

GATES CHILI CENTRAL SCHOOL DISTRICT

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

**GATES CHILI CENTRAL SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

To the 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 and each major fund of the Gates Chili Central School District (the District) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gates Chili Central School District as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Emphasis of Matter

As discussed in Note 17 to the financial statements, the net position as of July 1, 2020 has been restated to correct the beginning balance of capital assets, as a result of a physical inventory of capital assets. Our opinions are not modified with respect to that matter.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, the Gates Chili Central School District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, during the year ended June 30, 2021. Our opinions are not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison schedule - general fund on page 45, schedule of changes in the District's total OPEB liability and related ratios on page 46, schedule of District's proportionate share of the net pension assets/liabilities on page 47 - 48, and schedule of employer's contribution for pensions on page 49 - 50 and notes to required supplementary information on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 Gates Chili Central School District's basic financial statements. The other supplementary information listed on the table of contents 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 not a required part of the basic financial statements.

The other 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2021 on our consideration of the Gates Chili Central School District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gates Chili Central School District's internal control over financial reporting and compliance.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
September 29, 2021

GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The following is a discussion and analysis of the Gates Chili Central School District's (the "District") financial performance for the fiscal year ended June 30, 2021. This section is a summary of the 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. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The District ended the year with a total net deficit of \$82,824,280 compared to a net deficit of \$85,248,907 in the prior year. Net position was composed of \$47,514,475 in net investment in capital assets, \$35,765,209 in restricted and \$166,103,964 in unrestricted deficit. Unrestricted deficit increased \$13,293,067 compared to the prior year. Unrestricted net deficit at June 30, 2021 is primarily attributable to recognition of the total OPEB liability of \$193,750,315.
- The district-wide expenses exceeded revenues by \$6,425,640 in 2021 compared to district-wide expenses exceeding revenues by \$2,577,433 in 2020.
- The 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 an increase of expenses of \$2,170,800, compared to an increase of \$4,729,991 in 2020.
- The District had \$93,519,533 in outstanding debt at year end, an increase of \$11,782,705 from the prior year. This was primarily the result of the issuance of \$20,404,000 of serial bonds offset by principal payments.
- Capital asset additions during 2021 amounted to \$23,080,216 for the purchase of buses, vehicles, equipment and construction expenditures. Depreciation expense was \$6,463,049 for the current year and net book value of disposed assets amounted to \$630,612.
- Total fund balance of the general fund, including reserves, was \$42,686,439 at June 30, 2021. Unassigned fund balance amounted to \$4,715,280 which was subject to and below the maximum limit (4% of 2021-2022 appropriations) permitted under New York State Real Property Tax Law. The general fund had an excess of revenues and other financing sources over expenditures and other financing uses of \$7,483,341.
- General fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$9,854,385. General fund budgeted revenues and other financing sources exceeded actual amounts by \$2,371,044.
- For the year ended June 30, 2021, the District implemented GASB Statement No. 84, Fiduciary Activities. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.

GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements. The fund financial statements concentrate on the District's most significant funds.

The governmental funds statements tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, 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.

These two statements report the District's net position and changes in that position. The change in net position provides the reader with a tool to assist in determining whether the District's financial health is improving or deteriorating. The causes of this change may be the result of many factors, some financial, and some not. Non-financial factors include the District's property tax base, student enrollment growth, required educational programs, and facility conditions in arriving at their conclusion regarding the overall health of the District.

In the statement of net position and the statement of activities, the District reports governmental activities. Governmental activities are the activities where most of the District's programs and services are reported including, but not limited to: general support, instruction, pupil transportation, debt interest and the school lunch program. The District does not have any business-type activities.

The district-wide financial statements can be found on pages 13 and 14 of this report.

Fund Financial Statements

The fund financial statements are on pages 15 through 18 and provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by State law and by bond covenants. The District establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as Federal grants). The emphasis of the fund financial statements is on the major funds. For the 2020-2021 year, the District reports all funds as major funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No capital assets are reported in the fund financial statements. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds are reconciled in the basic financial statements. Activities in these funds and reconciliations to district-wide financial statements are reported on pages 15 through 18.

GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides the perspective of the District as a whole.

Table 1

Condensed Statement of Net Position
June 30, 2021 and 2020

| | <u>2021</u> | <u>Restated 2020</u> | <u>%</u> |
|---|------------------------|--------------------------|------------|
| Assets | | | |
| Current assets | \$ 61,632,028 | \$ 62,897,809 | (2.0) |
| Capital assets | <u>131,178,697</u> | <u>115,192,142</u> | 13.9 |
| Total assets | <u>192,810,725</u> | <u>178,089,951</u> | 8.3 |
| Deferred Outflows of Resources | <u>54,517,440</u> | <u>56,090,106</u> | (2.8) |
| Liabilities | | | |
| Current liabilities | 7,155,311 | 4,889,141 | 46.4 |
| Long-term liabilities | <u>297,649,031</u> | <u>276,769,943</u> | 7.5 |
| Total liabilities | <u>304,804,342</u> | <u>281,659,084</u> | 8.2 |
| Deferred Inflows of Resources | <u>25,348,103</u> | <u>29,099,640</u> | (12.9) |
| Net Position | | | |
| Net investment in capital assets | 47,514,475 | 41,896,438 | 13.4 |
| Restricted | 35,765,209 | 34,335,792 | 4.2 |
| Unrestricted | <u>(166,103,964)</u> | <u>(152,810,897)</u> | 8.7 |
| Total net position | <u>\$ (82,824,280)</u> | <u>\$ (76,578,667)</u> | 8.2 |

The decrease in current assets is primarily due the implementation of GASB 84, eliminating the due from fiduciary funds within the District offset by the increase in the amount of cash as well as federal and state receivables. The increase in capital assets is a result of current year capital outlay exceeding depreciation expense and net book value of disposed assets.

Changes in deferred outflows of resources and deferred inflows of resources are primarily due to changes from the prior year, based on an actuarial valuation of the District's OPEB plan as well as changes in the District's proportionate share of NYSERS and NYSTRS pension plan assets/liabilities. There was also a decrease in deferred charges on defeased debt related to amortization of deferred amounts on refunding bonds.

The increase in current liabilities is primarily due to an increase in accounts payable within the general fund and capital projects fund.

The increase in long-term liabilities relates to the fact that the District issued two new serial bonds during the fiscal year. Additional increases were related to changes in the actuarial valuation of the District's OPEB liability as well as the NYSERS and NYSTRS pension plans.

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 the result of increases in board approved reserves in the general fund. The District's unrestricted deficit increased primarily due to changes in the OPEB liability and net pension obligations in 2021.

GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Table 2

Changes in Net Position from Operating Results
For the Years Ended June 30, 2021 and 2020

