Total Revenues | Total Real Property Taxes | Percentage of Total Revenues Consisting of Real Property Taxes |
|---|---|---|---|
| 2015-2016 | $ 76,528,788 | $ 36,996,183 | 48.34% |
| 2016-2017 | 78,282,115 | 37,846,431 | 48.35 |
| 2017-2018 | 79,961,198 | 38,727,313 | 48.43 |
| 2018-2019 | 82,568,218 | 39,763,863 | 48.16 |
| 2019-2020 | 84,266,849 | 41,031,138 | 48.69 |
| 2020-2021 (Budgeted) | 88,210,584 | 37,539,158 | 42.56 |
| 2021-2022 (Budgeted) | 90,189,395 | 38,897,602 | 43.13 |

Source: Audited financial statements for the 2015-16 fiscal year through 2019-20 fiscal year and the adopted budget of the District for the 2020-2021and 2021-2022 fiscal years. This table is not audited.

## Major Taxpayers 2020

## For 2020-21 Tax Roll

| Name | Type | Assessed Value |
|---|---|---|
| G & I IX Empire McKinley | Retail | $ 19,050,500 |
| McKinley Mall LLC | Retail | 14,026,630 |
| Niagara Mohawk Power Corp | Utility | 12,616,176 |
| National Fuel | Utility | 12,296,936 |
| Burke & Companies | Apts/Mixed | 11,708,800 |
| MREIC Buffalo NY LLC | Retail/Warehouse | 11,600,000 |
| Ford Stamping Plant | Manufacturing | 11,340,500 |
| Mission Hills Patio Homes LLC, Villages of | Apartments | 9,663,100 |
| Wal-Mart Real Estate Business | Retail | 9,000,000 |
| Maplewood Estates Apartments | Apartments | 7,500,000 |
| | **Total** | **$ 118,802,642** |

1. The above taxpayers represent 8.30% of the School District's 2020-21 Assessed value of $1,430,704,734.

As of the date of this Official Statement, the District has 12 pending or outstanding tax certioraris the potential impact of which is unknown at this time.

## 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, 2020 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 2015-2016 school year (generally, March 1, 2015), and the property was granted a STAR exemption on that assessment roll. A new homeowner may receive a new personal income tax credit in the form of a check. 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 2015-2016 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 made several changes to the STAR program, which went into effect immediately. The changes were intended to encourage homeowners to switch from the STAR exemption to the STAR credit. The income limit for the exemption has been lowered to $250,000, compared with a $500,000 limit for the credit. 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. Homeowners with STAR Adjusted Gross Income of $250,000 or less have the option to select the credit or the exemption.

The 2020-21 Enacted Budget withholds STAR benefits to taxpayers who are delinquent in the payment of their school taxes and maintains the income limit for the exemption to $250,000, compared with a $500,000 limit for the credit.

## 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 Limit Law modifies current law by imposing a limit on the amount of real property taxes that a school district may levy. The Law affected 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 Limit Law 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 Bonds and the Notes. The State Commissioner of Taxation and Finance has promulgated a regulation that allows school districts, beginning in the year 2020-2021 school year, to adjust the exclusion to reflect a school district's share of capital expenditures related to projects funded through a board of cooperative education services ("BOCES").

## 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 maybe 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 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 capital improvements projects to be financed by the Bonds and 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 School 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, the chief fiscal officer of the School District, pursuant to the Local Finance Law.

The School 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 School District to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted.

## Debt Outstanding End of Fiscal Year

| Fiscal Year Ending June 30: | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Serial Bonds | $10,720,000 | $33,780,000 | $31,055,000 | $28,415,000 | $25,760,000 |
| Bond Anticipation Notes | 26,025,343 | 0 | 883,701 | 3,695,000 | 15,726,063 |
| Capital Leases | 1,730,944 | 1,819,290 | 1,110,774 | 569,417 | 200,139 |
| Total Debt Outstanding | $38,476,287 | $35,599,290 | $33,049,475 | $32,679,417 | $41,686,202 |

## Status of Outstanding Bond Issues

| Year of Issue: | 2015 | | 2016 | |
|---|---|---|---|---|
| Amount Issued: | $4,580,000 | | $5,715,000 | |
| Purpose/Instrument: | Construction/Serial Bond | | Buses/Serial Bond | |
| Fiscal Year Ending June 30: | Principal | Interest | Principal | Interest |
| 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 | 345,000 | 10,350 | - | - |
| Totals: | $ 3,440,000 | $ 814,113 | 3,710,000 | 321,713 |

| Year of Issue: | 2017 | |
|---|---|---|
| Amount Issued: | $23,935,000 | |
| Purpose/Instrument: | Construction/Serial Bond | |
| Fiscal Year Ending June 30: | Principal | Interest |
| 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 | 715,000 | 21,450 |
| Totals: | $ 18,610,000 | $ 2,815,688 |

*Principal reduction payment made prior to the date of the June 23, 2021 Debt Calculation.

## Total Annual Bond Principal and Interest Due

| Fiscal Year Ending June 30: | Principal | Interest | Total Debt Service | %Paid |
|---|---|---|---|---|
| 2021 | 2,555,000* | 652,726 | 3,207,726 | 10.80% |
| 2022 | 2,605,000 | 599,563 | 3,204,563 | 21.58% |
| 2023 | 2,665,000 | 543,250 | 3,208,250 | 32.38% |
| 2024 | 2,740,000 | 483,463 | 3,223,463 | 43.23% |
| 2025 | 2,790,000 | 419,688 | 3,209,688 | 54.03% |
| 2026 | 2,145,000 | 354,063 | 2,499,063 | 62.44% |
| 2027 | 2,190,000 | 305,663 | 2,495,663 | 70.84% |
| 2028 | 2,245,000 | 251,400 | 2,496,400 | 79.24% |
| 2029 | 2,320,000 | 181,100 | 2,501,100 | 87.66% |
| 2030 | 2,110,000 | 108,400 | 2,218,400 | 95.13% |
| 2031 | 1,050,000 | 41,850 | 1,091,850 | 98.80% |
| 2032 | 345,000 | 10,350 | 355,350 | 100.00% |
| Totals: | $ 25,760,000 | $ 3,941,163 | $ 29,711,513 | |

*Principal reduction payment to be made prior to the Debt Statement.

## Status of Short-Term Indebtedness

| Type | Dated Date | Maturity Date | Interest Rate | Amount Outstanding |
|---|---|---|---|---|
| BAN | 07/22/2020 | 07/22/2021 | 1.25% | $22,567,851* |

*A portion will be redeemed and renewed, in part, with the proceeds of the Notes; the remaining portion will be redeemed and retired with the proceeds of the Bonds.

## 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 to undertake such borrowing.

## 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 began in summer 2019 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 is the project for which the Bonds are being issued.

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 received SED approval and construction began in summer 2020. A portion of the Notes is being issued to finance this project.

The District is contemplating a new Capital Project in the amount of $70,116,550 which will be voted on in July 2021.

## Building Aid Estimate

Pursuant to the provisions of Chapter 760 of the Laws of 1963, the District is eligible to receive a Building Aid Estimate from the New York State Department of Education. The District has not applied for such estimate but anticipates that aid may be received on its outstanding indebtedness at their Building Aid Ratio of 76.6%.

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 "THE DISTRICT - State Aid" herein.

## Debt Statement Summary

As of July 7, 2021

| Town | Taxable Assessed Valuation | State Equalization Rate | Taxable Full Valuation |
|---|---|---|---|
| Hamburg | $ 1,429,527,809 | 44.50% | $ 3,212,422,043 |
| Eden | 1,176,925 | 53.00% | 2,220,613 |
| | | | $ 3,214,642,656 |
| Debt Limit: 10% of Full Valuation | | | $ 321,464,266 |
| Inclusions: | | | |
| Serial Bonds | | | $ 23,205,000 |
| Bond Anticipation Notes | | | 22,567,851 |
| Total Inclusions: | | | $ 45,772,851 |
| Exclusions: | | | |
| Building Aid Estimate [1] | | | $0 |
| Total Exclusions: | | | $0 |
| Total Net Indebtedness Before Giving Effect to This Issue: | | | $ 45,772,851 |
| This Issue | | $ 20,592,107 | |
| Proceeds to be Used to Renew Indebtedness Listed Under Inclusions | | 19,848,994 | 743,113 |
| Total Net Indebtedness | | | $ 46,515,964 |
| Net Debt Contracting Margin | | | $ 274,948,302 |
| Percentage of Debt-Contracting Power Exhausted | | | 14.47% |

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

| Overlapping Unit | Applicable Equalized Value | Percent | Gross Indebtedness [1] | Exclusions | Net Indebtedness | Estimated Applicable Overlapping Indebtedness |
|---|---|---|---|---|---|---|
| County of: | $ 3,214,642,656 | | | | | |
| Erie | $ 60,970,410,992 | 5.27% | $ 537,701,791 | N/A | $ 537,701,791 | $ 28,350,131 |
| Town of | $ 3,212,422,043 | | | | | |
| Hamburg | $ 4,440,265,820 | 72.35% | 6,802,835 | N/A | 6,802,835 | 4,921,682 |
| Town of | $ 2,220,613 | | | | - | |
| Eden | $ 580,232,529 | 0.38% | 14,378,000 | N/A | 14,378,000 | 55,026 |
| Total | | | | | | $ 33,326,839 |

Source: Comptroller's Special Report on Municipal Affairs for Local Fiscal Years Ended in 2019
Notes: 1 Bonds and Bond Anticipation notes as of 2019 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 23, 2021:

| | Amount | Per Capita (a) | Percentage of Full Value (b) |
|---|---|---|---|
| Net Indebtedness | $ 46,515,964 | $ 1,297.59 | 1.447% |
| Net Indebtedness Plus Net Overlapping Indebtedness | $ 79,842,803 | $ 2,227.26 | 2.484% |

(a) The District's estimated population is 35,848 (Source: 2019 U.S. Census Bureau estimate)
(b) The District's full valuation of taxable real estate for 2020-21 is $3,214,642,656

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 Bonds and the Notes. The following is a discussion of certain events that could affect the risk of investing in the Bonds and the Notes. In addition to the event cited herein, there are other potential risk factor that an 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.

