

GATES CHILI CENTRAL SCHOOL DISTRICT

Rochester, New York

FINANCIAL REPORT

For the Year Ended
June 30, 2019



GATES CHILI CENTRAL SCHOOL DISTRICT

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INDEPENDENT AUDITORS' REPORT

Board of Education
Gates Chili Central School District
Rochester, 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 Gates Chili Central School District (the School District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School 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.

Auditors' 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 of 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 auditors' 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 entity'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 entity'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 School District, as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the School District's Governmental Funds fund balance and District-wide net position at July 1, 2018 have been restated for correction of an error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, and related notes on pages 4-4j and 49-58 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 School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Schedule of Net Investment in Capital Assets (supplementary information) on pages 59-61 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the 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 September 30, 2019 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 30, 2019

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The following is a discussion and analysis of Gates Chili Central School District's (the School District) financial performance for the fiscal year ended June 30, 2019. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The School District recognizes its total other postemployment benefits (OPEB) liability, as well as deferred outflows and deferred inflows of resources related to the OPEB plan in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." Current year recognition resulted in an increase in expenses of \$1,281,359, compared to an increase of \$6,718,931 in 2018.
- The School District ended the year with a total net deficit of \$82,572,474 compared to a net deficit of \$89,326,025 in the prior year. Yearend net position was composed of \$23,699,122 in restricted, \$33,526,787 in net investment in capital assets, and \$139,798,383 in unrestricted deficit. Unrestricted deficit increased \$293,992 compared to the prior year. Unrestricted net deficit at June 30, 2019 is primarily attributable to recognition of accumulated OPEB obligations of \$162,758,725.
- Revenues exceeded expenses by \$6,753,551 in 2019 compared to expenses exceeding revenues by \$5,595,970 in 2018.
- The School District records its proportionate share of the net pension asset/liability along with deferred inflows and deferred outflows of resources related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in a decrease of expenses of \$394,552, compared to an increase of \$547,804 in 2018.
- The School District had \$55,878,461 in outstanding debt at year end, an increase of \$7,578,592 from the prior year. This was primarily the result of the issuance of \$14,020,000 of serial bond debt offset by significant principal payments on outstanding long-term and short-term debt.
- Capital asset additions during 2019 amounted to \$14,058,761 for the purchase of buses, vehicles, equipment, and construction expenditures. Depreciation expense was \$5,442,367 for the current year, and net book value of disposed assets amounted to \$741,790.

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

- Total fund balance of the General Fund, including reserves, was \$27,206,486 at June 30, 2019. Unassigned fund balance amounted to \$4,342,382 which was subject to and below the maximum limit (4% of 2019-2020 appropriations) permitted under New York State Real Property Tax Law. General Fund had an excess of revenues and other financing sources over expenditures and other financing uses of \$5,812,293.
- General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$7,486,356. General Fund revenues and other financing sources exceeded the budgeted amounts by \$2,309,595.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

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 School District's budget for the year, a Schedule of Changes in the School District's total OPEB Liability and Related Ratios related to the School District's postemployment benefits, and information related to the School District's pension obligations.

District-wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

The two District-wide financial statements report the School District's net position and how they have changed. Net position - the difference between the School District's assets, deferred outflows and inflows of resources and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

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

Governmental Fund Financial Statements

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

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that 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 one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School 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 School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for the fiscal year ended June 30, 2019 increased by \$6,753,551. Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

Condensed Statement of Net Position	Governmental Activities and Total School District		Total Dollar Change
	2018	2019	2018 - 2019
<i>Current Assets</i>	\$ 19,637,565	\$ 20,815,759	\$ 1,178,194
<i>Noncurrent Assets</i>	15,932,123	24,433,263	8,501,140
<i>Capital Assets, Net</i>	79,236,256	87,110,860	7,874,604
Total Assets	114,805,944	132,359,882	17,553,938
<i>Deferred Charges on Defeased Debt</i>	1,140,249	954,542	(185,707)
<i>Other Postemployment Benefits</i>	18,277,992	16,098,620	(2,179,372)
<i>Pensions</i>	23,305,699	20,512,025	(2,793,674)
Total Deferred Outflows of Resources	42,723,940	37,565,187	(5,158,753)
<i>Current Liabilities</i>	14,689,841	15,706,410	1,016,569
<i>Noncurrent Liabilities</i>	215,771,907	212,672,802	(3,099,105)
Total Liabilities	230,461,748	228,379,212	(2,082,536)
<i>Other Postemployment Benefits</i>	8,554,406	18,726,810	10,172,404
<i>Pensions</i>	7,839,755	5,391,521	(2,448,234)
Total Deferred Inflows of Resources	16,394,161	24,118,331	7,724,170
<i>Net Investment in Capital Assets</i>	32,076,636	33,526,787	1,450,151
<i>Restricted</i>	18,101,730	23,699,122	5,597,392
<i>Unrestricted (Deficit)</i>	(139,504,391)	(139,798,383)	(293,992)
Total Net Position (Deficit)	\$ (89,326,025)	\$ (82,572,474)	\$ 6,753,551

The increase in current assets is primarily due to an increase in the amount of cash. The increase in capital assets is a result of current year capital outlay exceeding depreciation expense and net book value of disposed assets.

The changes in noncurrent assets, deferred outflows and deferred inflows of resources - pensions, are related to changes in the actuarially determined proportionate share of the pension systems plans net pension asset/liability and related deferred outflows and deferred inflows of resources, along with increases in cash restricted for General Fund reserves.

The decrease in deferred charges on defeased debt is related to amortization of deferred amounts on refunding bonds.

The increase in current liabilities is primarily due to an increase in the current portion of long-term debt.

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Changes in noncurrent liabilities, deferred outflows of resources - OPEB, and deferred inflows of resources - OPEB are primarily due to current year recognition of changes from the prior year, based on an actuarial valuation of the School District's OPEB plan. Regular principal payments on long-term debt and changes in the School District's proportionate share of NYS pension plan assets/liabilities also contributed to the change.

Net investment in capital assets increased because capital outlay and debt principal payments exceeded debt proceeds and depreciation expense for the current year. The increase in restricted net position is primarily based on increases in board approved reserves in the General Fund and amounts restricted for capital projects. The School District's unrestricted deficit increased primarily due to changes in OPEB and pension obligations in 2019.

Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

Changes in Net Position	Governmental Activities and Total School District		Total Dollar Change
	2018	2019	2018 - 2019
REVENUES			
<i>Program Revenues:</i>			
<i>Charges for Services</i>	\$ 2,608,762	\$ 2,734,698	\$ 125,936
<i>Operating Grants</i>	6,105,874	6,807,726	701,852
<i>Capital Grants</i>	69,770	-	(69,770)
<i>General Revenues:</i>			
<i>Real Property Taxes</i>	41,882,812	43,570,315	1,687,503
<i>Other Tax Items</i>	16,497,285	16,305,186	(192,099)
<i>State Sources</i>	38,428,795	39,198,284	769,489
<i>Use of Money and Property</i>	284,434	593,873	309,439
<i>Other General Revenues</i>	1,999,179	2,189,122	189,943
Total Revenues	\$ 107,876,911	\$ 111,399,204	\$ 3,522,293
PROGRAM EXPENSES			
<i>General Support</i>	\$ 16,455,387	\$ 14,896,324	\$ (1,559,063)
<i>Instruction</i>	85,500,780	78,483,634	(7,017,146)
<i>Pupil Transportation</i>	7,730,467	7,614,066	(116,401)
<i>Community Services</i>	405,213	645,745	240,532
<i>School Lunch Program</i>	2,182,286	2,254,456	72,170
<i>Interest on Debt</i>	1,198,748	751,428	(447,320)
Total Expenses	\$ 113,472,881	\$ 104,645,653	\$ (8,827,228)
CHANGE IN NET POSITION	\$ (5,595,970)	\$ 6,753,551	\$ 12,349,521

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

Total revenues for the School District's Governmental Activities increased by \$3,522,293 or 3.3%, and total expenses decreased \$8,827,228 or 7.8%. Operating grants and contributions increased primarily due to an increase in grant activity in the Special Aid Fund. State sources increased primarily due to increases in general aid and BOCES aid. Property taxes increased based on increases in voter approved tax levy, while other tax items decreased due to STAR tax relief reimbursements. The decrease in total expenses is primarily due to changes in OPEB and pension obligations compared to the prior year.

Figures 3 and 4 show the sources of revenue for 2019 and 2018.

Figure 3
Sources of Revenue for 2019

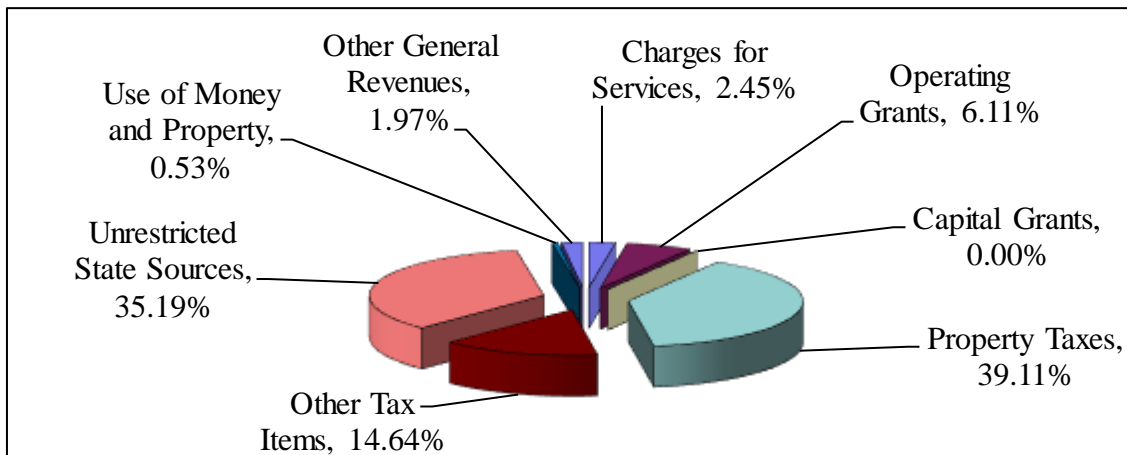
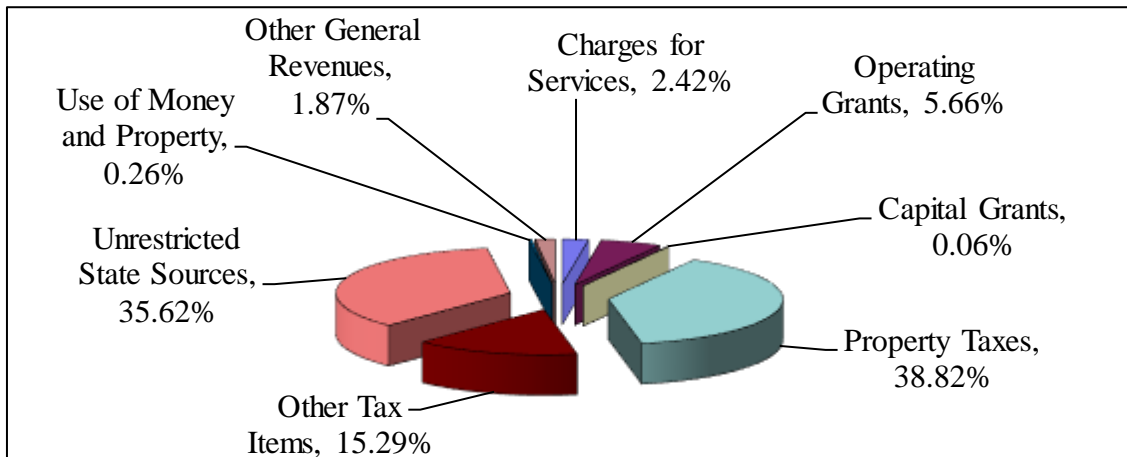


Figure 4
Sources of Revenue for 2018



GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Figures 5 and 6 present the cost of each of the School District's programs for 2019 and 2018.