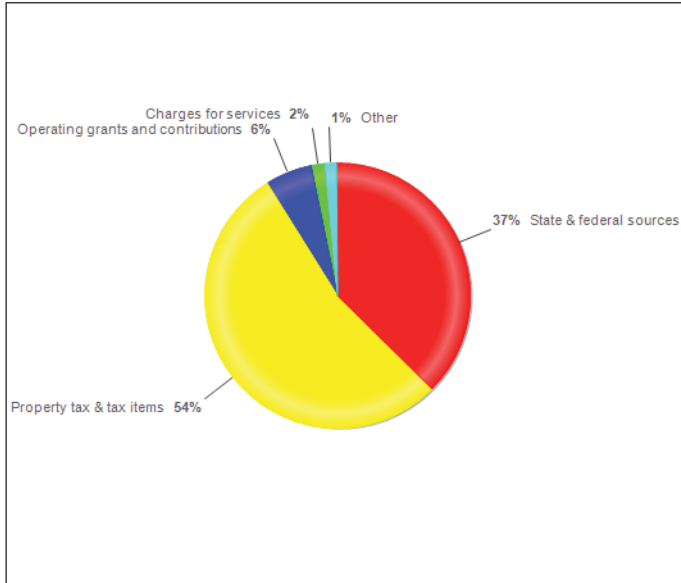
| | <u>2021</u> | <u>2020</u> | <u>%</u> |
|------------------------------------|-----------------------|-----------------------|-----------------|
| Revenues | | | |
| Program revenues: | | | |
| Charges for services | \$ 1,952,145 | \$ 2,018,553 | (3.3) |
| Operating grants and contributions | <u>6,133,078</u> | <u>6,661,607</u> | (7.9) |
| Total program revenues | <u>8,085,223</u> | <u>8,680,160</u> | (6.9) |
| General revenues: | | | |
| Property taxes and tax items | 58,390,971 | 57,166,395 | 2.1 |
| Sales taxes | 4,497,559 | 4,185,154 | 7.5 |
| State and federal sources | 40,520,019 | 40,315,469 | 0.5 |
| Use of money and property | 160,250 | 435,064 | (63.2) |
| Other | <u>1,499,485</u> | <u>1,693,664</u> | (11.5) |
| Total general revenues | <u>105,068,284</u> | <u>103,795,746</u> | 1.2 |
| Total revenues | <u>113,153,507</u> | <u>112,475,906</u> | 0.6 |
| Expenses | | | |
| General support | 16,161,947 | 15,682,550 | 3.1 |
| Instruction | 92,704,425 | 86,851,669 | 6.7 |
| Pupil transportation | 6,822,225 | 7,963,749 | (14.3) |
| Community services | 476,771 | 697,685 | (31.7) |
| Debt interest | 1,627,541 | 1,213,573 | 34.1 |
| School lunch program | <u>1,786,238</u> | <u>2,644,113</u> | (32.4) |
| Total expenses | <u>119,579,147</u> | <u>115,053,339</u> | 3.9 |
| Change in net position | <u>\$ (6,425,640)</u> | <u>\$ (2,577,433)</u> | (149.3) |

Total revenues for the District's governmental activities increased by \$677,601 or 0.6%, and total expenses increased \$4,525,808 or 3.9%. Property taxes increased based on increases in voter approved tax levy, while other tax items decreased due to STAR tax relief reimbursements. The increase in total expenses is primarily due to an increase in other post-employment benefits as well as the increase in health insurance costs.

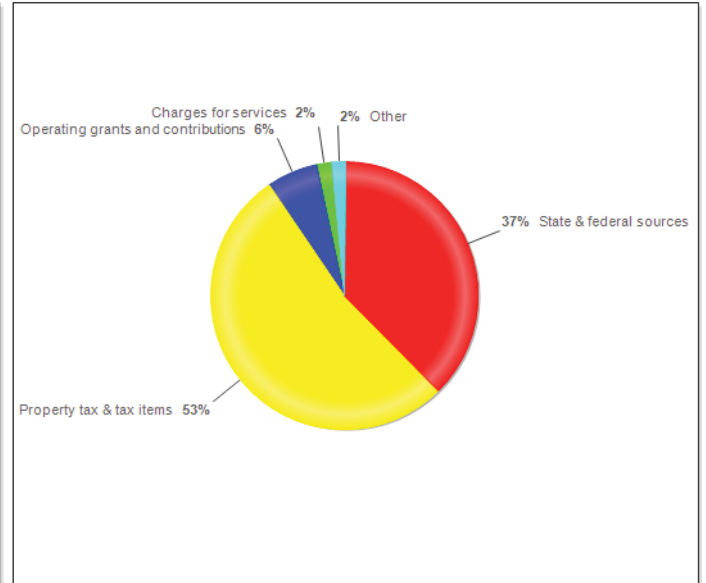
**GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