The financial and economic condition of the District as well as the market for the Bonds and 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 and in other jurisdictions in the country, including for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds and the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any other jurisdiction 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 Bonds, could be adversely affected.

The District is dependent in part on financial assistance from the State. However, if the State should experience difficulty in 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 District, in any year, the District may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the District. In several recent years, the District has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "THE SCHOOL DISTRICT - State Aid").

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the District could have an impact upon the market price of the Bonds and the Notes. See "TAX LEVY LIMITATION LAW" herein.

Future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent the beneficial owners of the Bonds from realizing the full current benefit of the tax status of such interest. No assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of the Bonds and the Notes, or the tax status of interest on the Bonds and 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 systems and networks. There can be no assurances that any security and operational control measures implemented by the District will be completely successful to guard against and prevent cyber threats and attacks. The result of any such attacks could impact business operations and/or digital networks and systems and the costs of remedying any such damage could be significant.

Disease outbreaks or similar public health threats could have an adverse impact on the District's financial condition and operating results. The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization on March 11, 2020. See "COVID19" herein for a further discussion of the impacts of the COVID-19 pandemic, which could have a significant adverse effect on the District's finances.

## TAX EXEMPTION

Hodgson Russ LLP, of Buffalo, New York, Bond Counsel will deliver an opinion that, under existing law, the interest on the Bonds and the Notes are excluded from gross income, of the holders thereof for federal income tax purposes and are not an item of tax preference for purposes 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 Bonds and the Notes to become subject to federal income taxation from the date of issuance of the Bonds and the Notes. Such opinion will state that interest on the Bonds and 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 Bonds and the Notes from gross income for federal income tax purposes are 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 LLP, the tax certificate with regard to the Bonds and the tax certificate and non-arbitrage certificate with regard to the Notes that will be executed and delivered by the District in connection with the issuance of the Bonds and the Notes (collectively, the "Certificates") establish the requirements and procedures, compliance with which will satisfy the Tax Requirements applicable to the Bonds and the Notes.

The Tax Requirements referred to above, which must be complied with in order that interest on the Bonds and 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 Bonds and the Notes be used in a manner so that the Bonds and 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 that the payment of principal or interest on the Bonds and the Notes not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof) as provided in Section 149(b) of the Code.

In the Tax 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 Bonds and the Notes to includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Bonds and the Notes to be included in gross income for federal income tax purposes from the date of issuance of the Bonds and the Notes. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Bonds and the Notes.

Prospective purchasers of the Bonds and the Notes should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Bonds and 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 Bonds and 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 Bonds and 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 States 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 Bonds and 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 Bonds and the Notes may affect the tax status of interest on the Bonds and 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 Bonds or the Notes or the tax consequences of ownership of the Bonds or the Notes. Prospective purchasers are encouraged to consult their own legal and tax advisors with respect to these matters.

## LEGAL MATTERS

The legality of the authorization and issuance of the Bonds and the Notes will be covered by the legal opinion of Hodgson Russ LLP of Buffalo, New York, Bond Counsel. Such legal opinion will state that in the opinion of Bond Counsel (i) the Bonds and the Notes have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the District and, unless paid from other sources, are payable as to principal and interest from *ad valorem* taxes levied upon all the taxable real property within the District, without limitation as to rate or amount (subject to certain statutory limitations imposed by the Tax Levy Limitation Law); provided, however, that the enforceability (but not the validity) of the Bonds and the Notes may be limited or otherwise affected by (a) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar statute, rule, regulation or other law affecting the enforcement of creditors’ rights and remedies heretofore or hereafter enacted or (b) by the unavailability of equitable remedies or the application thereto of equitable principles; (ii) assuming that the District complies with certain requirements of the Code, interest on the Bonds and the Notes (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; and (iii) interest on the Bonds and the Notes is exempt from personal income taxes imposed by the State or any political subdivision thereof, including the City of New York. Bond Counsel will express no opinion in regarding other federal income tax consequences arising with respect to the Bonds and the Notes.

Such legal opinion also will state that (i) in rending the opinions expressed therein, Bond Counsel has assumed, without inquiry or other investigation, (a) the legal capacity of each natural person, (b) the full power and authority of each person other than the District to execute and deliver certain documents and to perform certain acts, (c) no modification of any provision of any document, no waiver of any right or remedy and no exercise of any right or remedy other than in a commercially reasonable and conscionable manner and in good faith, (d) the genuineness of each signature, the completeness of each document submitted to Bond Counsel, the authenticity of each document submitted to Bond Counsel as an original, the conformity to the original of each document submitted Bond Counsel as a copy and the authenticity of the original of each document submitted to Bond Counsel as a copy, (e) the accuracy on the date of this letter of certain reviewed documents, (f) the truthfulness of each statement as to any factual matter contained in such reviewed documents, and (g) the due and timely filing of certain filed documents; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds and the Notes has extended solely to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construes to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the District, together with other legally available sources of revenue, if any, will be sufficient to enable the District to pay the principal of and interest on the bonds as the same respectively become due and payable, and (iv) no opinion is expressed by Bond Counsel as to whether the District, in connection with the sale of the Bonds and the Notes, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

## LITIGATION

In common with other local governments and school districts, the District from time to time receives notices of claim and is a 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.

## COVID-19

The outbreak of COVID-19, a serious respiratory disease caused by a novel strain of coronavirus, was declared a pandemic by the World Health Organization on March 11, 2020.

### Economic Impacts

The outbreak of COVID-19 has drastically affected travel, commerce and financial markets globally. As almost all nations have experienced a rise in infections and implemented containment measures that in the case of some nations (including the United States) have been drastic, economies have suffered in the extreme. While several vaccines have been developed and are now being deployed world-wide, the full impact of the pandemic is difficult to predict due to uncertainties regarding its duration and severity.

While initially the hospitality and tourism industries were hardest hit, within a short period of time there was widespread unemployment across all economic sectors in the United States.

Uncertainty regarding the short, medium and long-term effects of the COVID-19 pandemic initially caused extreme volatility across all financial markets, including the primary and secondary markets for municipal bonds. In the United States, Congress and the Federal Reserve took significant steps to backstop those markets and to provide much-needed liquidity, and markets have since generally stabilized. Still, given these conditions, it is possible that the process of trading the Bonds in the secondary market could be affected in ways that are difficult to predict.

**Federal Response**

The federal government has passed several pieces of legislation in response to the COVID-19 pandemic including the $2.3 trillion Coronavirus Aid, Relief, and Economic Security ("CARES") Act of 2020 and the $1.9 trillion American Rescue Plan Act ("ARP") Act of 2021, both of which provide funding for pandemic-related expenses and attempt to address financial stability and liquidity issues through a variety of stimulus measures.

Stimulus Efforts for State and Local Governments: The CARES Act included a $150 billion Coronavirus Relief Fund, which provided funds to states, tribal governments and local governments with populations exceeding 500,000 (local governments with smaller populations could receive monies from the amount allocated to their state). This money was intended for programs that were necessary expenditures incurred due to the public health emergency resulting from the pandemic. This money was not intended to be used to directly account for revenue shortfalls due to the COVID-19 pandemic, but it could indirectly assist with revenue shortfalls in cases where the expenses that were covered by this fund would otherwise create a further budget shortfall.

The CARES Act also included an Education Stabilization Fund, which provided $30.75 billion for K-12 and higher education systems. There were three main forms of relief: $13.2 billion for K-12 schools that was administered on a state-by-state basis, $14 billion for public and private colleges and universities, and $3 billion in emergency relief that governors could distribute to schools, colleges and universities that were particularly affected by COVID-19 and the ensuing crisis.

The ARP Act includes an additional $350 billion for states, tribal governments and local governments. Notably, in addition to the uses allowed under the CARES Act, ARP funds can be used to replace revenues lost due to COVID-19 and to make necessary investments in water, sewer or broadband infrastructure. These broader categories allow such governments much more flexibility in utilizing such funds.

The ARP Act also includes a total of $170.3 billion in funding for education, including more than $122.8 billion for the Elementary and Secondary School Emergency Relief Fund ("ESSER"). The largest portion of such ESSER funds will be distributed to school districts based on their relative share of Title I funding, but additional moneys are also allocated to help schools address learning time lost by students, after-school and summer enrichment programs, and administration costs.

Municipal Liquidity Facility: The Federal Reserve established a "Municipal Liquidity Facility" ("MLF") in 2020 that offered up to $500 billion in direct federal lending to certain larger issuers, which were in turn able to use their own loan proceeds to make loans to included smaller governmental units that would not otherwise qualify for this program. The MLF expired on December 31, 2020. Most municipal issuers did not have to resort to the MLF because rates have been conducive to issuing debt through the conventional municipal bond market; however, it is notable that the MLF existed as a market backstop if needed.

**State Response**

Executive Orders: Pursuant to emergency powers granted by the State Legislature, Governor Cuomo has released a number of executive orders in response to the COVID-19 pandemic.

Pursuant to State Executive Order 202.4, every school in the State was directed to close no later than March 18, 2020. While schools were originally ordered closed until April 1, the time period was later extended to May 15, and then through the end of the school year. School districts must normally maintain 180-day in-class attendance for State aid; however, this requirement was waived to the extent attributable to COVID-19 related closures during the 2019-20 school year. Additionally, pursuant to State Executive Orders Nos. 202.13 and 202.26, the school district elections and budget votes that normally would have been held in-person on May 19, 2020 were postponed and conducted by absentee ballot, with such ballots being counted on June 16, 2020.

While initially "non-essential" employees were mandated to work from home, starting on May 15, 2020, regions of the State that met certain criteria were allowed to begin reopening. Reopening occurred in phases, with different businesses and industries allowed to open in each phase.