Figure 5

Cost of Programs for 2019

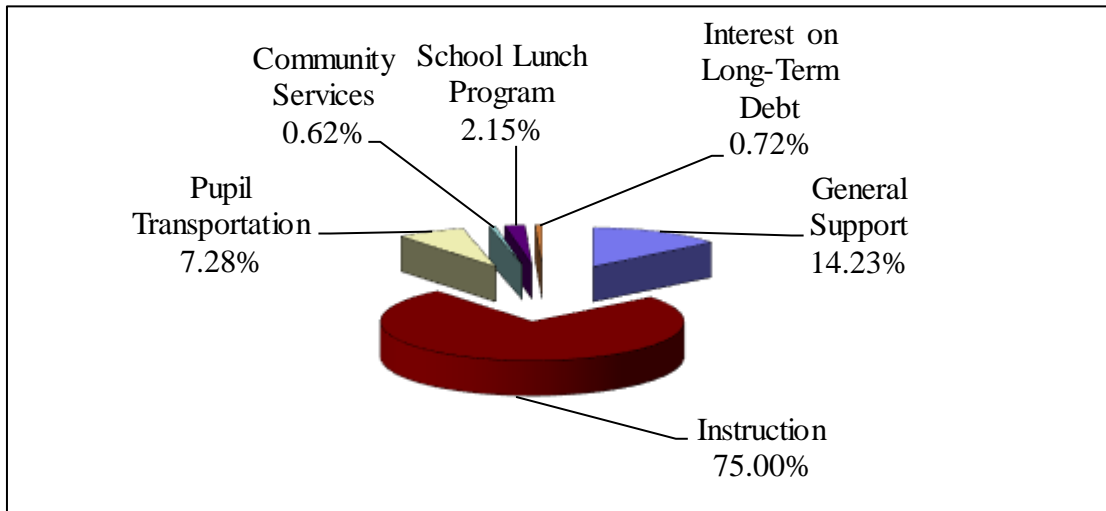
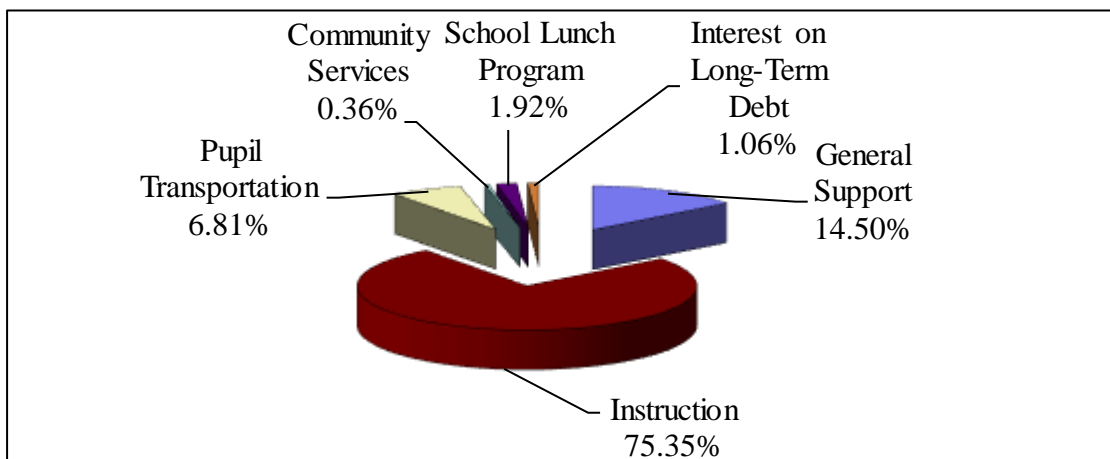


Figure 6

Cost of Programs for 2018



GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the change in the School District's fund balances for the year.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$33,733,848, 29.3% higher than the prior year.

Figure 7

<i>Governmental Fund Balances</i>	<i>2018</i>	<i>2019</i>	<i>Total Dollar Change 2018 - 2019</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 21,394,193	\$ 27,206,486	\$ 5,812,293
<i>School Lunch Fund</i>	684,869	678,989	(5,880)
<i>Debt Service Fund</i>	975,501	2,347,653	1,372,152
<i>Capital Projects Fund</i>	3,065,234	3,540,720	475,486
<i>Total Governmental Funds</i>	\$ 26,119,797	\$ 33,773,848	\$ 7,654,051

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Superintendent approves budgetary transfers that revise the School District budget line items and the board reviews the transfers. Typically, these budget amendments consist of budget transfers between functions, which do not increase the overall budget. During the current year, the voter approved budget was increased by prior year carryover encumbrances of \$806,625.

The School District received \$2,309,595 more in General Fund revenues and other financing sources than was budgeted, primarily due to higher than expected state aid and refunds of prior year's expenditures. Expenditures and other financing uses were lower than the revised budget (including current carryover encumbrances) by \$7,486,356. This is primarily due to lower than expected costs related to instructional programs, pupil transportation, and employee benefit expenditures.

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2019.

Figure 8

Condensed Budgetary Comparison General Fund - 2019	Original Budget	Revised Budget	Actual w/ Encumbrances	Favorable (Unfavorable) Variance
REVENUES				
<i>Real Property Taxes</i>	\$ 52,933,230	\$ 43,526,457	\$ 43,570,315	\$ 43,858
<i>Real Property Tax Items</i>	2,580,000	11,986,773	12,039,270	52,497
<i>Other Tax Items</i>	4,250,000	4,250,000	4,265,916	15,916
<i>State Sources</i>	39,682,000	39,682,000	40,224,166	542,166
<i>Federal Sources</i>	100,000	100,000	97,427	(2,573)
<i>Other, Including Financing Sources</i>	3,348,419	3,348,419	5,006,150	1,657,731
Total Revenues and Other Financing Sources	\$ 102,893,649	\$ 102,893,649	\$ 105,203,244	\$ 2,309,595
Appropriated Reserves	\$ 1,800,000	\$ 1,800,000		
Appropriated Fund Balance	\$ 2,000,000	\$ 2,000,000		
Encumbrances	\$ 806,625	\$ 806,625		
EXPENDITURES				
<i>General Support</i>	\$ 9,505,430	9,713,664	\$ 9,089,137	624,527
<i>Instruction</i>	58,152,817	56,515,219	53,720,314	2,794,905
<i>Pupil Transportation</i>	4,906,781	6,004,045	4,173,026	1,831,019
<i>Community Services</i>	420,957	437,957	403,214	34,743
<i>Employee Benefits</i>	25,982,000	25,986,500	23,787,297	2,199,203
<i>Other Financing Uses</i>	8,532,289	8,842,889	8,840,930	1,959
Total Expenditures and Other Financing Uses	\$ 107,500,274	\$ 107,500,274	\$ 100,013,918	\$ 7,486,356

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2019, the School District had invested in a broad range of capital assets. Capital assets, net of related depreciation, increased 9.9% during 2019.

Figure 9

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
<i>Land</i>	\$ 1,226,581	\$ 1,226,581	\$ -
<i>Construction in Progress</i>	2,668,492	14,524,325	11,855,833
<i>Buildings, Net</i>	66,461,680	62,276,482	(4,185,198)
<i>Machinery and Equipment, Net</i>	8,879,503	9,083,472	203,969
<i>Total</i>	\$ 79,236,256	\$ 87,110,860	\$ 7,874,604

Capital asset activity for the year ended June 30, 2019 included the following:

Construction in Progress	\$ 11,855,833
Machinery and Equipment	575,631
Vehicles and Buses	1,627,297
Total Additions	<u>14,058,761</u>
Less Net Book Value of Disposals and Reclassifications	(741,790)
Less Depreciation Expense	<u>(5,442,367)</u>
Net Change in Capital Assets	<u>\$ 7,874,604</u>

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, increased by \$7,578,592 in 2019, as shown in Figure 10. Total indebtedness represented 26.4% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2018</i>	<i>2019</i>	<i>2018 - 2019</i>
<i>Energy Performance Contracts</i>	\$ 2,938,659	\$ 2,449,902	\$ (488,757)
<i>Serial Bonds</i>	45,361,210	53,428,559	8,067,349
<i>Total</i>	\$ 48,299,869	\$ 55,878,461	\$ 7,578,592

GATES CHILI CENTRAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2019

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating is Aa3, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- The favorable bond rating along with other factors highlighted in this report indicate a strong financial position of the School District. The School District will continue sound financial practices in the upcoming years, despite statewide political pressures imposed on school districts. Unfunded mandates, the property tax cap, and the year to year changes in funding levels and state aid formulas complicate the planning process for schools.
- The School District, by producing fiscally responsible budgets, will continue to make every attempt to mitigate the uncertainty of state funding on the overall budget; using reserve funds as permitted by law to lessen the budgetary impact of rising costs. The issues and concerns noted above require management to plan carefully and prudently to provide the educational resources necessary to meet student needs.
- In May 2017, the voters approved a capital improvement project totaling \$68,324,000. Funding for this project includes \$5 million from a capital reserve, and the remaining \$63,324,000 from future issuance of general obligation bonds. In addition, the project will receive New York State Building Aid at the approximate rate of 79.0% of qualifying principal and interest payments over the anticipated 15-year bond terms. The first borrowing under this authorization, in the form of bond anticipation notes, was issued in October 2018, with future borrowings to coincide with cash flow requirements associated with the expected construction duration.
- The capital project was designed to establish a path to transform the Gates Chili Central School District into 21st Century Learning Schools, while meeting the facility's needs. The scope encompasses each of the 6 school buildings with a focus on critical safety and security needs, prioritized physical plant renovations based upon an independent external facilities review, a new auditorium at the High School, and an upgrade of outdoor athletic facilities to include a turf field, new track, bleachers and lighting.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Gates Chili Central School District, 3 Spartan Way, Rochester, New York 14624.