**Sources of Revenues for Governmental Activities
Table 3**

Fiscal Year 2021

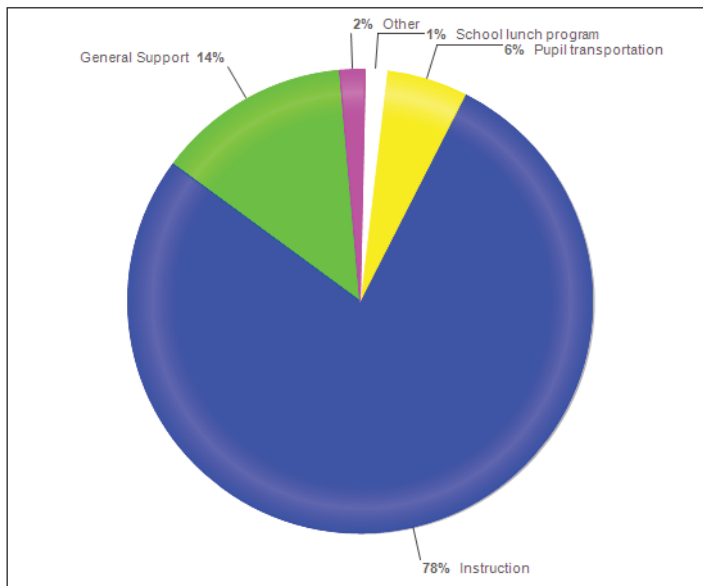


Fiscal year 2020

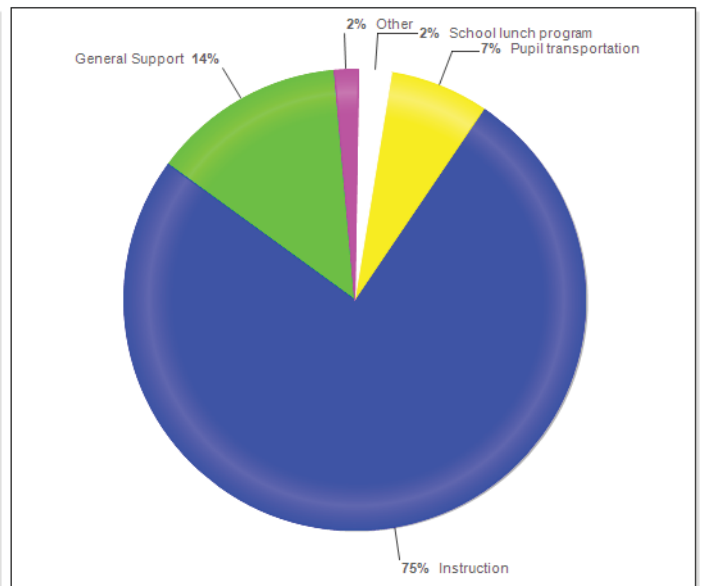


**Program Expenses for Governmental Activities
Table 4**

Fiscal Year 2021



Fiscal year 2020



GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Governmental Activities

In Table 5, we have presented the cost of each of the District's functions and programs, as well as each function's net cost (total cost less revenues generated by the activities). Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 5

| | <u>Total Cost of Services</u> | | |
|----------------------|--------------------------------------|-----------------------------|-----------------|
| | <u>2021</u> | <u>2020</u> | <u>%</u> |
| General support | \$ 16,161,947 | \$ 15,682,550 | 3.1 |
| Instruction | 92,704,425 | 86,851,669 | 6.7 |
| Pupil transportation | 6,822,225 | 7,963,749 | (14.3) |
| Community services | 476,771 | 697,685 | (31.7) |
| Debt interest | 1,627,541 | 1,213,573 | 34.1 |
| School lunch program | <u>1,786,238</u> | <u>2,644,113</u> | (32.4) |
| Total expenses | <u>\$119,579,147</u> | <u>\$115,053,339</u> | 3.9 |

| | <u>Net Cost of Services</u> | | |
|----------------------|------------------------------------|-----------------------------|-----------------|
| | <u>2021</u> | <u>2020</u> | <u>%</u> |
| General support | \$ 16,161,947 | \$ 15,549,131 | 3.9 |
| Instruction | 85,812,706 | 80,409,511 | 6.7 |
| Pupil transportation | 6,822,225 | 7,956,830 | (14.3) |
| Community services | 476,771 | 697,685 | (31.7) |
| Debt interest | 1,627,541 | 1,213,573 | 34.1 |
| School lunch program | <u>592,734</u> | <u>546,449</u> | (8.5) |
| Total expenses | <u>\$111,493,924</u> | <u>\$106,373,179</u> | 4.8 |