As COVID-19 cases began to rise again in the fall of 2020, the State shifted to a strategy based on identifying areas with higher positivity rates and implementing successively higher restrictions in such areas. Such areas were labeled “yellow”, “orange” or “red.” When COVID-19 cases dropped again, affected areas could be removed from the list. As of March 22, 2021, all remaining yellow zone cluster restrictions were lifted; therefore, there were no longer any areas of the State subject to special restrictions under such system.

Since increased supplies of COVID-19 vaccine have become available, the State is encouraging residents to get vaccinated and, as of April 6, 2021, all New Yorkers 16 years of age and older are eligible to receive a vaccine.

Up-to-date information on the State’s COVID-19 response can be found at https://forward.ny.gov. Reference to website implies no warranty of accuracy of information therein.

State Budget: The City of New York was an early epicenter of the COVID-19 pandemic in the United States, and as a result the State suffered significant revenue shortfalls and unanticipated expenses beginning at the end of the State’s 2019-2020 fiscal year, and continuing during the State’s 2020-2021 fiscal year.

In response, the enacted State budget for the 2020-21 fiscal year allowed the State to reduce expenditures (including aid to local school districts and municipalities) if tax receipts were lower than anticipated. Accordingly, in June, 2020 the State Division of the Budget (“DOB”) began withholding 20 percent of most local aid payments, although such aid has generally since been restored.

Many of the State’s 2020-2021 budget decisions were based on the uncertainty of future federal aid. In the period of time since such decisions were made, the $1.9 trillion American Rescue Plan Act was signed into law (on March 11, 2021), which legislation includes almost $24 billion in funding for various levels of government in the State, including approximately $12.5 billion for the State, $6 billion for New York City, and $4 billion to be divided among counties in the State; another $12 billion is intended to be used toward the safe reopening of K-12 schools as well as colleges and universities.

Accordingly, the State enacted budget for the 2021-2022 fiscal year is more expansive (about 10% higher) than the prior budget, including significantly increased funding for schools and local governments. School districts will benefit from a $1.4 billion increase in Foundation Aid and a three-year Foundation Aid full restoration phase in that will allow all school districts to receive the increased level of Foundation Aid that was originally promised in 2007, along with a $105 million expansion of full-day prekindergarten. Local governments will receive a full restoration of proposed cuts to Aid and Incentives for Municipalities (AIM) funding. Further, municipalities that host Video Lottery Terminal (VLT) facilities will receive a full restoration of $10.3 million in proposed VLT aid cuts.

Although the 2021-2022 budget contains additional aid for school districts and municipalities, it is uncertain whether the State will have future budget shortfalls necessitating cuts to State aid. Reductions in the payment of State aid could adversely affect the financial condition of school districts in the State, including the District.

Legislation Allowing Financial Flexibility for Municipalities and School Districts: On August 24, 2020, Governor Cuomo signed legislation allowing municipalities and school districts additional financial flexibility in response to the COVID-19 pandemic. Whereas municipalities and school districts in the State typically may only pursue short-term financing for five years, under certain circumstances the new legislation allows note financing for up to an additional two years prior to converting to long-term bonds.

The new legislation also allows municipalities and school districts additional flexibility related to the use of reserve funds or inter-fund transfers for costs associated with COVID-19. The typical mandatory or permissive referendum requirements for the expenditure of funds from a capital reserve fund have been waived for capital costs attributable to the COVID-19 pandemic. Moneys from a capital reserve fund can also be temporarily advanced for operating costs or other costs attributable to the COVID-19 pandemic, so long as such moneys are repaid within five fiscal years, with interest. Additionally, while inter-fund transfers must typically be repaid by the end of the fiscal year in which the transfer is made, inter-fund advances for costs attributable to the COVID-19 pandemic do not need to be repaid until the close of the following fiscal year.

**Local Response**

The State Executive Law Section 24 contains procedures for local governments to declare local states of emergency and issue orders to implement the same. Specifically, in the event of a qualifying disaster or reasonable apprehension of immediate danger to the public safety, the municipal chief executive has the authority to declare a local state of emergency for a period of up to 30 days and issue orders to protect life and property or to bring the emergency situation under control. While the District itself is not able to declare a local state of emergency, the County has done so. The District closed in mid-March 2020 and did not resume session for the rest of the 2019-20 school year. During the timeframe of the closure the District provided education to students remotely and was responsible for providing meal deliveries to students.

While the impacts of COVID-19 on the global, federal, State and local economy cannot be predicted with any certainty, the pandemic could have a significant adverse effect on the District's finances.

The District is continuing to monitor this situation and will attempt to mitigate any such adverse effects through program cuts or staffing reductions, as needed.

## CYBERSECURITY

The District, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the District faces multiple cyber threats including, but not limited to hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyberattacks, the District invests in various forms of cybersecurity and operation controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard again cyber threats and attacks. The results of any such attack could impact business operations and/or damage District digital networks and systems and the costs of remedying any such damage could be substantial.

## RATINGS

Moody's Investor Services has assigned an Aa3 rating to the Bonds, the Notes are not rated. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. A rating reflects only the view of the rating agency assigning such rating any desired explanation of the significance of such rating should be obtained from Moody's, Investors Services.

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.

## DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), unless the bonds and/or Notes ae purchased for the purchaser's own account, as principal for investment and not for resale, the District will enter into separate Disclosure Undertakings for the Bonds and the Notes at closing, the forms of which are attached hereto as "APPENDIX C" with regard to the bonds and "APPENDIX D" with regard to the Notes. A purchaser buying for its own account shall deliver a municipal securities disclosure certificate that documents its intent to purchase the bonds and/or the Notes as principal for investment and not for resale (in a form satisfactory to Bond Counsel) establishing an exemption from the rule applies.

## CONTINUING DISCLOSURE COMPLIANCE PROCEDURES

The District has established procedures designed to ensure that future filings of continuing disclosure information will be in compliance with existing continuing disclosure obligations, including transmitting such filings to the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 through the Electronic Municipal Market Access System.

## 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 Bond and 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 Bonds and 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

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 Bonds or the Notes

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the District management's beliefs as well as assumptions made by, and information currently available to, the District's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the District's files with the repositories. When used in District documents or oral presentation, the words "anticipate", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

To the extent 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 holder of the Bonds or the Notes

Hodgson Russ LLP, Buffalo, New York, Bond Counsel to the District, expresses no opinions as to the accuracy or completeness of information in any documents prepared by or on behalf of the District for use in connection with the offer and sale of the Bonds or the Notes, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds and 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 herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the District.

The Official Statement is submitted only in connection with the sale of the Bonds and the Notes by the District and may not be reproduced or used in whole or in part for any other purpose.

The District hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission. 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.

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.

The School District's contact information is as follows: C. Douglas Whelan, Interim Assistant Superintendent of Finance & Operations, phone: (716) 926-1717; email: dwhelan@frontiercsd.org.

Additional copies of the Notice of Bond Sale with respect to the Bonds, the Notice of Sale with respect to the Notes, 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: July 7, 2021**
**Hamburg, New York**

**Patrick T. Boyle**
President of the Board of Education
and Chief Fiscal Officer

# APPENDIX A

## Financial Information

# General Fund – Statement of Revenues, Expenditures and Fund Balance

| Fiscal Year Ending June 30: | 2016 | 2017 | 2018 | 2019 | 2020 | Budget 2021 | |
|---|---|---|---|---|---|---|---|
| Beginning Fund Balance - July 1 | $7,041,123 | $11,937,839 | $15,146,571 | $15,475,518 | $17,875,761 | $19,841,990 | E |
| Revenues: | | | | | | | |
| Real Property Taxes | $36,996,183 | $37,846,431 | $38,727,313 | $39,763,863 | $41,031,138 | $37,539,158 | |
| Real Property Tax Items | $724,442 | $669,435 | $745,826 | $802,434 | $930,089 | $5,464,255 | |
| Non-Property Tax Items | 5,269,961 | 5,405,756 | 5,587,800 | 5,775,109 | 5,585,712 | 5,460,000 | |
| Charges for Services | 1,190,075 | 1,172,762 | 979,982 | 1,089,540 | 944,336 | 1,155,250 | |
| Use of Money & Property | 81,536 | 79,923 | 135,626 | 288,656 | 201,479 | 137,161 | |
| Sale of Property/Comp. for Loss | 19,575 | 89,767 | 46,700 | 80,733 | 27,205 | 55,250 | |
| Miscellaneous | 390,096 | 611,345 | 491,955 | 531,435 | 504,428 | 349,448 | |
| State Aid | 31,642,980 | 31,907,712 | 32,931,659 | 33,942,561 | 34,783,634 | 37,002,866 | |
| Federal Aid | 213,940 | 280,984 | 314,337 | 293,887 | 258,828 | 880,531 | |
| Interfund Transfer | 0 | 218,000 | 0 | 0 | 0 | 166,665 | |
| Total Revenues | $76,528,788 | $78,282,115 | $79,961,198 | $82,568,218 | $84,266,849 | $88,210,584 | |
| Expenditures: | | | | | | | |
| General Support | $6,048,430 | $6,224,921 | $6,516,830 | $6,960,672 | $6,733,981 | $7,879,696 | |
| Instruction | 40,093,967 | 42,492,301 | 44,721,299 | 47,065,981 | 49,111,767 | 51,118,455 | |
| Pupil Transportation | 2,981,803 | 3,266,681 | 3,358,481 | 3,472,564 | 3,386,841 | 3,717,957 | |
| Employee Benefits | 17,582,915 | 18,154,197 | 17,060,189 | 18,034,374 | 17,995,824 | 21,717,053 | |
| Debt Service | 4,690,028 | 4,706,361 | 4,287,536 | 4,347,708 | 4,696,016 | 5,925,911 | |
| Interfund Transfer | 234,929 | 228,922 | 3,687,916 | 286,676 | 376,191 | 300,000 | |
| Total Expenditures | $71,632,072 | $75,073,383 | $79,632,251 | $80,167,975 | $82,300,620 | $90,659,072 | |
| Adjustments | 0 | 0 | 0 | 0 | 0 | 0 | |
| Year End Fund Balance | $11,937,839 | $15,146,571 | $15,475,518 | $17,875,761 | $19,841,990 | $17,393,502 | E |
| Excess (Deficit) Revenues Over Expenditures | $4,896,716 | $3,208,732 | $328,947 | $2,400,243 | $1,966,229 | ($2,448,488) | 1 |

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

Note: 1. Appropriated Fund Balance planned to be used.