GATES CHILI CENTRAL SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2019

ASSETS

Current Assets

Cash:

Cash and Cash Equivalents - Unrestricted	\$ 6,537,912
Cash and Cash Equivalents - Restricted	4,028,039
Due From State and Federal Governments	3,280,314
Due from Other Governments	4,917,931
Due From Fiduciary Funds	366,967
Other Receivables, Net	315,065
Inventories	80,106
Prepaid Items	1,289,425
Total Current Assets	20,815,759

Noncurrent Assets

Restricted Cash	20,899,365
Net Pension Asset - Proportionate Share	3,533,898
Capital Assets:	
Nondepreciable	15,750,906
Depreciable Capital Assets, Net	71,359,954
Total Noncurrent Assets	111,544,123

Total Assets	132,359,882
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows of Resources - Pensions	20,512,025
Deferred Outflows of Resources - OPEB	16,098,620
Deferred Charges on Defeased Debt	954,542

Total Deferred Outflows of Financial Resources	37,565,187
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LIABILITIES

Current Liabilities

Accounts Payable	2,853,855
Accrued Liabilities	696,035
Due to Other Governments	3,955
Due to Fiduciary Funds	325,899
Bond Interest and Matured Bonds	60,735
Unearned Revenues - Other	157,980
Due to Teachers' Retirement System	3,510,558
Due to Employees' Retirement System	392,994

See Notes to Basic Financial Statements

STATEMENT OF NET POSITION (Continued)
JUNE 30, 2019

LIABILITIES (continued)

Current Portion of Long-Term Liabilities

Bonds Payable	\$ 6,703,820
Energy Performance Contracts	<u>504,886</u>
Compensated Absences	<u>495,693</u>
Total Current Liabilities	<u><u>15,706,410</u></u>

Noncurrent Liabilities and Obligations

Bonds Payable	46,724,739
Energy Performance Contracts	<u>1,945,016</u>
Compensated Absences	<u>1,487,080</u>
Other Postemployment Benefits Liability	<u>160,130,535</u>
Net Pension Liability - Proportionate Share	<u>2,385,432</u>
Total Noncurrent Liabilities and Obligations	<u><u>212,672,802</u></u>

Total Liabilities	<u><u>228,379,212</u></u>
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DEFERRED INFLOWS OF RESOURCES

Deferred Inflows of Resources - Pensions	5,391,521
Deferred Inflows of Resources - OPEB	<u>18,726,810</u>

Total Deferred Inflows of Resources	<u><u>24,118,331</u></u>
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NET POSITION

Net Investment in Capital Assets	33,526,787
Restricted	<u>23,699,122</u>
Unrestricted (Deficit)	<u><u>(139,798,383)</u></u>

Total Net (Deficit)	<u><u>\$ (82,572,474)</u></u>
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GATES CHILI CENTRAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General Support	\$ 14,896,324	\$ 108,627	\$	\$	\$ (14,787,697)
Instruction	78,483,634	1,928,380	5,257,453		(71,297,801)
Pupil Transportation	7,614,066	9,770			(7,604,296)
Community Services	645,745				(645,745)
School Lunch Program	2,254,456	687,921	1,550,273		(16,262)
Interest on Debt	751,428				(751,428)
Total Functions and Programs	\$ 104,645,653	\$ 2,734,698	\$ 6,807,726	\$ -	(95,103,229)

GENERAL REVENUES

Real Property Taxes	43,570,315
Real Property Tax Items	12,039,270
Nonproperty Taxes	4,265,916
Use of Money and Property	593,873
Unrestricted State Sources	39,198,284
Sale of Property	(176,021)
Miscellaneous	2,365,143

Total General Revenues	101,856,780
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Change in Net Position	6,753,551
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Total Net (Deficit) - Beginning of Year	(89,326,025)
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Total Net (Deficit) - End of Year	\$ (82,572,474)
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See Notes to Basic Financial Statements

GATES CHILI CENTRAL SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2019

	Major Funds		
		Special Revenue Funds	
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash and Cash Equivalents - Unrestricted	\$ 3,425,198	\$ 765,773	\$ 704,318
Cash and Cash Equivalents - Restricted	18,551,712		487,319
Due From Other Funds	2,335,751		
Due From State and Federal Governments	1,365,211	1,745,243	93,580
Due From Other Governments, Net	4,914,784	1,474	1,673
Due From Fiduciary Funds	366,967		
Other Receivables, Net	220,685	62,187	16,311
Inventories			80,106
Prepaid items	1,289,425		
Total Assets	\$ 32,469,733	\$ 2,574,677	\$ 1,383,307
LIABILITIES			
Payables:			
Accounts Payable	\$ 634,591	\$ 11,254	\$ 2,598
Accrued Liabilities	687,514	3,930	4,591
Due to Other Funds		2,431,845	374,533
Due to Other Governments		2,539	1,416
Due to Fiduciary Funds		36,411	289,488
Due to Teachers' Retirement System	3,510,558		
Due to Employees' Retirement System	392,994		
Unearned Revenues	37,590	88,698	31,692
Total Liabilities	5,263,247	2,574,677	704,318
FUND BALANCES			
Nonspendable	1,289,425		80,106
Restricted	18,551,712		598,883
Assigned	3,022,967		
Unassigned	4,342,382		
Total Fund Balances	27,206,486	-	678,989
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 32,469,733	\$ 2,574,677	\$ 1,383,307

See Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$ 1,642,623	\$ 6,537,912
2,338,403	3,549,970	24,927,404
9,250	461,377	2,806,378
	76,280	3,280,314
		4,917,931
		366,967
	15,882	315,065
		80,106
		1,289,425
\$ 2,347,653	\$ 5,746,132	\$ 44,521,502
\$	\$ 2,205,412	\$ 2,853,855
		696,035
		2,806,378
		3,955
		325,899
		3,510,558
		392,994
		157,980
-	2,205,412	10,747,654
		1,369,531
2,347,653	3,540,720	25,038,968
		3,022,967
		4,342,382
2,347,653	3,540,720	33,773,848
\$ 2,347,653	\$ 5,746,132	\$ 44,521,502

GATES CHILI CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Fund Balances - Total Governmental Funds **\$ 33,773,848**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total Historical Cost	\$ 170,070,311	
Less Accumulated Depreciation	<u>(82,959,451)</u>	87,110,860

The School District's proportionate share of the Employee Retirement Systems' collective net pension asset/liability is not reported in the funds.

TRS Net Pension Asset - Proportionate Share	\$ 3,533,898	
ERS Net Pension Liability - Proportionate Share	<u>(2,385,432)</u>	1,148,466

Deferred outflows of resources, including deferred charges on defeased debt, OPEB and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including OPEB and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred Charges on Defeased Debt	\$ 954,542	
ERS Deferred Outflows of Resources - Pension	2,036,135	
ERS Deferred Inflows of Resources - Pension	(824,208)	
TRS Deferred Outflows of Resources - Pension	18,475,890	
TRS Deferred Inflows of Resources - Pension	(4,567,313)	
Deferred Outflows of Resources - OPEB	16,098,620	
Deferred Inflows of Resources - OPEB	<u>(18,726,810)</u>	13,446,856

Long-term liabilities, including bonds payable, compensated absences, and amounts due for other postemployment employee benefits, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	\$ (50,665,000)	
Unamortized Bond Premium	(2,763,559)	
Energy Performance Contracts	(2,449,902)	
Compensated Absences	(1,982,773)	
Other Postemployment Benefits Liability	<u>(160,130,535)</u>	(217,991,769)

Interest is accrued on outstanding balances of debt obligations in the District-wide financial statements.

Accrued Interest on Long-Term Debt		<u>(60,735)</u>
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Net (Deficit) of Governmental Activities **\$ (82,572,474)**

See Notes to Basic Financial Statements

GATES CHILI CENTRAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Major Funds		
	Special Revenue Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real Property Taxes	\$ 43,570,315	\$	\$
Real Property Tax Items	12,039,270		
Other Tax Items	4,265,916		
Charges for Services	1,915,798	33,552	
Use of Money and Property	488,618		3,210
Sale of Property and Compensation for Loss	202,441		28
Miscellaneous	2,365,143	137,190	102,573
State Sources	40,224,166	2,045,832	45,238
Federal Sources	97,427	2,048,549	1,402,462
Sales - School Lunch			684,711
Total Revenues	105,169,094	4,265,123	2,238,222
EXPENDITURES			
General Support	8,728,408		
Instruction	53,461,899	4,204,055	856,356
Pupil Transportation	4,170,883	167,146	
Community Services	401,534	34,307	
Employee Benefits	23,787,297	162,751	453,347
Debt Service			
Principal			
Interest			
Cost of Sales			934,399
Capital Outlay			
Total Expenditures	90,550,021	4,568,259	2,244,102
Excess (Deficiency) of Revenues Over Expenditures	14,619,073	(303,136)	(5,880)
OTHER FINANCING SOURCES AND (USES)			
BANs Redeemed from Appropriations			
Premium on Obligations			
Proceeds of Obligations			
Operating Transfers In	34,150	303,136	
Operating Transfers (Out)	(8,840,930)		
Total Other Sources (Uses)	(8,806,780)	303,136	-
Net Change in Fund Balance	5,812,293	-	(5,880)
Fund Balances - Beginning of Year	21,394,193	-	684,869
Fund Balances - End of Year	\$ 27,206,486	\$ -	\$ 678,989

See Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 43,570,315
		12,039,270
		4,265,916
		1,949,350
105,255		597,083
		202,469
		2,604,906
		42,315,236
		3,548,438
		684,711
105,255	-	111,777,694
		8,728,408
		58,522,310
		4,338,029
		435,841
		24,403,395
6,503,757		6,503,757
1,887,979		1,887,979
		934,399
	13,742,359	13,742,359
8,391,736	13,742,359	119,496,477
(8,286,481)	(13,742,359)	(7,718,783)
	600,000	600,000
752,834		752,834
	14,020,000	14,020,000
8,905,799	5,505	9,248,590
	(407,660)	(9,248,590)
9,658,633	14,217,845	15,372,834
1,372,152	475,486	7,654,051
975,501	3,065,234	26,119,797
\$2,347,653	\$ 3,540,720	\$ 33,773,848

GATES CHILI CENTRAL SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds **\$ 7,654,051**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Outlay	\$ 14,058,761	
Net Book Value of Disposed Assets	(741,790)	
Depreciation Expense	<u>(5,442,367)</u>	7,874,604

Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Proceeds of Obligations and BANs Redeemed From Appropriations	\$ (14,620,000)	
Principal Payment	<u>6,503,757</u>	(8,116,243)

Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore, expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to other postemployment benefits do not effect current financial resources and are, also, not reported in the Governmental Funds.