- **General Support** - Includes expenses of the Board of Education, district offices, contracted professional services, buildings and grounds maintenance, insurance and BOCES administrative/building expenses.
- **Instruction** - Includes curriculum and staff development, school supervision, regular K-12 programs, special education, BOCES vocational education, summer schools, libraries, computer-assisted education, pupil personnel services (counseling, health, psychological, social work), co-curricular activities and interscholastic athletics.
- **Pupil Transportation** - Includes salaries for drivers and mechanics; expenses for the bus fleet, and garage.
- **Community Services** - Includes expenses connected with the District continuing education.
- **Debt Interest** - Includes the transactions associated with the payment of interest and other related charges to debt for improvements to the District.
- **School Lunch Program** - Includes the preparation, delivery, and servicing of lunches, snacks, and other incidental meals to students and the school staff.

GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

THE SCHOOL DISTRICT'S FUNDS

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$153,597,471 and \$160,606,766 and expenditures and other financing uses of \$152,436,419 and \$141,198,793 in 2021 and 2020, respectively. The fund balance in the general fund increased by \$7,483,341 and \$7,996,612 in 2021 and 2020, respectively. There was no change in fund balance in the special aid fund. The fund balance in the miscellaneous special revenue fund increased by \$11,856 in 2021. In addition there was a restatement to the miscellaneous special revenue fund of \$180,027. The fund balance in the school lunch fund decreased by \$352,046 and \$273,079 in 2021 and 2020, respectively. The fund balance in the debt service fund decreased by \$2,464,684 in 2021 and increased by \$1,406,434 in 2020. The fund balance in the capital projects fund decreased by \$3,517,415 in 2021 and increased by \$10,278,006 in 2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Superintendent approves budgetary transfers that revise the 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 \$910,739.

The District received \$621,920 more in general fund revenues than was budgeted, primarily due to higher than expected federal aid. Expenditures and other financing uses were lower than the revised budget (including current carryover encumbrances) by \$9,854,385. This is primarily due to lower than expected costs related to general support, instructional programs, pupil transportation, and employee benefit expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal years 2021 and 2020, the District had \$223,846,177 and \$202,558,607 invested in land, construction in progress, buildings and improvements and machinery and equipment. Depreciation expense of \$6,463,049 and \$5,564,764 has been recorded in 2021 and 2020. The net book value at June 30, 2021 and 2020 was \$131,178,697 and \$115,192,142, respectively.

Table 6 shows the fiscal 2021 and 2020 balances for the major classes of assets:

Table 6

Capital Assets (Net of Depreciation)
At June 30, 2021 and 2020

| | <u>2021</u> | <u>Restated</u> <u>2020</u> | <u>Total</u> <u>Percentage</u> <u>Change</u> <u>%</u> |
|--------------------------|----------------------|--------------------------------|--|
| Land | \$ 1,226,581 | \$ 1,226,581 | - |
| Construction in progress | 38,056,728 | 20,071,265 | 89.6 |
| Buildings | 82,833,580 | 84,728,040 | (2.2) |
| Machinery and equipment | 9,061,808 | 9,166,256 | (1.1) |
| Total | <u>\$131,178,697</u> | <u>\$115,192,142</u> | 13.9 |

Additional information on the District's capital assets can be found in Notes 1 and 5 on pages 22 and 29, respectively, of this report. In addition, a schedule of project expenditures can be found on page 53.

GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021

Long-Term Debt

At June 30, 2021 and 2020, the District had total debt of \$297,649,031 and \$276,796,943, respectively.

Table 7

Outstanding Debt
At June 30, 2021 and 2020

| | <u>2021</u> | <u>2020</u> | Total Percentage Change % |
|------------------------------|----------------------|----------------------|--|
| Serial bonds - net | \$ 90,730,462 | \$ 78,456,669 | 15.6 |
| Energy performance contracts | 5,355,533 | 6,106,828 | (12.3) |
| Compensated absences | 2,447,095 | 2,384,364 | 2.6 |
| OPEB liability | 193,750,315 | 181,713,536 | 6.6 |
| Net pension liability | <u>5,365,626</u> | <u>8,135,546</u> | (34.0) |
| Total | <u>\$297,649,031</u> | <u>\$276,796,943</u> | 7.5 |

The School District's bond rating was Aa3 for 2021 and 2020.