E. Estimate

## General Fund – Budget Summary

| | 2021-22 Adopted Budget |
|---|---|
| Revenues: | |
| Real Property Taxes | $38,897,602 |
| Other Tax Items | 10,958,524 |
| Interest & Penalties on Real Property | 2,400 |
| Charges for Services | 470,250 |
| Interest and Earnings | 50,000 |
| Use of Property | 59,998 |
| Insurance Recoveries and Compensation of Loss | 25,250 |
| Miscellaneous | 349,448 |
| State Aid | 38,952,376 |
| Federal Aid | 250,000 |
| Interfund Transfers | 173,547 |
| Total Revenues | 90,189,395 |
| Expenditures: | |
| General Support | $8,305,112.98 |
| Instruction | 51,966,807.85 |
| Transportation | 3,791,883.40 |
| Employee Benefits | 22,259,512 |
| Debt Service | 6,415,719 |
| Interfund Transfers | 300,000 |
| Total Expenditures | $93,039,035.23 |

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

# General Fund – Comparative Balance Sheet

| Fiscal Year Ending June 30: | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Assets: | | | | | |
| Cash and cash equivalents | $13,007,836 | $15,992,370 | $15,325,259 | $17,707,563 | $5,542,217 |
| Cash and cash equivalents - Restricted | $0 | $0 | $0 | $0 | $13,370,025 |
| Accounts Receivable | 220,910 | 253,893 | 161,531 | 232,989 | 336,762 |
| Due from Other Funds | 1,317,596 | 753,211 | 1,588,740 | 1,483,720 | 2,030,874 |
| State and Federal Aid Receivable | 1,490,524 | 939,572 | 1,048,840 | 995,910 | 812,884 |
| Due from Other Governments | 2,909,387 | 2,944,813 | 3,060,916 | 3,547,733 | 2,912,173 |
| Cash Value of Life Insurance | 344,493 | 344,493 | 344,493 | 344,493 | 344,493 |
| Total Assets | $19,290,746 | $21,228,352 | $21,529,779 | $24,312,408 | $25,349,428 |
| Liabilities: | | | | | |
| Accounts Payable | $1,195,502 | $849,976 | $1,470,246 | $1,201,984 | $1,153,654 |
| Accrued Liabilities | 878,305 | 810,183 | 709,262 | 1,049,253 | 629,625 |
| Unearned Revenue | 33,400 | 57,135 | 47,858 | 12,510 | 0 |
| Due to Other Funds | 721,093 | 115,781 | 61,987 | 0 | 0 |
| Due to Retirement Systems | 4,524,607 | 4,248,706 | 3,764,908 | 4,172,900 | 3,724,159 |
| Total Liabilities: | $7,352,907 | $6,081,781 | $6,054,261 | $6,436,647 | $5,507,438 |
| Fund Balances: | | | | | |
| Nonspendable | 344,493 | 344,493 | 344,493 | 344,493 | 344,493 |
| Restricted | 7,628,869 | 10,209,389 | 10,087,671 | 11,946,990 | 13,370,025 |
| Assigned: | 821,230 | 1,237,505 | 1,723,613 | 2,132,518 | 2,545,615 |
| Unassigned | 3,143,247 | 3,355,184 | 3,319,741 | 3,451,760 | 3,581,857 |
| Total Fund Balance | $11,937,839 | $15,146,571 | $15,475,518 | $17,875,761 | $19,841,990 |
| Total Liabilities and Fund Balance | $19,290,746 | $21,228,352 | $21,529,779 | $24,312,408 | $25,349,428 |

Source: Audited Annual Financial Reports. This table is not audited.

# APPENDIX B

## Audited Financial Statements

## For The Fiscal Year Ended June 30, 2020

*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**

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**JUNE 30, 2020**

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## FINANCIAL SECTION

# FINANCIAL SECTION

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FreedMaxick™ CPAs, P.C.

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Frontier Central School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

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

*Other Information*

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Freed Maxick CPAs, P.C.

Batavia, New York
October 1, 2020

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

This section of Frontier Central School District's (the District) annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2020. Please read it in conjunction with the District's financial statements, which immediately follow this section.

## Financial Highlights

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

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

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

## Overview of the Financial Statements

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

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

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

***Figure A-1***

***Organization of Frontier Central School District's Annual Financial Report***

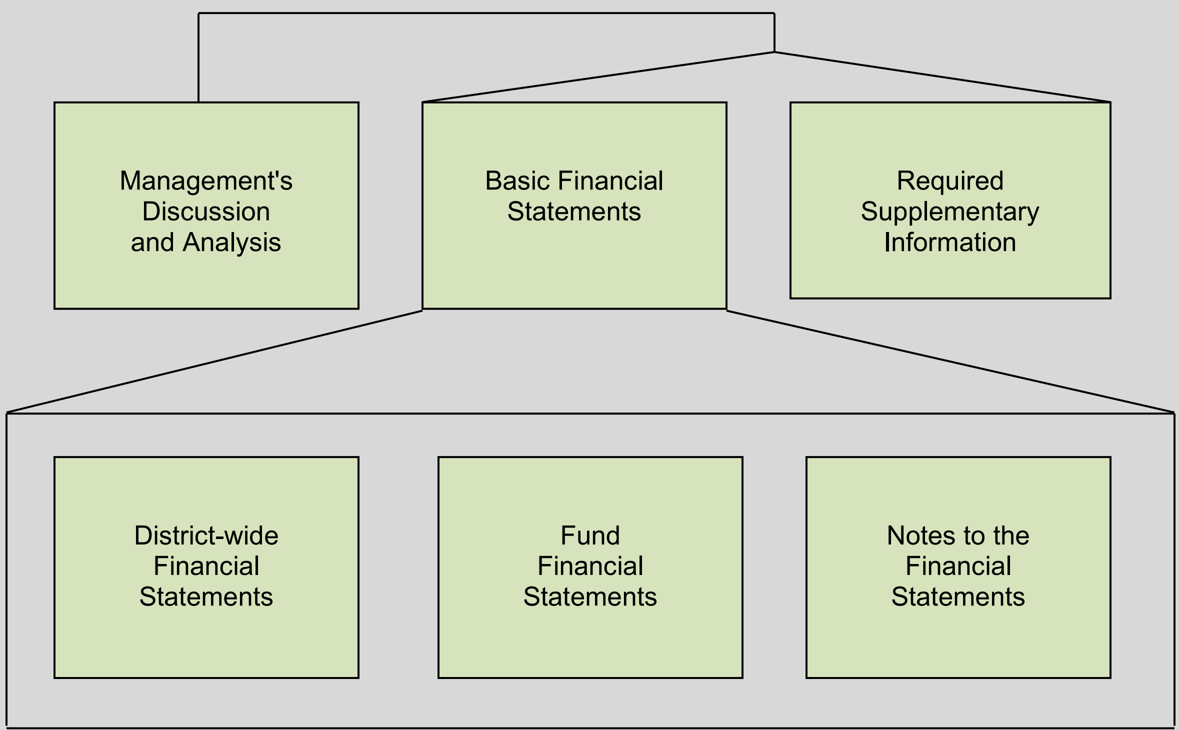


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents 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 | • Statement of Net Position<br>• Statement of Acitvities | • Balance Sheet<br>• Statement of Revenues, Expenditures, and Changes in Fund Balances | • Statement of Net Position – Fiduciary Funds<br>• 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 govemmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information reported on the Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position explains the relationship (or differences) between them.

- Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

## Financial Analysis of the District as a Whole

The District’s financial picture continues to improve with conservative budgeting and cost control. 2020 Excess Revenues over Expenditures in the General Fund totaled $1,966,229 vs. $2,400,243 in 2019.

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

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

***Figure A-3***

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

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

*Figure A-4*

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

| | Governmental Activities and Total District | | | Total Percentage Change | Total Percentage Change |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2019-2020 | 2018-2019 |
| **Revenues:** | | | | | |
| Real property taxes | $ 41,031 | $ 39,764 | $ 38,727 | 3.19% | 2.68% |
| Real property tax items | 930 | 802 | 746 | 15.96% | 7.51% |
| Non-property taxs | 5,586 | 5,775 | 5,588 | -3.27% | 3.35% |
| Charges for services | 944 | 1,090 | 980 | -13.39% | 11.22% |
| Use of money and property | 255 | 313 | 147 | -18.53% | 112.93% |
| Other miscellaneous revenues | 724 | 651 | 564 | 11.21% | 15.43% |
| State and federal aid | 39,364 | 37,996 | 37,228 | 3.60% | 2.06% |
| School lunch | 444 | 657 | 652 | -32.42% | 0.77% |
| Total revenues | 89,278 | 87,048 | 84,632 | 2.56% | 2.85% |
| **Expenses:** | | | | | |
| General support | 8,672 | 8,557 | 8,345 | 1.34% | 2.54% |
| Instruction | 71,950 | 65,864 | 65,783 | 9.24% | 0.12% |
| Pupil transportation | 4,837 | 4,645 | 4,761 | 4.13% | -2.44% |
| Debt service | 1,037 | 851 | 857 | 21.86% | -0.70% |
| School lunch | 1,870 | 1,617 | 1,516 | 15.65% | 6.66% |
| Depreciation | 2,937 | 2,762 | 2,885 | 6.34% | -4.26% |
| Total expenses | 91,303 | 84,296 | 84,147 | 8.31% | 0.18% |
| Changes in net positions | $ (2,025) | $ 2,752 | $ 485 | -173.58% | 467.42% |

### Governmental Activities

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

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

*Figure A-5*

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

| | Net Cost of Services | | | Percentage Change | Percentage Change |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2019-2020 | 2018-2019 |
| General support | $ 8,008 | $ 7,689 | $ 7,531 | 4.15% | 2.10% |
| Instruction | 59,609 | 53,826 | 54,243 | 10.74% | -0.77% |
| Pupil transportation | 1,103 | 1,075 | 1,385 | 2.60% | -22.38% |
| Debt service - interest | 1,037 | 851 | 857 | 21.86% | -0.70% |
| School lunch | 35 | 101 | (6) | -65.35% | -1783.33% |
| Depreciation | 2,937 | 2,762 | 2,885 | 6.34% | -4.26% |
| Total | $ 72,729 | $ 66,304 | $ 66,895 | 9.69% | -0.88% |

## <u>Financial Analysis of The District's Funds</u>

### General Fund

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

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

- Revenue
  - Property taxes – increased $1,395,000 due to an increase in levy up to the tax cap limit and a slight increase in payments in lieu of taxes (PILOTS)
  - State and Federal Aid rose by $806,000 driven by higher Building and BOCES expense driven aid.