Other Postemployment Benefits Liability	\$ (1,281,359)	
Compensated Absences	<u>(155,771)</u>	(1,437,130)

Certain expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in Governmental Funds. These include the change in accrued interest, amortization of bond premiums, and deferred amounts from refunding bonds.

Amortization of Bond Premium	\$ 537,651	
Amortization of Deferred Amounts on Refunded Debt	(185,707)	
Change in Accrued Interest	<u>31,773</u>	383,717

Changes in the School District's proportionate share of net pension assets and liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not effect current financial resources and are, also, not reported in the Governmental Funds.

TRS	\$ 637,399	
ERS	<u>(242,847)</u>	<u>394,552</u>

Net Change in Net Position of Governmental Activities **\$ 6,753,551**

See Notes to Basic Financial Statements

GATES CHILI CENTRAL SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2019

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$	\$ 2,923,693
Cash - Restricted	13,766	
Accounts Receivable		7,165
Due From Governmental Funds		325,899
Total Assets	13,766	\$ 3,256,757
LIABILITIES		
Due to Governmental Funds		366,967
Extraclassroom Activity Funds Balance		139,086
Other Liabilities		2,750,704
Total Liabilities	-	\$ 3,256,757
NET POSITION		
Restricted for Scholarships	\$ 13,766	

See Notes to Basic Financial Statements

GATES CHILI CENTRAL SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2019

	Private Purpose Trust Fund
ADDITIONS	
Investment Earnings	\$ 14
Total Additions	14
Change in Net Position	14
Net Position - Beginning of Year	13,752
Net Position - End of Year	\$ 13,766

See Notes to Basic Financial Statements

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1 **Summary of Significant Accounting Policies**

The accompanying financial statements of Gates Chili Central School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education (Board) consisting of 8 members. 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 School District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended.

- The primary government, which is Gates Chili Central School District;
- 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 basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School 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 Extraclassroom Activity Funds are included in the School District's reporting entity.

The Extraclassroom Activity Funds of Gates Chili Central School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's office, located at 3 Spartan Way, Rochester, New York 14624.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Joint Venture

Gates Chili Central School District is one of 9 component school districts in the Monroe 2-Orleans Board of Cooperative Educational Services (BOCES). A 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. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State 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 §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the 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 cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). In addition, component School Districts pay tuition or a service fee for programs in which its students participate.

Separate financial statements of Monroe 2-Orleans BOCES may be obtained by contacting the Business Office, Monroe 2-Orleans BOCES, 3599 Big Ridge Road, Spencerport, New York 14559.

Basis of Presentation - District-wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the School District's Governmental Activities. These statements include the financial activities of the overall government 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 taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Net Position presents the financial position of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Basis of Presentation - Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- General Fund: This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- Special Revenue Funds: These funds account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - Special Aid Fund: Used to account for proceeds received from state and federal grants that are restricted for special educational programs.
 - School Lunch Fund: Used to account for child nutrition activities whose funds are restricted as to use.
- Capital Projects Fund: Accounts for the financial resources used for the renovation of the School District's educational complex.
- Debt Service Fund: Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.

Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- Private-Purpose Trust Fund: Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- Agency Funds: Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Measurement Focus and Basis of Accounting

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 when the related cash transaction takes place. Non-exchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and Investments

The School 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. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC 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 districts. Investments are stated at fair value.

Due from State, Federal, and Other Governments

Due from state and federal governments and due from other governments are shown gross, with uncollectible amounts recognized under the direct write-off method. An allowance for uncollectible accounts has been provided. All receivables are expected to be collected within the subsequent fiscal year.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food 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 fair value. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance equal to inventories and prepaid amounts is reported as nonspendable in the Governmental Fund financial statements as these assets are not in spendable form in the current period.

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at acquisition value at the time received.

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 financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 50,000	15-50 Years
Building Improvements	50,000	15-50 Years
Machinery and Equipment	5,000	5-25 Years

The School District utilizes the straight-line method of depreciation.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports a deferred charge on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows of resources related to pensions and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows of resources related to pensions, and OPEB plans are described in Notes 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports deferred inflows of resources related to pensions and OPEB plans which are further described in Notes 10 and 11, respectively.

Vested Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated annual sick and vacation leave.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

School District employees are granted vacation time 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," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Other Postemployment Benefits

School District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

The Governmental Fund financial statements report unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded.

Accrued Liabilities and Long-Term Obligations

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

Long-term obligations represent the School 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.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, the Board of Education, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently, fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- **Unemployment Insurance Reserve (GML §6-m):** Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- **Retirement Contribution Reserves (GML §6-r):** Used for the purpose of financing retirement contributions. These reserves must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. These reserves are accounted for in the General Fund.
- **Employee Benefit Accrued Liability Reserve (GML §6-p):** Used to reserve funds for payment of accrued employee benefits upon termination of an employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.
- **Tax Certiorari Reserve (Education Law §3651.1-a):** Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.
- Mandatory Debt Service Reserve (GML §6-1) - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1. For the year ended June 30, 2019, the tax lien was issued on August 14, 2018. Taxes were collected during the period September 1, 2018 to October 31, 2018. Uncollected real property taxes are subsequently enforced by Monroe County. An amount representing uncollected real property taxes transmitted to the county for enforcement is paid to the School District no later than the following April 1.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 1* Summary of Significant Accounting Policies - Continued**

New Accounting Standards

The School District has adopted and implemented the following Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2019:

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ended June 30, 2019.
- GASB has issued Statement No. 88, "Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements," effective for the year ended June 30, 2019. This statement improves the information that is disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.

Future Changes in Accounting Standards

- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2020. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period," effective for the year ending June 30, 2021.
- GASB has issued Statement No. 90, "Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61," effective for the year ending June 30, 2020.
- GASB has issued Statement No. 91, "Conduit Debt Obligations" effective for the year ending June 30, 2022.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

***Note 2* Participation in BOCES**

During the year ended June 30, 2019, the School District's share of BOCES income amounted to \$3,808,218. The School District was billed \$17,143,672 for BOCES administration and program costs.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 3* Cash and Cash Equivalents - Custodial and Concentration of Credit Risks**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District has established a custodial credit risk policy which requires the school district to maintain collateralized deposits of at least 100% of amounts not covered under FDIC insurance. New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$37,426,003 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

Restricted cash consists of the following at June 30, 2019:

Restricted for Debt Service	\$ 2,347,653
Restricted for Capital Projects	3,540,720
Restricted for School Lunch	487,319
Restricted for General Fund Reserves	<u>18,551,712</u>
 Total Governmental Funds	 <u>24,927,404</u>
 Private Purpose Trust Fund	 <u>13,766</u>
 Total	 <u><u>\$ 24,941,170</u></u>

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 4 **Due from State, Federal, and Other Governments**

Due from state and federal governments and due from other governments consisted of the following, which are stated at net realizable value:

	<u>Description</u>	<u>Amount</u>
Due from State and Federal Governments		
General Fund	Excess Cost Aid	\$ 1,329,572
	Other	35,639
	Subtotal	<u>1,365,211</u>
Special Aid Fund	Title I	92,972
	IDEA, Section 611	167,666
	UPK	899,514
	Section 4408	274,899
	Playground Grant	242,756
	Other Grants	67,436
	Subtotal	<u>1,745,243</u>
School Lunch Fund	Free and Reduced Meals	93,580
Capital Projects Fund	Other	<u>76,280</u>
Total		<u><u>\$ 3,280,314</u></u>

	<u>Description</u>	<u>Amount</u>
Due from Other Governments		
General Fund	BOCES Aid	\$ 1,766,393
	Sales Tax	1,079,663
	Tuition, Fees, etc.	2,343,728
	Allowance for Uncollectibles	<u>(275,000)</u>
	Subtotal	4,914,784
Special Aid Fund	Other	1,474
School Lunch Fund	Other	<u>1,673</u>
Total		<u><u>\$ 4,917,931</u></u>

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 5* Interfund Balances and Activity**

Interfund balances at June 30, 2019, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 2,335,751	\$	\$ 34,150	\$ 8,840,930
Special Aid Fund		2,431,845	303,136	
Capital Projects Fund	461,377		5,505	407,660
School Lunch Fund		374,533		
Debt Service Fund	<u>9,250</u>	<u></u>	<u>8,905,799</u>	<u></u>
Total	<u>\$ 2,806,378</u>	<u>\$ 2,806,378</u>	<u>\$ 9,248,590</u>	<u>\$ 9,248,590</u>

In addition to the above interfund activity, the Agency Fund owed governmental funds \$366,967 and was owed \$325,899 from governmental funds at June 30, 2019.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 6 Capital Assets

Capital asset balances and activity for the year ended June 30, 2019, were as follows:

Governmental Activities	Beginning Balance	Additions	Retirements & Reclass- ification	Ending Balance
Capital Assets That Are Not Depreciated:				
Land	\$ 1,226,581	\$	\$	\$ 1,226,581
Construction in Progress	2,668,492	11,855,833		14,524,325
Total Nondepreciable Historical Cost	<u>3,895,073</u>	<u>11,855,833</u>	<u>-</u>	<u>15,750,906</u>
Capital Assets That Are Depreciated:				
Buildings	140,232,322			140,232,322
Machinery and Equipment	13,719,879	2,202,928	(1,835,724)	14,087,083
Total Depreciable Historical Cost	<u>153,952,201</u>	<u>2,202,928</u>	<u>(1,835,724)</u>	<u>154,319,405</u>
Total Historical Cost	<u>157,847,274</u>	<u>14,058,761</u>	<u>(1,835,724)</u>	<u>170,070,311</u>
Less Accumulated Depreciation:				
Buildings	(73,770,642)	(4,185,198)		(77,955,840)
Machinery and Equipment	(4,840,376)	(1,257,169)	1,093,934	(5,003,611)
Total Accumulated Depreciation	<u>(78,611,018)</u>	<u>(5,442,367)</u>	<u>1,093,934</u>	<u>(82,959,451)</u>
Total Historical Cost, Net	<u>\$79,236,256</u>	<u>\$ 8,616,394</u>	<u>\$ (741,790)</u>	<u>\$87,110,860</u>

Depreciation expense was charged to governmental functions as follows:

General Support	\$ 3,737,721
Instruction	722,589
Pupil Transportation	979,057
School Lunch Program	<u>3,000</u>
Total Depreciation Expense	<u>\$ 5,442,367</u>

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 7* Short-term Debt - Continued**

The School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued. The School District did not issue or redeem any budget notes during the year.