Additional information on the District's long-term debt can be found in Note 6 beginning on page 29 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- 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. As has been the case for several years, 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.
- Additionally, the District will likely be affected by the ongoing COVID-19 pandemic crisis, as are all schools across the state and country. District spending patterns could be impacted by; 1) the instructional model being revised to include hybrid and remote learning via technology; and 2) significant costs being incurred for Personal Protective Equipment (PPE) and disinfecting supplies and equipment. Thus far, federally supporting funding programs have helped offset these costs. There is no indication of how long these programs will last.
- 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. One good piece of news coming out of New York State is that all schools will be fully funded per the legally obligated Foundation Aid Formula by the end of FYE 2024.
- 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 81% 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 additional and future borrowings to coincide with cash flow requirements associated with the expected construction duration.

**GATES CHILI CENTRAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2021**

- 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 six 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 District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Gates Chili Central Central School
Attn: Dr. Mitchell Ball, Assistant Superintendent for Business
Administration Building
3 Spartan Way
Rochester, New York 14624

GATES CHILI CENTRAL SCHOOL DISTRICT
Statement of Net Position
June 30, 2021

| | Governmental Activities |
|---|------------------------------------|
| Assets | |
| Cash and cash equivalents - unrestricted | \$ 15,477,495 |
| Cash and cash equivalents - restricted | 35,511,598 |
| Other receivables | 38,806 |
| State and federal aid receivables | 5,359,589 |
| Due from other governments | 5,122,526 |
| Inventory | 53,864 |
| Prepaid expenditures | 68,150 |
| Capital assets | |
| Capital assets - not depreciated | 39,283,309 |
| Capital assets - net of depreciation | 91,895,388 |
| Total assets | <u>192,810,725</u> |
| Deferred Outflows of Resources | |
| Deferred outflows of resources - OPEB | 28,491,949 |
| Deferred outflows of resources - pensions | 25,401,570 |
| Deferred charges on defeased debt | 623,921 |
| Total deferred outflows of resources | <u>54,517,440</u> |
| Liabilities | |
| Accounts payable | 2,405,849 |
| Accrued liabilities | 902,813 |
| Due to other governments | 1,555 |
| Accrued interest | 108,975 |
| Due to teacher's retirement system | 3,407,311 |
| Due to employee's retirement system | 328,808 |
| Long-term liabilities | |
| Portion due or payable within one year: | |
| Bonds payable | 9,279,000 |
| Energy performance contracts | 680,325 |
| Portion due or payable after one year: | |
| Bonds payable | 81,451,462 |
| Energy performance contracts | 4,675,208 |
| Compensated absences | 2,447,095 |
| Net pension liability - proportionate share | 5,365,626 |
| Other postemployment benefits liability | 193,750,315 |
| Total liabilities | <u>304,804,342</u> |
| Deferred Inflows of Resources | |
| Unearned revenue | 62,792 |
| Deferred inflows of resources - pensions | 11,978,858 |
| Deferred inflows of resources - OPEB | 13,306,453 |
| Total deferred inflows of resources | <u>25,348,103</u> |
| Net Position | |
| Net investment in capital assets | 47,514,475 |
| Restricted for | |
| Unemployment insurance | 2,693,635 |
| ERS retirement contribution | 11,353,950 |
| TRS retirement contribution | 2,063,186 |
| Tax certiorari | 980,178 |
| Capital - 2018 | 10,003,043 |
| Capital - 2020 | 5,000,000 |
| Capital - technology | 900,000 |
| Capital - vehicles | 300,000 |
| Employee benefit accrued liability | 1,181,814 |
| Debt | 1,289,403 |
| Unrestricted | (166,103,964) |
| Total net position | <u>\$ (82,824,280)</u> |

The accompanying notes are an integral part of these financial statements.