- Expenditures
  - An increase in total wages of $877,000 due to contractual wage increases.
  - Employee benefits decreased by $39,000 due on lower health insurance and retirement system costs.
  - Increased BOCES expenses of $491,000 resulted from higher special education and the purchase of student computer devices.

### School Lunch Fund

The issue of net cost related to school lunch is related to approved state and federal aid, menu pricing and student participation. Operations of the school lunch program for the 2019-2020 year ended with a decifit of $15,392 before transfers from the General Fund of $50,000, compared to a deficit in 2018-2019 of $87,275 before General Fund transfers of $46,235.

### Capital Projects Fund

Spending activity in the capital projects fund increased as the District continues the planned long term phased capital project work. Project expenditures totalled $11,542,000 in 2019-2020. An additional $883,000 was spent on new bus purchases. Capital project spending is anticipated to wind down in 2021 as the District completes Phase II and III of the 2018 Capital Project, as well as the Multi-Purpose Field and Track project.

## General Fund Budgetary Highlights

A very conservative approach to the budget process was again taken for the 2019-2020 school year due to the volatility of the economy and the uncertainty of state aid revenue.

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

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

*Figure A-6*

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

| | Revenues | Expenditures | Fund Balances |
|---|---|---|---|
| **2020** | | | |
| General Fund | $ 84,267 | $ 82,301 | $ 19,842 |
| Capital Projects Fund | 1,187 | 12,425 | (14,230) |
| **2019** | | | |
| General Fund | $ 82,568 | $ 80,168 | $ 17,876 |
| Special Aid Fund | 3,041 | 3,041 | - |
| Capital Projects Fund | 457 | 4,938 | (2,992) |
| **2018** | | | |
| General Fund | $ 79,961 | $ 79,632 | $ 15,476 |
| Special Aid Fund | 3,300 | 3,300 | - |
| Capital Projects Fund | 3,515 | 2,464 | 1,489 |

## Capital Asset and Debt Administration

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

*Figure A-7*

***Capital Assets Net of Depreciation***
***(in thousands of dollars)***

| | Governmental Activities and Total District | | | Percentage Change | Percentage Change |
|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2019-2020 | 2018-2019 |
| Land | $ 802 | $ 802 | $ 802 | 0.00% | 0.00% |
| Construction in process | 11,627 | 5,341 | 205 | 117.69% | 2505.37% |
| Building and improvement | 64,603 | 60,738 | 62,342 | 6.36% | -2.57% |
| Vehicles and equipment | 4,178 | 4,040 | 4,048 | 3.42% | 3.21% |
| Total | $ 81,210 | $ 70,921 | $ 67,397 | 14.51% | 20.49% |

**Long-Term Debt**

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

*Figure A-8*

***Outstanding Long-Term Debt***
***(in thousands of dollars)***

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

## Factors Bearing on the District's Future

- Challenges posed to local sources of revenue due to the continuation of the property tax cap.

- Reduced State Aid as a result of the Public Health Emergency and the subsequest economic impact on New York State revenues.

- Continued addition of unfunded federal and state mandates.

- Contractual payroll obligations that could increase by a greater percentage than revenue increases.

## Contacting the District's Financial Management

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

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

| | 2020 Governmental Funds | 2019 (Memo Only) Governmental Funds |
|---|---|---|
| Total fund balances - governmental funds (page 15) | $ 6,931,814 | $ 16,116,048 |
| Amounts reported for governmental activities in the Statement of Net Position (page 13) are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation | 81,209,933 | 70,920,829 |
| Long-term assets and liabilities are not due and payable in the current period and therefore are not reported in the funds: | | |
| Retainages payable | (503,124) | (33,170) |
| Serial bonds payable | (25,760,000) | (28,415,000) |
| Premium amortization payable | (396,971) | (447,929) |
| Capital leases | (200,139) | (569,417) |
| Compensated absences | (4,355,629) | (4,001,045) |
| Workers compensation | (2,720,000) | (3,218,757) |
| Total OPEB Liability | (8,212,706) | (8,296,054) |
| TRS pension asset | 5,365,054 | 3,692,246 |
| ERS pension liability | (7,862,822) | (2,122,535) |
| Interest is accrued and reported in the district-wide Statement of Net Position but not on the fund basis Balance Sheet because it is not due and payable in the current period. | (417,039) | (145,603) |
| Deferred outflows and inflows are not assets or liabilities of the current period and therefore are not reported in the funds: | | |
| Net postemployment deferred outflows and inflows of resources | 1,215,104 | 2,125,741 |
| Net pension deferred outflows and inflows of resources | 15,057,880 | 15,770,843 |
| Net position of governmental activities | $ 59,351,355 | $ 61,376,197 |

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

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

See notes to basic financial statements.

## FRONTIER CENTRAL SCHOOL DISTRICT
## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED JUNE 30, 2020

| | 2020 | 2019 (Memo Only) |
|---|---|---|
| Net change in fund balances - total governmental funds (page 18) | $ (9,184,234) | $ (2,068,973) |
| Amounts reported for governmental activities in the Statement of Activities (page 14) are different because: | | |
| Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays ($18,482,423) excluding construction in process placed in service ($5,759,645) in the current year exceeded depreciation expense ($2,936,796). | 10,289,107 | 2,401,132 |
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trades) is to decrease net position. | (2) | (17,352) |
| The governmental funds report bond proceeds and other long-term debt as an other financing source, while repayment of bond principal is reported as an expenditure. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. The net effect of these differences and the treatment of these differences is as follows: | | |
| Repayment of serial bonds | 2,655,000 | 2,640,000 |
| Amortization of debt premium | 50,957 | 50,958 |
| Repayment of capital leases | 369,278 | 541,355 |
| Interest expense | (271,436) | (92,145) |
| In the Statement of Activities, certain operating expenses are measured by the amounts accrued or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. The net effect of these differences are: | | |
| Retainages | (469,954) | (33,170) |
| Compensated absences | (354,584) | (412,826) |
| Workers compensation | 498,757 | - |
| Change in proportionate share of net pension asset/(liability) and postemployment liability reported in the Statement of Net Position do not provide for or require the use of current financial resources and therefore is not reported as revenues or expenditures in the governmental funds. | | |
| Net pension - proportionate share - TRS | 1,672,808 | 2,151,558 |
| Net pension - proportionate share - ERS | (5,740,287) | (1,190,624) |
| Other postemployment benefits | 83,348 | (2,822,333) |
| Change in proportionate share of net pension and postemployment deferred inflows and outflows reported in the Statement of Net Position during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems subsequent to the measurement date do not provide for or require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Net pension - proportionate share - TRS | (5,100,239) | (1,312,664) |
| Net pension - proportionate share - ERS | 4,387,276 | 1,034,123 |
| Other postemployment benefits | (910,637) | 1,883,572 |
| Change in net position of governmental activities | $ (2,024,842) | $ 2,752,611 |

See notes to basic financial statements.

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

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

See notes to basic financial statements.

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

| | | Private Purpose Trust |
|---|---|---|
| **ADDITIONS** | | |
| Scholarship revenue | $ | 6,958 |
| Interest | | 3,543 |
| Total additions | | 10,501 |
| **DEDUCTIONS** | | |
| Scholarship expense | | 2,450 |
| Change in net position | | 8,051 |
| Net position - beginning | | 622,775 |
| Net position - ending | $ | 630,826 |

See notes to basic financial statements.

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. REPORTING ENTITY

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

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

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

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

#### 1. INCLUDED IN THE REPORTING ENTITY

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

#### 2. JOINT VENTURE

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

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

A BOCES budget is comprised of separate budgets for administrative, program and capital costs. Each component school district's share of administrative and capital costs is determined by resident public school district enrollment as defined in Education Law Section 1950 (4)(b)(7). In addition, component districts pay tuition or a service fee for programs in which its students participate. During the year ended June 30, 2020, the District was billed $8,755,579 for BOCES administrative and program costs. Financial statements for the BOCES are available from the BOCES administrative office at 355 Harlem Road, Buffalo, New York 14224.

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

B. BASIS OF PRESENTATION

1. DISTRICT-WIDE STATEMENTS:

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

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

2. FUND FINANCIAL STATEMENTS:

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

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

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

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

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

Property taxes and sales taxes associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenue in the current year. Real property taxes are levied annually by the Board of Education no later than September 1. Taxes are collected during the period of September through November. Uncollected real property taxes are subsequently enforced by the County of Erie, in which the District is located. Uncollected real property taxes transmitted to the County for enforcement are paid by the County to the District no later than the forthcoming April 1.

Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end).

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

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

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

1. CASH AND CASH EQUIVALENTS

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

2. RESTRICTED ASSETS

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

3. CASH VALUE OF LIFE INSURANCE

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

4. RECEIVABLES

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

5. INVENTORY

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

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

6. INTERFUND TRANSACTIONS

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

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

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

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

7. CAPITAL ASSETS

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

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

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

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

8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

9. UNEARNED REVENUE

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

10. ACCRUED LIABILITIES AND LONG-TERM LIABILITIES

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in full from current financial resources.