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Such notes may be classified as long-term when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. BAN activity for the year is summarized below:

	Interest Rate	Maturity Date	Beginning Balance	Issued	Redeemed	Ending Balance
2019	3.00%	6/27/2019	\$ -	\$ 6,000,000	\$ 6,000,000	\$ -
2019	2.25%	6/27/2019	-	7,000,000	7,000,000	-
Total			\$ -	\$ 13,000,000	\$ 13,000,000	\$ -

Interest expense on short-term debt during the year was comprised of:

Interest Paid	<u>\$ 170,398</u>
Total	<u>\$ 170,398</u>

***Note 8* Long-term Debt**

At June 30, 2019, the total outstanding indebtedness of the School District represented 26.4% of its statutory debt limit, exclusive of building aid. Long-term debt is classified as follows:

- Serial Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and 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.
- Energy Performance Contracts - The School District uses energy savings from large-scale energy-efficiency improvements to finance the cost of new equipment and other capital improvements over several years.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 8 Long-term Debt - Continued

The following is a summary of the School District's long-term debt for the year ended June 30, 2019:

Description of Issue	Issue Date	Final Maturity	Interest Rate	Outstanding June 30, 2019
Refunding Bonds				
Refunding Bonds - 2015	02/04/2015	06/15/2027	2.0-5.0%	\$ 18,520,000
Total Refunding Bonds				<u>18,520,000</u>
Energy Performance Contracts				
EPC - 2005 (Phase I)	06/15/2010	06/15/2026	3.8%	429,479
EPC - 2013 Refinancing (Phase II)	06/12/2013	06/15/2023	1.8%	652,581
EPC - 2013 Refinancing (Phase III)	06/12/2013	06/15/2026	2.4%	1,367,842
Total Energy Performance Contracts				<u>2,449,902</u>
Serial Bonds				
Serial Bond - 2010	05/18/2010	06/15/2024	2.5% - 4.0%	3,285,000
Serial Bond - 2011	12/29/2011	06/15/2026	2.0% - 3.0%	3,260,000
Serial Bond - 2013	06/19/2013	06/15/2028	2.9%	890,000
Serial Bond - 2013	06/13/2013	06/15/2042	3.0-4.0%	3,535,000
Serial Bond - 2015	08/04/2015	06/15/2020	2.0%	365,000
Serial Bond - 2016	08/04/2016	06/15/2021	3.0-4.0%	650,000
Serial Bond - 2017	08/04/2017	06/15/2022	2.0%	885,000
Serial Bond - 2018	05/25/2018	06/15/2031	3.0%	5,505,000
Serial Bond - 2019	07/18/2018	06/15/2023	1.50% - 3.00%	1,370,000
Serial Bond - 2019	06/05/2019	06/15/2040	3.0%	12,400,000
Total Serial Bonds				<u>32,145,000</u>
Unamortized Bond Premiums				<u>2,763,559</u>
Total Indebtedness				<u>\$ 55,878,461</u>

Interest expense on long-term debt during the year was:

Interest Paid	\$ 1,717,581
(Less) Interest Accrued in the Prior Year	(92,508)
Plus Interest Accrued in the Current Year	60,735
(Less) Premium on Bonds	(752,834)
Plus Amortization of Deferred Charges on Defeased Debt	185,707
(Less) Amortization of Bond Premium	<u>(537,651)</u>
Total	<u>\$ 581,030</u>

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 8 Long-term Debt - Continued

Interest paid on the Serial Bonds varies from year to year, in accordance with interest rates specified in the bond agreements.

Long-term debt balances and activity for the year are summarized below:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds	\$ 42,060,000	\$ 14,020,000	\$ (5,415,000)	\$ 50,665,000	\$ 6,205,000
Unamortized Bond Premiums	3,301,210		(537,651)	2,763,559	498,820
Energy Performance Contracts	2,938,659		(488,757)	2,449,902	504,886
Total	\$ 48,299,869	\$ 14,020,000	\$ (6,441,408)	\$ 55,878,461	\$ 7,208,706

Deferred charges on defeased debt result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
2015 Refunding Bonds	\$ 1,140,249	\$	\$ (185,707)	\$ 954,542	\$ 172,294
Total Deferred Charges on Defeased Debt	\$ 1,140,249	\$ -	\$ (185,707)	\$ 954,542	\$ 172,294

The following is a summary of the maturity of long-term indebtedness:

Year	Principal	Interest	Total
2020	\$ 6,709,886	\$ 1,727,059	\$ 8,436,945
2021	5,946,689	1,704,676	7,651,365
2022	5,710,851	1,498,298	7,209,149
2023	5,497,725	1,311,166	6,808,891
2024	4,939,968	1,102,484	6,042,452
2024-2028	16,664,783	2,833,158	19,497,941
2029-2033	5,630,000	956,656	6,586,656
2034-2038	1,325,000	304,925	1,629,925
2038-2042	690,000	55,600	745,600
Total	\$ 53,114,902	\$ 11,494,022	\$ 64,608,924

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 9* **Compensated Absences*

Represent the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.

Other long-term obligations balances and activity are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts Due Within One Year
Compensated Absences	<u>\$ 1,827,002</u>	<u>\$ -</u>	<u>\$ 155,771</u>	<u>\$ 1,982,773</u>	<u>\$ 495,693</u>
Total	<u>\$ 1,827,002</u>	<u>\$ -</u>	<u>\$ 155,771</u>	<u>\$ 1,982,773</u>	<u>\$ 495,693</u>

Note 10* **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems)*

Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS)(System)

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The 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 (RSSL). The System is governed by a 10-member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 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.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Teachers' Retirement System (TRS)(System) - Continued

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

Plan Descriptions and Benefits Provided - Employees' Retirement System (ERS)(System)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer, defined benefit pension plan. The 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 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 School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the state's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

Contributions

The School District is required to contribute at an actuarially determined rate. The School District's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2019	\$ 1,567,081	\$ 3,119,676
2018	1,561,249	3,666,598
2017	1,487,041	4,020,396

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

At June 30, 2019, the School District reported the following asset/liability for its proportionate share of the net pension asset/liability for each of the Systems. The net pension asset/liability was measured as of March 31, 2019 for ERS and June 30, 2018 for TRS. The total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation. The School District's proportionate share of the net pension asset/liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	<u>ERS</u>	<u>TRS</u>
Actuarial Valuation Date Asset	4/1/2018	6/30/2017
Net Pension Liability	\$ 7,085,304,242	\$ (1,808,264,334)
School District's Proportionate Share of the Plan's Total Net Pension Asset/Liability	2,385,432	(3,533,898)
School District's Share of the Net Pension Asset/Liability	0.033667%	0.19543%

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

For the year ended June 30, 2019, the School District recognized pension expense of \$1,793,188 for ERS and \$2,724,716 for TRS in the District-wide financial statements. At June 30, 2019 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences Between Expected and Actual Experience	\$ 469,741	\$ 2,640,854	\$ 160,130	\$ 478,362
Changes of Assumptions	599,600	12,353,293		
Net Differences Between Projected and Actual Earnings on Pension Plan Investments			612,234	3,922,896
Changes in Proportion and Differences Between the School District's Contributions and Proportionate Share of Contributions	591,861	121,248	51,844	166,055
School District's Contributions Subsequent to the Measurement Date	374,933	3,360,495		
Total	\$2,036,135	\$18,475,890	\$ 824,208	\$4,567,313

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension asset/liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending	ERS	TRS
2020	\$ 716,346	\$ 3,524,215
2021	(323,338)	2,386,980
2022	74,698	235,693
2023	369,288	2,378,655
2024	-	1,623,495
Thereafter	-	399,044

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

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 asset/liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Actuarial Valuation Date	April 1, 2018	June 30, 2017
Investment Rate of Return	7.0%	7.3%
Salary Scale	4.2%	1.9% - 4.7%
Cost of Living Adjustments	1.3%	1.5%
Inflation Rate	2.5%	2.3%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

For ERS, the long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. For TRS, the long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 10 **Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Asset Type		
Domestic Equities	4.6%	5.9%
International Equities	6.4%	7.3%
Global Equities		6.7%
Real Estate	5.6%	4.9%
Private Equity/Alternative Investments	7.5%	8.9%
Absolute Return Strategies	3.8%	
Opportunistic Portfolio	5.7%	
Real Assets	5.3%	
Cash	(0.3)%	
Inflation-indexed Bonds	1.3%	
Domestic Fixed Income Securities		1.3%
Global Fixed Income Securities		0.9%
Private Debt		6.8%
Real Estate Debt		2.8%
High-Yield Fixed Income Securities		3.5%
Mortgages and Bonds	1.3%	
Short-term		0.3%

Discount Rate

The discount rate used to calculate the total pension asset/liability was 7.0% for ERS and 7.25% for TRS. 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 contributions from employers will be made at statutorily required rates, actuarially. Based on 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 asset/liability.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

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

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

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 10,429,491	\$ 2,385,432	\$ (4,372,147)

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's Proportionate Share of the Net Pension Asset/Liability	\$ 24,278,459	\$ (3,533,898)	\$ (26,832,925)

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	
	ERS	TRS
Measurement Date	March 31, 2019	June 30, 2018
Employers' Total Pension Asset/Liability	\$ 189,803,429	\$ 118,107,253
Plan Net Position	(182,718,124)	(119,915,518)
Employers' Net Pension Asset/Liability	\$ 7,085,305	\$ (1,808,265)
Ratio of Plan Net Position to the Employers' Total Pension Asset/Liability	96.3%	101.5%

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Payables to the Pension Plan

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, 2019 represent the projected employer contribution for the period of April 1, 2019 through June 30, 2019 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2019 amounted to \$392,994.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2019 are paid to the System in September, October, and November 2019 through a state aid intercept. Accrued retirement contributions as of June 30, 2019 represent employee and employer contributions for the fiscal year ended June 30, 2019 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2019 amounted to \$3,510,558.