GATES CHILI CENTRAL SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2021

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expenses)</u> |
|--|-----------------------|-------------------------|----------------------|------------------------|
| | | <u>Charges for</u> | <u>Operating</u> | <u>Revenues and</u> |
| | | <u>Services</u> | <u>Grants and</u> | <u>Changes in Net</u> |
| | | | <u>Contributions</u> | <u>Position</u> |
| | | | | <u>Governmental</u> |
| | | | | <u>Activities</u> |
| Governmental activities | | | | |
| General support | \$ 16,161,947 | \$ - | \$ - | \$ (16,161,947) |
| Instruction | 92,704,425 | 1,928,680 | 4,963,039 | (85,812,706) |
| Pupil transportation | 6,822,225 | - | - | (6,822,225) |
| Community services | 476,771 | - | - | (476,771) |
| Debt interest | 1,627,541 | - | - | (1,627,541) |
| School lunch program | 1,786,238 | 23,465 | 1,170,039 | (592,734) |
| Total governmental activities | <u>\$ 119,579,147</u> | <u>\$ 1,952,145</u> | <u>\$ 6,133,078</u> | <u>(111,493,924)</u> |
| General Revenues | | | | |
| Real property taxes | | | | 55,889,506 |
| Real property tax items | | | | 2,501,465 |
| Non property tax items | | | | 4,497,559 |
| State sources | | | | 40,520,019 |
| Medicaid reimbursements | | | | 160,250 |
| Use of money and property | | | | 117,702 |
| Sale of property and compensation for gain (loss) | | | | (381,157) |
| Miscellaneous | | | | <u>1,762,940</u> |
| Total general revenues | | | | <u>105,068,284</u> |
| Change in Net Position | | | | <u>(6,425,640)</u> |
| Net Position - Beginning - as Previously Stated | | | | (85,248,907) |
| Restatement (See Note 17) | | | | 8,670,240 |
| Cumulative Effect of Change in Accounting Principle | | | | |
| (See Note 17) | | | | <u>180,027</u> |
| Net Position - Beginning - as Restated | | | | <u>(76,398,640)</u> |
| Net Position - Ending | | | | <u>\$ (82,824,280)</u> |

The accompanying notes are an integral part of these financial statements.