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

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

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

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

11. VESTED EMPLOYEE BENEFITS

Compensated Absences

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

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

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

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

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

12. POSTEMPLOYMENT BENEFITS/OTHER BENEFITS

In addition to providing pension benefits, the District provides postemployment health insurance coverage and survivor benefits to retired employees and their survivors in accordance with the provision of various employment contracts in effect at the time of retirement. The obligation of the District and its retirees to contribute to the cost of providing these benefits has been established pursuant to Board resolution and various collective bargaining agreements. The District does not have assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* to pay OPEB benefits. Payments are budgeted annually without accrual and are based on the pay-as-you go method (See Note 3.F).

14. SHORT TERM DEBT

The District may issue Bond Anticipation Notes (BAN) in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the fund that will actually receive the proceeds from the issuance of the bonds. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date, if not completely repaid. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

15. NET POSITION FLOW ASSUMPTION

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

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

16. FUND BALANCE FLOW ASSUMPTIONS

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

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

17. FUND BALANCE POLICIES

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

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

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

E. PROGRAM REVENUES

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

F. USE OF ESTIMATES IN PREPARATION OF FINANCIAL STATMENTS

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

G. ACCOUNTING PRONOUNCEMENTS

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

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

- Statement No. 84*, Fiduciary Activities,* which will be effective for the year ending June 30, 2021.
- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2022.
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending June 30, 2022.
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2023.
- Statement No. 92, *Omnibus 2020,* which will be effective for the year ending June 30, 2022.
- Statement No. 93, *Replacement of Interbank Offered Rates,* which will be effective for the year ending June 30, 2022
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the year ending June 30, 2023.
- Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32,* which will be effective for the year ending June 30, 2022.

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

## NOTE 2 - STEWARDSHIP COMPLIANCE AND ACCOUNTABILITY

A. LEGAL COMPLIANCE BUDGETS

BUDGET POLICIES

The District's administration prepares a proposed budget for approval by the Board of Education for the general fund. The proposed appropriation budget is then approved by the voters within the District. Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances) which may be incurred. Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments).

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Appropriations authorized for the current year are increased by the planned use of specific reserves, and budget amendments approved the Board of Education as a result of selected new revenue sources not included in the original budget (when permitted by law). These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. No supplemental appropriations occurred during the year.

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

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

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

B. DEFICIT FUND BALANCE

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

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

A. DEPOSITS AND INVESTMENTS

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

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

The District's aggregate bank balances were fully collateralized at June 30, 2020.

Restricted cash represents cash and cash equivalents where use is limited by legal requirements. These assets represent amounts required by statute or contract to be reserved for various purposes. Restricted cash as of year-end includes $13,370,025 in the General Fund restricted for certain reserve funds, $184,987 within the Agency Fund restricted for extraclassroom activities, $630,826 in the Private Purpose Trust Fund restricted for scholarships and $3,910,131 in the Capital Projects Fund for unexpended debt proceeds.

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

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

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

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

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

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

B. RECEIVABLES

Significant revenues accrued by the District at June 30, 2020, include the following:

State and federal aid receivable:

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

Due from other governments:

| | | |
|---|---|---|
| General Fund: | | |
| BOCES aid | $ | 1,002,211 |
| Sales Tax | | 1,909,962 |
| Total due from other governments | $ | 2,912,173 |

C. CAPITAL ASSETS

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

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

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

D. ACCRUED LIABILITIES

Accrued liabilities reported by the District at June 30, 2020, were as follows:

| | General Fund |
|---|---|
| Salary and employee benefits | $ 46,301 |
| Self funded health insurance | 490,537 |
| Unemployment insurance | 92,787 |
| Total accrued liabilities | $ 629,625 |

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. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. TRS issues a publicly available financial report that contains financial statements and required supplementary information. Additional information regarding the System, may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

The ERS System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. The System's financial statements are prepared using the accrual basis of accounting. Contributions are recognized when due. Benefit payments are recognized when due and payable, and investments are recognized at fair value. ERS issues a publicly available financial report that contains financial statements and required supplementary information. That report, including information with regard to benefits provided, may be found at *www.osc.state.ny.us/retire/publications/index.php* 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, 2020, the District reported the following amount for its proportionate share of the net pension (asset)/liability for each of the Systems. The net pension (asset)/liability was measured as of June 30, 2019, for TRS and March 31, 2020, for ERS. The total pension amount used to calculate the net pension (asset)/liability was determined by an actuarial valuation as of June 30, 2018 for TRS and April 1, 2019 for ERS. The District's proportion of the net pension (asset)/liability was based on a projection of the District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the TRS and ERS Systems in reports provided to the District.

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

At June 30, 2020, the District’s reported deferred outflows of resources and deferred inflows of resources related to pensions arose from the following sources:

| | Deferred Ouflows of Resources | | Deferred Inflows of Resources | |
|---|---|---|---|---|
| | TRS | ERS | TRS | ERS |
| Differences between expected and actual experience | $ 3,635,760 | $ 462,759 | $ 398,956 | $ - |
| Change of assumptions | 10,135,305 | 158,320 | 2,471,274 | 136,707 |
| Net difference between projected and actual earnings on pension plan investments | - | 4,030,865 | 4,302,496 | - |
| Changes in proportion and differences between the District's contributions and proportionate share of contributions | 11,514 | 648,376 | 330,203 | 63,196 |
| District's contributions subsequent to the measurement date | 3,135,594 | 542,219 | - | - |
| Total | $ 16,918,173 | $ 5,842,539 | $ 7,502,929 | $ 199,903 |

District contributions subsequent to the measurement date will be recognized as a reduction of the net pension (asset)/liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | TRS | ERS |
|---|---|---|
| Year ended: | | |
| 2021 | $ 2,359,915 | $ 973,923 |
| 2022 | 86,703 | 1,305,235 |
| 2023 | 2,351,118 | 1,589,201 |
| 2024 | 1,538,897 | 1,232,058 |
| 2025 | 146,891 | - |
| Thereafter | (203,874) | - |

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

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

For TRS, the actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014. For ERS, the actuarial assumptions used in the April 1, 2019 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

For TRS, annuitant mortality rates are based on July 1, 2009 – June 30, 2014 System's experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018. For ERS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018.

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

Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

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

Discount Rate

The discount rate used to calculate the total pension liability was 7.10% for TRS and 6.80% for ERS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based upon the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following tables present the District's proportionate share of the net pension amount calculated using the discount rate of 7.10% for TRS and 6.80% for ERS, as well as what the District's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower (6.10% for TRS and 5.80% for ERS) and or 1-percentage point higher (8.10% for TRS and 7.80% for ERS) than the current rate:

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

| | 1% Decrease (5.80%) | Current Assumption (6.80%) | 1% Increase (7.80%) |
|---|---|---|---|
| ERS | | | |
| Employer's proportionate share of the net pension (asset)/liability | $ 14,430,498 | $ 7,862,822 | $ 1,813,964 |

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

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

Payables to the Pension Plan
For TRS, employer and employee contributions for the fiscal year ended June 30, 2020, are paid to the System in September, October and November 2020 through a state aid intercept. Accrued retirement contributions as of June 30, 2020, represent employee and employer contributions for the fiscal year ended June 30, 2020, based on paid TRS wages multiplied by the employer's contribution rate, and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2020, amounted to $3,227,229.

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2020, represent the projected employer contribution for the period of April 1, 2020, through June 30, 2020, based on a percentage of the 2020 annual invoice representing the liability for the period of April 1, 2020 – June 30, 2020. Accrued retirement contributions as of June 30, 2020, amounted to $542,219.

F. OTHER POSTEMPLOYMENT BENEFITS OBLIGATIONS (OPEB)

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

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

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

Employees Covered by Benefit Terms

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

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

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

Actuarial Assumptions and Other Inputs

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

| | |
|---|---|
| Inflation | 2.20% |
| Salary Increases | 3.22%, average, including inflation |
| Discount Rate | 2.48% |
| Healthcare Cost Trend Rates | 5.2% as of 2020, with an ultimate rate of 4.18% for 2072 and later years |
| Retirees' Share of Benefit-Related Costs | Currently only administrators are eligible for an employer subsidy at retirement. |

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

Mortality rates were based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, distinct for Teachers, General and Safety, without separate Contingent Survivor mortality, fully generational using Scale MP-2019.

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

Changes in the Total OPEB Liability

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

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate
The following present the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.48 percent) or 1 percentage point higher (3.48 percent) than the current discount rate.

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

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates
The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.20 percent) or 1 percentage point higher (6.20 percent) than the current healthcare cost trend rate:

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

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

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

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

| Fiscal Year Ended June 30, | Amount |
|---|---|
| 2021 | $ 640,728 |
| 2022 | 509,200 |
| 2023 | (18,788) |
| 2024 | - |
| 2025 | - |
| Thereafter | - |

G. SHORT-TERM LIABILITIES

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

The schedule below details the changes in short-term capital borrowings during the year ended June 30, 2020:

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

H. CAPITAL LEASES

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

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

| Year ending June 30, | |
|---|---|
| 2021 | $ 203,338 |
| Total minimum lease payments | 203,338 |
| Less: amount representing interest | 3,199 |
| Present value of minimum lease payments | $ 200,139 |

I. LONG-TERM LIABILITIES

1. GENERAL OBLIGATION BONDS

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

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

2. SERIAL BONDS

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

The following is a summary of maturities of indebtedness:

| Description | Original Issue Date | Original Borrowing | Final Maturity | Interest Rates to Maturity | Outstanding Balance 6/30/2020 |
|---|---|---|---|---|---|
| Governmental activities: | | | | | |
| Refunding Serial Bond | 6/15/2015 | $ 4,580,000 | 6/15/2032 | $ 2.00-3.00% | $ 3,440,000 |
| Refunding Serial Bond | 12/20/2016 | 5,715,000 | 6/15/2025 | 1.00-4.00% | 3,710,000 |
| Serial Bond | 5/23/2017 | 23,935,000 | 6/1/2031 | 2.00-3.00% | 18,610,000 |
| | | | | | $ 25,760,000 |

3. OTHER LONG-TERM LIABILITIES

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

4. CHANGES IN LONG-TERM LIABILITIES

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

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

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

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

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

| Fiscal Year | Principal | Interest | Premium |
|---|---|---|---|
| 2021 | $ 2,555,000 | $ 652,724 | $ 50,958 |
| 2022 | 2,605,000 | 599,562 | 50,958 |
| 2023 | 2,665,000 | 543,250 | 50,958 |
| 2024 | 2,740,000 | 483,462 | 50,958 |
| 2025 | 2,790,000 | 419,687 | 37,885 |
| 2026-2030 | 11,010,000 | 1,200,624 | 124,063 |
| 2031-2032 | 1,395,000 | 52,200 | 31,191 |
| Total | $ 25,760,000 | $ 3,951,509 | $ 396,971 |

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

In the prior years, the District defeased certain general obligations and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. $3,770,000 of bonds outstanding are considered defeased.