Current Year Activity

The following is a summary of current year activity:

	Beginning Balance	Change	Ending Balance
ERS			
Net Pension Liability	\$ (1,092,243)	\$ (1,293,189)	\$ (2,385,432)
Deferred Outflows of Resources	3,681,211	(1,645,076)	2,036,135
Deferred Inflows of Resources	(3,519,626)	2,695,418	(824,208)
Subtotal	(930,658)	(242,847)	(1,173,505)
TRS			
Net Pension Asset	1,500,717	2,033,181	3,533,898
Deferred Outflows of Resources	19,624,488	(1,148,598)	18,475,890
Deferred Inflows of Resources	(4,320,129)	(247,184)	(4,567,313)
Subtotal	16,805,076	637,399	17,442,475
Total	\$ 15,874,418	\$ 394,552	\$ 16,268,970

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 11* Postemployment Benefits Other Than Pensions (OPEB)**

General Information about the OPEB Plan

Plan Description - The School District's defined OPEB plan (Plan) provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The Plan is a single-employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School District Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements as there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the benefit terms.

Inactive Employees or Beneficiaries	
Currently Receiving Benefit Payments	737
Inactive Employees Entitled to	
But Not Yet Receiving Benefit Payments	-
Active Employees Not Fully Eligible for Retirement	681
Active Employees Fully Eligible for Retirement	<u>182</u>
Total	<u><u>1,600</u></u>

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 11* Postemployment Benefits Other Than Pensions (OPEB) - Continued**

Total OPEB Liability

The School District's total OPEB liability of \$160,130,535 was measured as of April 4, 2019, and was determined by an actuarial valuation as of July 1, 2019.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Long-Term Bond Rate:	3.44%
Single Discount Rate	3.44%
Salary Scale	3.36%
Dental Trend Rate	5.00% per year
Marital Assumption	70.00%
Participation Rate	100.00%
Healthcare Cost Trend Rates	5.20% for 2018, decreasing to an ultimate rate of 4.32% for 2070 and later years

The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date (or the nearest business day thereto).

The salary scale was based on the School District's review of historical experience as well as future expectations.

Mortality rates were based on Pub-2010 Public Retirement Plan Mortality Tables, Headcount-Weighted, distinct for Teachers, General, and Safety, without separate Contingent Survivor mortality, fully generational using scale MP-2018. If retiree classifications are not available, retiree mortality is weighted at a rate of 60% Teachers, 40% General, -0-% Safety.

Termination rates were based on 2003 Society of Actuaries small plan withdrawal, scaled 50% for teachers, unscaled for non-teachers.

Retirement rates were based on 2015 TRS retirement system tiers 2-4 retirement rates; separate for males and females.

Healthcare Cost Trend Rates were based on the National Health Expenditure Projections 2010-2026 and reflect the impact of legislative changes in 2018 and future years. Long-term trend rates were developed using the Societies of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2019_b (updated October 2018).

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

***Note 11* Postemployment Benefits Other Than Pensions (OPEB) - Continued**

CPI inflation rates were based on the Livingston Survey for June 2018, Long-Term (10-year) Forecast mean rates.

Real GDP rates are based on median rates from OECD 2020-2060 GDP projections, published 2018.

The actuarial assumptions used in the June 30, 2019 full valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 171,200,952
Changes for the Year	
Service Cost	4,648,817
Interest Cost	6,181,616
Changes of Benefit Terms	(2,403,234)
Differences Between Expected and Actual Experience	(15,369,247)
Changes in Assumptions or Other Inputs	485,497
Benefit Payments	(4,613,866)
Net Change	(11,070,417)
Balance at June 30, 2019	\$ 160,130,535

Changes of assumptions and other inputs reflect a change in the discount rate from 3.61% in 2018 to 3.44% in 2019 as well as a change in the salary scale from 3.31% in 2018 to 3.36% in 2019.

Differences between expected and actual results reflects a change in health care cost trend rates from 6.20% - 4.17% in 2018 to 5.20% - 4.32% in 2019.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - the following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1 - percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.44%)	Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB Liability	\$ 188,055,688	\$ 160,130,535	\$ 137,984,332

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	1% Decrease (4.20% to 3.32%)	Healthcare Cost Trend Rate (5.20% to 4.32%)	1% Increase (6.20% to 5.32%)
Total OPEB Liability	\$ 133,972,871	\$ 160,130,535	\$ 197,655,154

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

For the year ended June 30, 2019, the School District recognized OPEB expense of \$5,918,940.

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 12,694,263	\$ 11,145,040
Changes in Assumptions or Other Inputs	2,227,142	7,581,770
Contributions Subsequent to Measurement Date	1,177,215	-
Total	\$ 16,098,620	\$ 18,726,810

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the OPEB liability in the year ending June 30, 2020. Other 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	
Ending June 30,	Amount
2020	\$ (2,508,259)
2021	(2,711,754)
2022	(1,871,995)
2023	608,630
2024	608,630
Thereafter	2,069,343

Summary

Changes in the OPEB liability and deferred outflows and deferred inflows of resources for the year ended June 30, 2019 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
Other Postemployment Benefits Liability	\$ (171,200,952)	\$ 11,070,417	\$ (160,130,535)
Deferred Outflows of Resources	18,277,992	(2,179,372)	16,098,620
Deferred Inflows of Resources	(8,554,406)	(10,172,404)	(18,726,810)
Total	\$ (161,477,366)	\$ (1,281,359)	\$ (162,758,725)

Note 12 Commitments and Contingencies

Risk Financing and Related Insurance - General Information

The School District is exposed to various risks of loss related to, but not limited to, torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Grants

The School District receives financial assistance from federal and state agencies in the form of grants and calculated aid as determined by the state. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and are subject to audit by the grantor agencies. State aid payments are based upon estimated expenditures and pupil statistics, are complex, and subject to adjustment. Any disallowed claims resulting from such audits could become a liability of the School District. Based on prior experience, management expects such amounts to be immaterial.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

***Note 12* Commitments and Contingencies - Continued**

Workers' Compensation

The School District participates in the Rochester Area Schools Workers' Compensation Plan (the Plan) sponsored by Monroe 2-Orleans BOCES. The Plan administers a workers' compensation insurance fund pursuant to Article 5 of the Workers' Compensation Law to finance the liability and risk related to workers' compensation claims and to lower the costs of coverage to the participating members. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Plan members could be subjected, however, to pro-rata supplemental assessments in the event that the Plan's assets are not adequate to meet claims. The School District's share of workers compensation premiums totaled \$662,270 for the year ended June 30, 2019.

The Plan has published its own financial report for the year ended June 30, 2019, which can be obtained from Monroe 2-Orleans BOCES, 3599 Big Ridge Road, Spencerport, New York 14559.

Health Insurance

The School District participates in the Rochester Area Schools Health Plan I and Rochester Area Schools Health Plan II (the Plans), sponsored by Monroe 2-Orleans BOCES. The Plans have been established to administer health insurance and prescription drug programs to lower the costs of such coverage to the 19 participating members. The School District has transferred all risk to the Plans. Plan members pay monthly premium equivalents based upon a pro-rata share of expenditures. All funds received are pooled and administered as a common fund. Refunds are not made nor additional assessments charged other than the annual premium equivalents. If the Plans' assets were to be exhausted, members would be equally responsible for the remaining liabilities. The Plans have published their own financial reports for the year ended December 31, 2017, which can be obtained from Monroe 2-Orleans BOCES, 3599 Big Ridge Road, Spencerport, New York 14559.

During the year ended June 30, 2019, the School District incurred premiums or contribution expenditures totaling \$15,374,443.

Litigation

The School District is subject to claims and lawsuits that arise in the ordinary course of business. In the opinion of management, these claims will not have a material adverse effect upon the financial position of the School District.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 13 Fund Balance Detail

At June 30, 2019, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	General Fund	School Lunch Fund	Capital Fund	Debt Service Fund
Nonspendable				
Inventory	\$	\$ 80,106	\$	\$
Prepays	1,289,425			
Total Nonspendable Fund Balance	\$ 1,289,425	\$ 80,106	\$ -	\$ -
Restricted				
Unemployment Insurance Reserve	\$ 1,118,361			
Retirement Contribution Reserve - ERS	6,944,438	\$	\$	\$
Retirement Contribution Reserve - TRS	500,000			
Employee Benefit Accrued Liability Reserve	1,170,551			
Tax Certiorari Reserve	970,837			
Capital Reserve	7,847,525			
Debt Service				2,347,653
School Lunch Fund		598,883		
Capital Projects Fund			3,540,720	
Total Restricted Fund Balance	\$ 18,551,712	\$ 598,883	\$ 3,540,720	\$ 2,347,653
Assigned				
Appropriated for Next Year's Budget	\$ 2,400,000	\$	\$	\$
Encumbered for:				
General Support	360,729			
Instruction	258,415			
Pupil Transportation	2,143			
Community service	1,680			
Total Assigned Fund Balance	\$ 3,022,967	\$ -	\$ -	\$ -
Unassigned				
Remaining Fund Balance	\$ 4,342,382	\$	\$	\$
Total Unassigned Fund Balance	\$ 4,342,382	\$ -	\$ -	\$ -

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 14 Reserved Fund Balances

Portions of restricted fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity of the General Fund reserves, for the year ended June 30, 2019, were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Unemployment Insurance Reserve	\$ 2,905,942	\$ -	\$ 12,419	\$ (1,800,000)	\$ 1,118,361
Retirement Contribution Reserve - ERS	5,907,907	1,000,000	36,531		6,944,438
Retirement Contribution Reserve - TRS		500,000			500,000
Employee Benefit Accrued Liability Reserve	1,165,570		4,981		1,170,551
Tax Certiorari Reserve	966,705		4,132		970,837
Capital Reserve	2,509,781	5,300,000	37,744		7,847,525
Total Restricted	<u>\$ 13,455,905</u>	<u>\$ 6,800,000</u>	<u>\$ 95,807</u>	<u>\$ (1,800,000)</u>	<u>\$ 18,551,712</u>

Note 15 Subsequent Events

On July 23, 2019 the School District issued a BAN in the amount of \$11,000,000 at an interest rate of 2.5%, for the ongoing capital project. The BAN matures on June 25, 2020.