J. INTERFUND ACTIVITY

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

| | Interfund Receivables | Interfund Payables | Interfund Revenues | Interfund Expenditures |
|---|---|---|---|---|
| General Fund | $ 2,030,874 | $ - | $ - | $ 376,191 |
| Capital Projects Fund | - | - | 165,000 | - |
| Special Aid Fund | - | 1,070,868 | 161,191 | - |
| School Lunch Fund | - | 298,598 | 50,000 | - |
| Agency Fund | - | 661,408 | - | - |
| Total | $ 2,030,874 | $ 2,030,874 | $ 376,191 | $ 376,191 |

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

Interfund receivables and payables were incurred primarily due to salaries and other expenditures paid by General Fund on behalf of the special aid fund and school lunch fund and funds due to the Agency Fund for retirement benefits.

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

K. NET POSITION AND FUND BALANCE

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

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

*Restricted net position* – This category presents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Restricted net position is consistent with restricted fund balance at June 30, 2020.

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

2. FUND BALANCE
In the governmental fund financial statements there are five classifications of fund balance:

*Nonspendable* – represents amounts that cannot be spent they are either not in spendable form/or legally or contractually required to be maintained intact. Nonspendable fund balances maintained by the District at June 30, 2020, include:

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

Restricted – represents amounts with constraints placed on the use of resources and are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This includes workers' compensation, retirement, capital, employment benefit accrued liability, and tax certiorari.

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

Committed – represents amounts that are subject to a purpose constraint imposed by a formal action of the District's highest level of decision-making authority, the Board of Education. As of June 30, 2020, the Board had no committed fund balances.

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

- *Assigned for specific use* – represents fund balance within the special revenue funds that is assigned for a specific purpose. The assignment's purpose related to each fund's operations and represents amounts within funds that are not restricted or committed.
- *Assigned for subsequent years' expenditure* – represents available fund balance being appropriated to meet expenditure requirements in the 2021 fiscal year.

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

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

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

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

## NOTE 4 - RISK MANAGEMENT

### A. GENERAL

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, personal injury liability, and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Settled claims from these risks has not yet exceeded commercial insurance coverage for the past three fiscal years.

### B. WORKERS' COMPENSATION PLAN

The District is exposed to various risks of loss related to workers' compensation. The District is self-insured pursuant to Article 5 of the Workers' Compensation law to finance the liability and risks related to workers' compensation claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The District maintains excess insurance that limits self-insured claims to $550,000 per incident and $1,000,000 in the aggregate.

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

The schedule below presents the changes in the District's estimated claims since June 30, 2018. The estimated claims represent claims that have occurred and are open due to an actual or future final determination of benefit payout as prescribed by the New York State Workers' Compensation Board. Estimated claims represents anticipated future payouts based on prior experience with actual payments of claims.

| | | |
|---|---|---|
| Estimated claims as of June 30, 2018 | $ | 3,218,757 |
| Current claims and changes in estimates | | 860,530 |
| Payments made during the year, net | | 860,530 |
| Estimated claims as of June 30, 2019 | | 3,218,757 |
| Current claims and changes in estimates | | 251,804 |
| Payments made during the year, net | | 750,561 |
| Estimated claims as of June 30, 2020 | $ | 2,720,000 |

### C. SELF-FUNDED HEALTH INSURANCE PLAN

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

This does not include an estimate of the claims incurred but not reported since management believes that any such estimated would not be material. The District purchases excess insurance limiting its self-funded risk to $150,000 per employee with $1,000,000 in the aggregate.

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

## NOTE 5 - COMMITMENTS AND CONTINGENCIES

### A. CONTINGENCIES

#### 1. GRANT AWARDS

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

#### 2. OTHER

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

### B. ENCUMBRANCES

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end the amount of encumbrances expected to be honored upon performance by the vendor in the next year were $97,127 recorded in the General Fund.

### C. CONSTRUCTION COMMITMENTS

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

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

## NOTE 6 - TAX ABATEMENTS

The Hamburg Industrial Development Agency, a public benefit corporation, created by Chapter 565 of the Laws of 1970 of the State of New York pursuant to Title I of Article 18-A of General Municipal Law of the State of New York (collectively “the Act”), has 30 real property tax abatement agreements with various businesses in the District under Section 412-a of the New York State Real Property Tax Law and Section 874 of the Act for the purpose of economic development in the District.

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

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

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

## NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 1, 2020, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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# REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

| | Year Ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** |
| **Teachers' Retirement System (TRS)** | | | | | | |
| Measurement date | June 30, 2014 | June 30, 2015 | June 30, 2016 | June 30, 2017 | June 30, 2018 | June 30, 2019 |
| District's proportion of the net pension (asset)/liability | 0.199165% | 0.201219% | 0.200839% | 0.202696% | 0.204187% | 0.206507% |
| District's proportionate share of the net pension (asset)/liability | $ (22,185,698) | $ (20,900,283) | $ 2,151,073 | $ (1,540,688) | $ (3,692,246) | $ (5,365,054) |
| District's covered payroll | $ 29,419,717 | $ 30,225,884 | $ 30,991,259 | $ 32,120,579 | $ 33,606,676 | $ 34,720,230 |
| District's proportionate share of the net pension (asset)/liability as a percentage of its covered payroll | -75.4% | -69.1% | 6.9% | -4.8% | -11.0% | -15.5% |
| Plan fiduciary net position as a percentage of the total pension (asset) liability | -111.5% | -110.5% | 99.0% | -100.7% | -101.5% | -102.2% |
| **Employees' Retirement System (ERS)** | | | | | | |
| Measurement date | March 31, 2015 | March 31, 2016 | March 31, 2017 | March 31, 2018 | March 31, 2019 | March 31, 2020 |
| District's proportion of the net pension liability | 0.033097% | 0.031920% | 0.030700% | 0.028875% | 0.029957% | 0.029693% |
| District's proportionate share of the net pension liability | $ 1,118,096 | $ 5,123,257 | $ 2,884,615 | $ 931,911 | $ 2,122,535 | $ 7,862,822 |
| District's covered payroll | $ 9,249,399 | $ 9,447,556 | $ 9,320,776 | $ 9,945,946 | $ 10,151,868 | $ 10,427,688 |
| District's proportionate share of the net pension liability as a percentage of its covered payroll | 12.1% | 54.2% | 30.9% | 9.4% | 20.9% | 75.4% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.9% | 90.7% | 97.9% | 98.2% | 96.3% | 86.4% |

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

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

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

| | TEACHERS' RETIREMENT SYSTEM | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Contractually required contribution | $ 2,884,436 | $ 3,622,913 | $ 3,573,130 | $ 4,868,910 | $ 5,371,978 | $ 4,186,421 | $ 3,758,675 | $ 3,258,316 | $ 3,660,284 | $ 3,097,753 |
| Contributions in relation to the contractually required contribution | 2,884,436 | 3,622,913 | 3,573,130 | 4,868,910 | 5,371,978 | 4,186,421 | 3,758,675 | 3,258,316 | 3,660,284 | 3,097,753 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | 30,532,802 | 30,779,149 | 29,103,062 | 29,419,717 | 30,225,884 | 30,991,259 | 32,120,579 | 33,606,676 | 34,720,230 | 35,390,446 |
| Contributions as a percentage of covered payroll | 9.4% | 11.8% | 12.3% | 16.5% | 17.8% | 13.5% | 11.7% | 9.7% | 10.5% | 8.8% |

| | EMPLOYEES' RETIREMENT SYSTEM | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| Contractually required contribution | $ 1,176,696 | $ 1,529,164 | $ 1,929,451 | $ 2,055,555 | $ 1,848,331 | $ 1,642,155 | $ 1,548,078 | $ 1,433,342 | $ 1,482,268 | $ 1,546,502 |
| Contributions in relation to the contractually required contribution | 1,176,696 | 1,529,164 | 1,929,451 | 2,055,555 | 1,848,331 | 1,642,155 | 1,548,078 | 1,433,342 | 1,482,268 | 1,546,502 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| District's covered payroll | 9,851,204 | 10,176,896 | 9,809,100 | 10,056,949 | 9,511,756 | 9,397,076 | 9,513,256 | 10,080,677 | 10,225,157 | 10,623,960 |
| Contributions as a percentage of covered payroll | 11.9% | 15.0% | 19.7% | 20.4% | 19.4% | 17.5% | 16.3% | 14.2% | 14.5% | 14.6% |

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

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

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

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

## NOTE 1 - BUDGETARY INFORMATION

BUDGETARY BASIS OF ACCOUNTING

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

The General Fund is the only fund with a legally approved budget for the fiscal year ended June 30, 2020, and, therefore, is the only fund presented in the Budgetary Comparison Schedule.