On August 21, 2019 the School District issued serial bonds in the amount of \$1,610,000 at an interest rate ranging from 3.0% to 4.0%, for the purchase of school buses. The bonds mature June 15, 2024.

Note 16 Reclassification

Certain prior year amounts, having no effect on net position, have been reclassified to conform to the current year's presentation.

Note 17 Stewardship, Compliance, and Accountability

Deficit Net Position

At June 30, 2019, the District-wide Statement of Net Position had a deficit net position of \$82,572,474. This is largely the result of recording the other postemployment benefit liability as required by GASB Statement No. 75 with no requirement or mechanism to fund this liability (See Note 11.) The deficit is not expected to be eliminated during the normal course of operations.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Note 18 Restatement

During the year ended June 30, 2019, management of the School District determined some insurance expenditures should have been reported as prepaid expenses. Fund balance and net position as previously reported have been restated as follows to correct this error:

	Governmental Funds Fund Balances	District-wide Net Position
Balance as Previously Reported at July 1, 2018	\$ 25,210,912	\$ (90,234,910)
Prepaid Insurance	908,885	908,885
Corrected Balance at July 1, 2018	\$ 26,119,797	\$ (89,326,025)

Note 19 Tax Abatements

For the year ended June 30, 2019, property in the School District was subject to property tax abatements negotiated by the County of Monroe Industrial Development Agency (COMIDA).

COMIDA enters into PILOT agreements with businesses within Monroe County under New York State General Municipal Law 858. Economic development agreements entered into by COMIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which COMIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

Information relevant to disclosure of the program for the year ended June 30, 2019 is as follows:

Monroe County Industrial Development Agency	Taxable Assessed Value	Combined Tax Rates	Tax Value	PILOT Received	Taxes Abated
CLA WNY LLC	\$ 14,905,900	26.35	\$ 392,770	\$ 153,923	\$ 238,847
Galina Development Corp (880 Elmgrove Rd)	2,332,700	26.35	61,467	61,467	-
Galina Development Corp (225 Mile Crossing Blvd)	1,078,500	26.35	28,418	14,703	13,715
Galina Development Corp (300 Mile Crossing Blvd)	997,300	26.35	26,279	26,279	-
Galina Development Corp (350 Mile Crossing Blvd)	1,027,600	26.35	27,077	27,077	-
CMI Real Estate LLC (400 Mile Crossing Blvd)	920,800	26.35	24,263	24,263	-
TBN Realty LLC	1,065,000	26.35	28,063	28,063	-
Jambazian Limited Partnership	635,200	26.35	16,738	16,738	-
21 Marway LLC	2,502,100	26.35	65,930	65,930	-
Boulder Point Development	1,878,000	26.35	49,485	44,426	5,059
Howitt Paul Road LLC	5,440,000	26.35	143,344	48,230	95,114
Wegmans	55,551,200	26.35	1,463,774	1,414,976	48,798
Pontarelli Associated LLC	1,384,700	26.35	36,487	33,436	3,051
44 Jet View Drive LLC	4,137,700	26.35	109,028	68,031	40,997
2013 VC LLC	9,635,000	26.35	253,882	30,961	222,921
Town of Gates (Tech Park and S. Andrews Apartment)	64,261,160	26.35	1,693,281	573,994	1,119,287
Total PILOT Agreements	\$ 167,752,860		\$ 4,420,286	\$ 2,632,497	\$ 1,787,789

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Local Sources				
Real Property Taxes	\$ 52,933,230	\$ 43,526,457	\$ 43,570,315	\$ 43,858
Real Property Tax Items	2,580,000	11,986,773	12,039,270	52,497
Other Tax Items	4,250,000	4,250,000	4,265,916	15,916
Charges for Services	1,764,000	1,764,000	1,915,798	151,798
Use of Money and Property	202,500	202,500	488,618	286,118
Sale of Property and Compensation for Loss			202,441	202,441
Miscellaneous	1,031,919	1,031,919	2,365,143	1,333,224
Total Local Sources	62,761,649	62,761,649	64,847,501	2,085,852
State Sources	39,682,000	39,682,000	40,224,166	542,166
Medicaid Reimbursement	100,000	100,000	97,427	(2,573)
Total Revenues	102,543,649	102,543,649	105,169,094	2,625,445
OTHER FINANCING SOURCES				
Operating Transfers In	350,000	350,000	34,150	(315,850)
Total Revenues and Other Financing Sources	102,893,649	102,893,649	<u>\$105,203,244</u>	<u>\$ 2,309,595</u>
Appropriated Fund Balance	2,000,000	2,000,000		
Appropriated Reserves	1,800,000	1,800,000		
Encumbrances Carried Forward from Prior Year	806,625	806,625		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	<u>\$ 107,500,274</u>	<u>\$107,500,274</u>		

See Notes to Required Supplementary Information

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>
EXPENDITURES		
General Support		
Board of Education	\$ 10,175	\$ 28,299
Central Administration	294,971	347,976
Finance	842,248	743,850
Staff	588,949	613,342
Central Services	6,239,413	6,451,523
Special Items	1,529,674	1,528,674
Total General Support	9,505,430	9,713,664
Instruction		
Instruction, Administration, and Improvement	8,303,858	8,636,078
Teaching - Regular School	27,538,071	26,232,030
Programs for Children with Handicapping Conditions	15,639,640	14,474,569
Occupational Education	920,200	1,058,300
Teaching - Special School	284,375	274,375
Instructional Media	1,343,877	1,356,324
Pupil Services	4,122,796	4,483,543
Total Instruction	58,152,817	56,515,219
Pupil Transportation	4,906,781	6,004,045
Community Services	420,957	437,957
Employee Benefits	25,982,000	25,986,500
Total Expenditures	98,967,985	98,657,385
OTHER FINANCING USES		
Operating Transfers Out	8,532,289	8,842,889
Total Expenditures and Other Financing Uses	<u>\$107,500,274</u>	<u>\$ 107,500,274</u>
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 28,176	\$	\$ 123
341,150	5,149	1,677
701,107	30,500	12,243
580,688	567	32,087
5,595,509	324,513	531,501
1,481,778		46,896
8,728,408	360,729	624,527
8,443,682	7,849	184,547
25,343,188	176,637	712,205
12,747,366	1,216	1,725,987
1,058,230		70
213,014		61,361
1,318,075	18,370	19,879
4,338,344	54,343	90,856
53,461,899	258,415	2,794,905
4,170,883	2,143	1,831,019
401,534	1,680	34,743
23,787,297		2,199,203
90,550,021	622,967	7,484,397
8,840,930	-	1,959
99,390,951	<u>\$ 622,967</u>	<u>\$ 7,486,356</u>
5,812,293		
21,394,193		
<u>\$ 27,206,486</u>		

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 1,567,081	\$ 1,561,249	\$ 1,487,041
Contributions in Relation to the Contractually Required Contribution	(1,567,081)	(1,561,249)	(1,487,041)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll for Year Ending June 30,	10,757,490	10,633,885	9,767,043
Contributions as a Percentage of Covered - Employee Payroll	14.6%	14.7%	15.2%

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 3,360,495	\$ 3,119,676	\$ 3,666,598
Contributions in Relation to the Contractually Required Contribution	(3,360,495)	(3,119,676)	(3,666,598)
Contribution Deficiency (Excess)	-	-	-
School District's Covered - Employee Payroll for Year Ending June 30,	31,643,079	31,833,429	31,284,966
Contributions as a Percentage of Covered - Employee Payroll	10.6%	9.8%	11.7%

* Information for periods prior to implementation of GASB Statement No. 68 is unavailable and will be completed as it becomes available.

See Notes to Required Supplementary Information

2016	2015	2014	2013	2012	2011	2010
<u>\$ 1,835,272</u>	<u>\$ 1,665,460</u>	<u>\$ 2,029,197</u>	<u>\$ 1,971,959</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>
(1,835,272)	(1,665,460)	(2,029,197)	(1,971,959)	*	*	*
-	-	-	-	*	*	*
9,953,785	9,609,791	10,285,566	10,266,733	*	*	*
18.4%	17.3%	19.7%	19.2%	*	*	*

2016	2015	2014	2013	2012	2011	2010
<u>\$ 4,020,396</u>	<u>\$ 5,137,278</u>	<u>\$ 4,613,402</u>	<u>\$ 3,309,769</u>	<u>\$ *</u>	<u>\$ *</u>	<u>\$ *</u>
(4,020,396)	(5,137,278)	(4,613,402)	(3,309,769)	*	*	*
-	-	-	-	*	*	*
30,319,729	29,305,636	28,390,166	27,954,130	*	*	*
13.3%	17.5%	16.3%	11.8%	*	*	*

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Asset/Liability	0.033667%	0.033842%	0.031468%	0.034184%	0.033189%
School District's Proportionate Share of the Net Pension Asset./Liability	\$ 2,385,432	\$ 1,092,243	\$ 2,956,802	\$ 5,486,590	\$ 1,121,188
School District's Covered Payroll	10,757,490	10,633,885	9,767,043	9,953,785	9,609,791
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	22.2%	10.3%	30.3%	55.1%	11.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	96.3%	98.2%	94.7%	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/ASSET NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's Proportion of the Net Pension Asset/Liability	0.19543%	0.19744%	0.19649%	0.19509%	0.19220%
School District's Proportionate Share of the Net Pension Asset/Liability	\$ (3,533,898)	\$ (1,500,717)	\$ 2,104,445	\$(20,263,959)	\$(21,409,302)
School District's Covered Payroll	31,833,429	31,284,966	30,319,729	29,305,636	28,390,166
School District's Proportionate Share of the Net Pension Asset/Liability as a Percentage of its Covered Payroll	11.1%	4.8%	6.9%	69.2%	75.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset/Liability	101.5%	100.7%	99.0%	110.5%	111.5%

See Notes to Required Supplementary Information

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2019	2018	2017
Service Cost	\$ 4,648,817	\$ 4,519,921	\$ 4,257,070
Interest Cost	6,181,616	6,125,926	4,996,631
Changes of Benefit Terms	(2,403,234)	-	-
Differences Between Expected and Actual Experience	(15,369,247)	(95,060)	17,227,929
Changes in Assumptions or Other Inputs	485,497	3,961,509	(10,289,546)
Benefit Payments	(4,613,866)	(4,399,532)	(3,999,118)
	(11,070,417)	10,112,764	12,192,966
Total OPEB Liability - Beginning	171,200,952	161,088,188	148,895,222
Total OPEB Liability - Ending	\$ 160,130,535	\$ 171,200,952	\$ 161,088,188
Covered Employee Payroll	\$ 41,147,723	\$ 39,829,371	\$ 39,829,371
Total OPEB Liability as a Percentage of Covered Payroll	389%	430%	404%

* Information for periods prior to implementation of GASB Statement No. 75
is unavailable and will be completed as it becomes available.

See Notes to Required Supplementary Information

2016	2015	2014	2013	2012	2011	2010
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Note 1 **Budgetary Procedures and Budgetary Accounting**

The School District administration prepares a proposed budget for approval by the Board of Education (Board) for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. 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.

The following supplemental appropriations occurred during the year:

Adopted Budget	\$ 106,693,649
Carryover Encumbrances	806,625
Original Budget	<u>107,500,274</u>
Final Budget	<u>\$ 107,500,274</u>

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.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

Note 2 **Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

Note 3 **Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**
The last full actuarial valuation under GASB Statement No. 75 was completed for the fiscal year ended June 30, 2017. An interim valuation was done for the fiscal year ended June 30, 2018. A summary of changes from the last valuation follows:

Demographics	Updated census information
Actuarial Basis	<p>The Single Discount Rate changed from 3.61% to 3.44% effective June 30, 2019.</p> <p>The salary Scale changed from 3.31% to 3.36% effective June 30, 2019.</p> <p>Mortality rate updated to rates based on the Pub-2010 Public Retirement Plans Mortality Tables, Headcount-Weighted, without separate Contingent Survivor mortality, fully generational using scale MP-2018.</p> <p>Updated healthcare cost trend rates to rates effective June 30, 2019.</p>
Plan Costs	<p>Updated premium information.</p> <p>Retiree claims are assumed to be 10% higher than active claims at the same age (previously 0%.)</p>
Plan Provisions	Recognized changes made during the 2017-2018 fiscal year.

Note 4 **Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability**
The Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability, required supplementary information, present four years of information. These schedules will present ten years of information as it becomes available from the pension plans.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability**

NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits for the April 1, 2018 actuarial valuation.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2018 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2018 actuarial valuation determines the employer rates for contributions payable in fiscal year 2019. The following actuarial methods and assumptions were used:

Actuarial Cost Method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset Valuation Period	Five-year level smoothing of the difference between the actual gain and the expected gain using the assumed investment rate of return.
Inflation	2.5%
Salary Scale	3.8% in ERS, indexed by service.
Investment Rate of Return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of Living Adjustments	1.3% annually.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2019

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued**

NYSTRS

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition, at a rate of 20% per year, of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension Asset/Liability - Continued**

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of School Districts' Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial Cost Method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
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Asset Valuation Method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 7.5% at a rate of 20.0% per year, until fully recognized after five years.
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Inflation	2.5%
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Projected Salary Increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
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<u>Service</u>	<u>Rate</u>
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment Rate of Return	7.5% compounded annually, net of investment expenses, including inflation.
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Cost of Living Adjustments	1.5% compounded annually.
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GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2019

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$106,693,649
Prior Year's Encumbrances	806,625
Original Budget	<u>107,500,274</u>
Final Budget	<u><u>\$107,500,274</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next Year's Budget is a Voter Approved Budget	<u><u>\$ 110,180,670</u></u>
Maximum Allowed (4% of the 2019-2020 budget)	\$ 4,407,227
General Fund Fund Balance Subject to §1318 of Real Property Tax Law:	
Unrestricted Fund Balance:	
Assigned Fund Balance	\$ 3,022,967
Unassigned Fund Balance	<u>4,342,382</u>
Total Unrestricted Fund Balance	<u>7,365,349</u>
Less:	
Appropriated Fund Balance	2,400,000
Encumbrances Included in Assigned Fund Balance	<u>622,967</u>
Total Adjustments	<u>3,022,967</u>
General Fund Fund Balance Subject to §1318 of Real Property Tax Law	<u><u>\$ 4,342,382</u></u>
Actual Percentage	3.94%

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND FOR THE YEAR ENDED JUNE 30, 2019

PROJECT TITLE	Original Budget	Revised Budget	Expenditures		
			Prior Years	Current Year	Total
Smart School Bond Act	\$ 2,980,556	\$ 2,980,556	\$ 1,201,565	\$	\$ 1,201,565
Phase X Reconstruction	10,800,000	10,747,629	10,734,477		10,734,477
Phase I Reconstruction	8,929,368	9,597,626	2,598,720	6,411,233	9,009,953
Phase II Reconstruction	1,600,301	1,523,172		1,434,669	1,434,669
Phase III Reconstruction	16,241,285	16,229,217		609,629	609,629
Phase IV Reconstruction	6,183,074	5,885,072		2,300,258	2,300,258
Phase V Reconstruction	22,088,349	22,483,149		588,045	588,045
Phase VI Reconstruction	13,244,081	12,605,764		511,939	511,939
Buses 2017-2018	1,874,000	1,874,000	1,562,665		1,562,665
Buses 2018-2019	1,620,000	1,640,000		1,623,288	1,623,288
Buses 2019-2020	1,851,000	1,851,000		1,437	1,437
BOCES Project	2,028,096	3,695,020	3,433,219	261,801	3,695,020
Energy Performance	4,100,000	4,100,000		60	60
Carryover Capital Projects					
Carryover Bus Projects					
Total	\$ 93,540,110	\$ 95,212,205	\$ 19,530,646	\$ 13,742,359	\$ 33,273,005

Unexpended (Overexpended) Balance	Methods of Financing					Fund Balance (Deficit) June 30, 2019
	Proceeds of Obligations	State Aid	Local Sources	Transfers to Other Funds	Total	
\$ 1,778,991	\$	\$ 1,201,565	\$	\$	\$ 1,201,565	\$ -
13,152	10,367,178	185,822	247,000	(65,525)	10,734,475	(2)
587,673	5,615,614		5,000,000		10,615,614	1,605,661
88,503	2,009,138				2,009,138	574,469
15,619,588	853,736				853,736	244,107
3,584,814	2,381,074		600,000		2,981,074	680,816
21,895,104	823,509				823,509	235,464
12,093,825	716,929				716,929	204,990
311,335	1,560,000		2,665		1,562,665	-
16,712	1,620,000				1,620,000	(3,288)
1,849,563					-	(1,437)
			4,183,593	(488,573)	3,695,020	-
4,099,940					-	(60)
			34,150	(34,150)	-	-
	307,985			(307,985)	-	-
\$ 61,939,200	\$ 26,255,163	\$ 1,387,387	\$ 10,067,408	\$ (896,233)	\$ 36,813,725	\$ 3,540,720

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2019

Capital Assets, Net	<u>\$ 87,110,860</u>
Add:	
Unspent Bond Proceeds	<u>1,339,846</u>
Deferred Charges on Defeased Debt	<u>954,542</u>
Deduct:	
Unamortized Bond Premiums	<u>(2,763,559)</u>
Short-Term Portion of Bonds Payable	<u>(6,205,000)</u>
Long-Term Portion of Bonds Payable	<u>(44,460,000)</u>
Short-Term Portion of Energy Performance Contracts	<u>(504,886)</u>
Long-Term Portion of Energy Performance Contracts	<u>(1,945,016)</u>
Net Investment in Capital Assets	<u><u>\$ 33,526,787</u></u>



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

Board of Education
Gates Chili Central School District
Rochester, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Gates Chili Central School District (the School District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

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

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

INSERO & Co. CPAs, LLP

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Compliance and Other Matters

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

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 30, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Gates Chili Central School District
Rochester, New York

Report on Compliance for Each Major Federal Program

We have audited Gates Chili Central School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2019. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

INSERO & Co. CPAs, LLP

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Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

Respectfully Submitted,

A handwritten signature in dark ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, flowing style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 30, 2019

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass -Through Program Title	Federal CFDA #	Pass -Through Grantor #	Passed -Through to Subrecipients	Expenditures
U.S. Department of Education				
Passed Through NYS Department of Education				
Title I Grants to Local Educational Agencies	84.010	0021191335	\$	\$ 520,630
Title I Grants to Local Educational Agencies	84.010	0021181335		225,940
		Subtotal	-	746,570
Special Education Cluster				
Special Education - Grants to States	84.027	0032190357		1,045,560
Special Education - Preschool Grants	84.173	0033190357		46,487
Total Special Education Cluster		Subtotal	-	1,092,047
Improving Teacher Quality State Grants	84.367	0147191335		104,721
Improving Teacher Quality State Grants	84.367	0147181335		57,336
		Subtotal	-	162,057
English Language Acquisition State Grants	84.365	0293191335		8,698
English Language Acquisition State Grants	84.365	0293181335		8,800
English Language Acquisition State Grants	84.365	0149191335		17,886
		Subtotal	-	35,384
Title IV Student Support and Academic Enrichment Program	84.424	0204191335		12,491
Total U.S. Department of Education			-	2,048,549
U.S. Department of Agriculture				
Passed Through NYS Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	Unknown		1,072,754
Summer Food Program for Children	10.559	Unknown		85,112
School Breakfast Program	10.553	Unknown		244,596
Total Child Nutrition Cluster		Subtotal	-	1,402,462
Total U.S. Department of Agriculture			-	1,402,462
Total Expenditures of Federal Awards			\$ -	\$ 3,451,011

See Notes to Schedule of Expenditures of Federal Awards

GATES CHILI CENTRAL SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2019

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by the Gates Chili Central School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 **Matching Costs**

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2019, the School District received \$151,974 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

GATES CHILI CENTRAL SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ yes √ no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

_____ yes √ none reported

Noncompliance material to financial statements noted?

_____ yes √ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

_____ yes √ no

Significant deficiency(ies) identified that are not
considered to be material weakness(es)?

_____ yes √ none reported

Type of auditors' report issued on compliance for major programs

Unmodified

Any audit findings disclosed that are required to be reported
in accordance with Section 200.516(a) of Uniform Guidance?

_____ yes √ no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

10.553, 10.555, 10.559

Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B
Programs:

\$ 750,000

Auditee qualified as low-risk?

√ yes _____ no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None