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

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

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

## NOTE 2 - FACTORS AFFECTING TRENDS IN OTHER POSTEMPLOYMENT BENEFITS AND PENSIONS

A. RETIREMENT SYSTEMS

The District's proportionate share of the net pension (asset)/liability of the pension systems is significantly dependent on the performance of the stock market and the funds that the retirement system invests in. The discount rate in effect at each measurement date is as follows:

| | | |
|---|---|---|
| Year ended June 30: | | |
| 2020 | 7.10% | 6.80% |
| 2019 | 7.25% | 7.00% |
| 2018 | 7.25% | 7.00% |
| 2017 | 7.50% | 7.00% |
| 2016 | 8.00% | 7.50% |
| 2015 | 8.00% | 7.50% |

B. POSTEMPLOYMENT BENEFIT PLAN

The District has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, to pay OPEB benefits. The District currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go-basis. Changes of assumptions and other inputs reflect a discount rate each period which is used in the calculation of the postemployment liability. Factors in effect at each measurement date is as follows:

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

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# SUPPLEMENTARY INFORMATION

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

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

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

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

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

| | | | |
|---|---|---|---|
| Adopted Budget | | $ | 86,293,994 |
| Additions: | | | |
| Encumbrances from prior year | | | 184,030 |
| Final Budget | | $ | 86,478,024 |

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | | | |
|---|---|---|---|
| 2020-21 voter approved expenditure budget | | $ | 89,486,591 |
| Maximum allowed | | | 3,579,464 |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law: | | | |
| Unrestricted fund balance: | | | |
| Assigned fund balance | 2,545,615 | | |
| Unassigned fund balance | 3,581,857 | | |
| Total unrestricted fund balance | 6,127,472 | | |
| Less: | | | |
| Appropriated fund balance | 2,448,488 | | |
| Encumbrances included in assigned fund balance | 97,127 | | |
| Total adjustments | 2,545,615 | | |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | | $ | 3,581,857 |
| Actual percentage | | | 4.00% |

**FRONTIER CENTRAL SCHOOL DISTRICT**
**SCHEDULE OF PROJECT EXPENDITURES – CAPITAL PROJECTS FUND**
**FOR THE YEAR ENDED JUNE 30, 2020**

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

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

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

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# INTERNAL CONTROL AND COMPLIANCE

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FreedMaxick CPAs, P.C.

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frontier Central School District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 1, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

Freed Maxick CPAs, P.C.

Batavia, New York
October 1, 2020

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# APPENDIX C

## FORM OF DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS

**FORM OF DISCLOSURE UNDERTAKING WITH RESPECT TO THE BONDS**

This continuing disclosure undertaking (the "Disclosure Undertaking") is executed and delivered by the Frontier Central School District, Erie County, New York (the "Issuer") in connection with the issuance of its [$16,570,000] School District Serial Bonds, 2021 (such Bonds, including any interests therein, being collectively referred to herein as the "Security"). The Issuer hereby covenants and agrees as follows:

Section 1. <u>Obligation to Provide Continuing Disclosure</u>. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB):

(i) no later than the following March 31 after the end of each fiscal year, commencing with the fiscal year ending June 30, 2021, the Annual Financial Information relating to such fiscal year, unless Audited Financial Statements are prepared, in which case the Annual Financial Information will be provided on or prior to the following March 31 after the end of each fiscal year or within 60 days following receipt by the Issuer of Audited Financial Statements (whichever is later) (the "Report Date"), but in no event later than one year after the end of each fiscal year;

(ii) if not provided as part of the Annual Financial Information, Audited Financial Statements within 60 days of their receipt, but in no event later than one year after the end of each fiscal year;

(iii) in a timely manner (not in excess of ten business days after the occurrence of any such event), notice of any of the following events with respect to the Security:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) 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 Security, or other material events affecting the tax status of the Security;

(7) Modifications to rights of Security Holders, if material;

(8) Bond calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Security, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) of this Section 1, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person 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 obligated person, 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 obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(iv) in a timely manner (not in excess of ten business days after the occurrence of such event), notice of a failure to provide by the date set forth in Section 1(a)(i) hereof any Annual Financial Information required by Section 3 hereof.

(b) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a)(ii) above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 2. Definitions

"Annual Financial Information" means the information specified in Section 3 hereof.

"Audited Financial Statements" means the Issuer's annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State of New York.

"EMMA" means the Electronic Municipal Market Access System implemented by the MSRB.

"Financial Obligation" means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States.

"GASB" means the Governmental Accounting Standards Board, or any successor thereto.

"MSRB" means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Undertaking.

"Purchaser" means the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

"Rule 15c2-12" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof issued either before or after the effective date of this Disclosure Undertaking which are applicable to this Disclosure Undertaking.

"Security Holder" means any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Section 3. Annual Financial Information. (a) The required Annual Financial Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Security under the headings "THE SCHOOL DISTRICT", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", and "LITIGATION" and all Appendices (other than "APPENDIX C" and "APPENDIX D"); which Annual Financial Information may, but it is not required to, include audited financial statements.

(b) All or any portion of the Annual Financial Information may be incorporated in the Annual Financial Information by cross reference to any other documents which are (i) available to the public on EMMA or (ii) filed with the Securities and Exchange Commission. If such a document is a final official statement, it must be available on EMMA.

(c) Annual Financial Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 6(f) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Financial Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Disclosure Undertaking shall not constitute an event of default on the Security.

Section 5. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 6. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

(a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Security Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to adjust the Report Date if the Issuer changes its fiscal year; provided that such new date shall be within nine months after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration;

(f) to modify the contents, presentation and format of the Annual Financial Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

(g) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Disclosure Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 6 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 7. Termination. (a) This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

(b) In addition, this Disclosure Undertaking, or any provision hereof, shall be null and void in the event that those portions of Rule 15c2-12 which require this Disclosure Undertaking, or such provision, as the case may be, do not or no longer apply to the Security, whether because such portions of Rule 15c2-12 are invalid, have been repealed, or otherwise.

Section 8. Undertaking to Constitute Written Agreement or Contract. This Disclosure Undertaking shall constitute the written agreement or contract for the benefit of Security Holders, as contemplated under Rule 15c2-12.

Section 9. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, I have hereunto set my signature and affixed the seal of the Issuer to this Disclosure Undertaking as of [July 20, 2021].

FRONTIER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK

By: SPECIMEN
President of the Board of Education

(SEAL)

ATTEST:

SPECIMEN
District Clerk

## APPENDIX D

## FORM OF DISCLOSURE UNDERTAKING
## WITH REGARD TO THE NOTES

**DISCLOSURE UNDERTAKING**

This undertaking to provide notice of certain designated events (the "Disclosure Undertaking") is executed and delivered by the Frontier Central School District, Erie County, New York (the "Issuer") in connection with the issuance of its [$4,022,107] Bond Anticipation Note(s), 2021 or interests therein (such Note(s), including any interests therein, being collectively referred to herein as the "Security"). The Security has a stated maturity of 18 months or less. The Issuer hereby covenants and agrees as follows:

Section 1. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes (for the benefit of Security Holders) to provide (or cause to be provided either directly or through a dissemination agent) to EMMA (or any successor thereto) in an electronic format (as prescribed by the MSRB) in a timely manner (not in excess of ten business days after the occurrence of any such event) notice of any of the following events with respect to the Security:

(1) Principal and interest payment delinquencies;

(2) Non-payment related defaults, if material;

(3) Unscheduled draws on debt service reserves reflecting financial difficulties;

(4) Unscheduled draws on credit enhancements reflecting financial difficulties;

(5) Substitution of credit or liquidity providers, or their failure to perform;

(6) 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 Security, or other material events affecting the tax status of the Security;

(7) Modifications to rights of Security Holders, if material;

(8) Note calls, if material, and tender offers;

(9) Defeasances;

(10) Release, substitution, or sale of property securing repayment of the Security, if material;

(11) Rating changes;

(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) 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 an obligated person 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 obligated person, 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 obligated person.

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(b) The Issuer may choose to disseminate other information in addition to the information required as part of this Disclosure Undertaking. Such other information may be disseminated in any manner chosen by the Issuer. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated pursuant to this Disclosure Undertaking.

(c) The Issuer may choose to provide notice of the occurrence of certain other events, in addition to those listed in Section 1(a) above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 2. Definitions.

"EMMA" means Electronic Municipal Market Access System implemented by the MSRB.

"Financial Obligation" means a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

"MSRB" means the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Undertaking.

"Purchaser" means the financial institution referred to in a certain Certificate of Determination that is being delivered by the Issuer in connection with the issuance of the Security.

"Rule 15c2-12" means Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended through the date of this Disclosure Undertaking, including any official interpretations thereof.

"Security Holder" means any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

Section 3. Remedies. If the Issuer fails to comply with any provision of this Disclosure Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Security Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Disclosure Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Disclosure Undertaking; provided that the sole and exclusive remedy for breach of this Disclosure Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Disclosure Undertaking shall not constitute an event of default on the Security.

Section 4. Parties in Interest. This Disclosure Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Security Holders. No other person has any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any Security Holders, at any time while this Disclosure Undertaking is outstanding, the Issuer may enter into any amendments or changes to this Disclosure Undertaking for any of the following purposes:

(a) to comply with or conform to any changes to Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided as part of this Disclosure Undertaking and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Security Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Disclosure Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Security Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. (a) This Disclosure Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

(b) In addition, this Disclosure Undertaking, or any provision hereof, shall be null and void in the event that those portions of Rule 15c2-12 which require this Disclosure Undertaking, or such provision, as the case may be, do not or no longer apply to the Security, whether because such portions of Rule 15c2-12 are invalid, have been repealed, or otherwise.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Disclosure Undertaking shall constitute the written agreement or contract for the benefit of Security Holders, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Disclosure Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, I have hereunto set my signature and affixed the seal of the Issuer to this Disclosure Undertaking as of [July 20, 2021].

FRONTIER CENTRAL SCHOOL DISTRICT
ERIE COUNTY, NEW YORK

By:____________SPECIMEN________________
President of the Board of Education

(SEAL)

ATTEST:

_________SPECIMEN__________
District Clerk