GATES CHILI CENTRAL SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2021

| | <u>Special Revenue Funds</u> | | | | | <u>Capital Projects Fund</u> | <u>Total Governmental Funds</u> |
|---|------------------------------|-----------------------------|---|------------------------------|------------------------------|----------------------------------|---|
| | <u>General Fund</u> | <u>Special Aid Fund</u> | <u>Miscellaneous Special Revenue Fund</u> | <u>School Lunch Fund</u> | <u>Debt Service Fund</u> | | |
| Assets | | | | | | | |
| Cash and cash equivalents - unrestricted | \$ 2,933,387 | \$ 154,292 | \$ 197,241 | \$ 394,723 | \$ - | \$ 11,797,852 | \$ 15,477,495 |
| Cash and cash equivalents - restricted | 34,475,806 | - | - | - | 1,035,792 | - | 35,511,598 |
| Other receivables | 36,534 | - | - | 2,272 | - | - | 38,806 |
| Due from other funds | 2,529,687 | - | - | 52,702 | 253,611 | - | 2,836,000 |
| State and federal aid receivables | 3,289,394 | 1,826,443 | - | 231,063 | - | 12,689 | 5,359,589 |
| Due from other governments | 5,100,001 | 22,525 | - | - | - | - | 5,122,526 |
| Inventory | - | - | - | 53,864 | - | - | 53,864 |
| Prepaid expenditures | 68,150 | - | - | - | - | - | 68,150 |
| Total Assets | \$ 48,432,959 | \$ 2,003,260 | \$ 197,241 | \$ 734,624 | \$ 1,289,403 | \$ 11,810,541 | \$ 64,468,028 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES | | | | | | | |
| Liabilities | | | | | | | |
| Accounts payable | \$ 1,080,740 | \$ 25,971 | \$ 3,369 | \$ 40,150 | \$ - | \$ 1,255,619 | \$ 2,405,849 |
| Accrued liabilities | 875,496 | 1,088 | 1,989 | 24,240 | - | - | 902,813 |
| Due to other funds | 52,702 | 1,958,961 | - | 570,726 | - | 253,611 | 2,836,000 |
| Due to other governments | - | 1,266 | - | 289 | - | - | 1,555 |
| Due to teacher's retirement system | 3,407,311 | - | - | - | - | - | 3,407,311 |
| Due to employee's retirement system | 328,808 | - | - | - | - | - | 328,808 |
| Total liabilities | 5,745,057 | 1,987,286 | 5,358 | 635,405 | - | 1,509,230 | 9,882,336 |
| Deferred Inflows of Resources | | | | | | | |
| Unearned revenue | 1,463 | 15,974 | - | 45,355 | - | - | 62,792 |
| Fund Balances | | | | | | | |
| Nonspendable | | | | | | | |
| Inventory | - | - | - | 53,864 | - | - | 53,864 |
| Prepaid expenditures | 68,150 | - | - | - | - | - | 68,150 |
| Restricted | | | | | | | |
| Reserve for unemployment insurance | 2,693,635 | - | - | - | - | - | 2,693,635 |
| Reserve for ERS retirement contribution | 11,353,950 | - | - | - | - | - | 11,353,950 |
| Reserve for TRS retirement contribution | 2,063,186 | - | - | - | - | - | 2,063,186 |
| Reserve for tax certiorari | 980,178 | - | - | - | - | - | 980,178 |
| Reserve for capital - 2018 | 10,003,043 | - | - | - | - | - | 10,003,043 |
| Reserve for capital - 2020 | 5,000,000 | - | - | - | - | - | 5,000,000 |
| Reserve for capital - technology | 900,000 | - | - | - | - | - | 900,000 |
| Reserve for capital - vehicles | 300,000 | - | - | - | - | - | 300,000 |
| Reserve for debt | - | - | - | - | 1,289,403 | - | 1,289,403 |
| Reserve for employee benefit accrued liability | 1,181,814 | - | - | - | - | - | 1,181,814 |
| Assigned | | | | | | | |
| Appropriated for next year's budget | 2,800,000 | - | - | - | - | - | 2,800,000 |
| Reserve for encumbrances | 627,203 | - | - | - | - | - | 627,203 |
| Reserve for capital projects fund | - | - | - | - | - | 10,301,311 | 10,301,311 |
| Reserve for miscellaneous special revenue fund | - | - | 191,883 | - | - | - | 191,883 |
| Unassigned | 4,715,280 | - | - | - | - | - | 4,715,280 |
| Total fund balances | 42,686,439 | - | 191,883 | 53,864 | 1,289,403 | 10,301,311 | 54,522,900 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 48,432,959 | \$ 2,003,260 | \$ 197,241 | \$ 734,624 | \$ 1,289,403 | \$ 11,810,541 | \$ 64,468,028 |

The accompanying notes are an integral part of these financial statements.

GATES CHILI CENTRAL SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

| | |
|----------------------------------|---------------|
| Total governmental fund balances | \$ 54,522,900 |
|----------------------------------|---------------|

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of the following:

| | |
|--|---------------------|
| Capital assets - not depreciated | |
| Land | \$ 1,226,581 |
| Construction in progress | 38,056,728 |
| Total capital assets - not depreciated | 39,283,309 |
| Capital assets - net of depreciation | |
| Buildings | 170,031,632 |
| Machinery and equipment | 14,531,236 |
| Total depreciable assets | 184,562,868 |
| Less - accumulated depreciation | <u>(92,667,480)</u> |
| Total capital assets - net of depreciation | 91,895,388 |

Some assets, liabilities, deferred inflows and outflows related to pensions, OPEB and debt are not reported in governmental funds. These consist of the following:

| | |
|--|----------------|
| Total OPEB liability | (193,750,315) |
| Net pension liability - teachers' retirement system | (5,334,856) |
| Net pension liability - employees' retirement system | (30,770) |
| Deferred inflows of resources - pensions - TRS | (2,919,681) |
| Deferred inflows of resources - pensions - ERS | (9,059,177) |
| Deferred outflows of resources - pensions - TRS | 18,466,260 |
| Deferred outflows of resources - pensions - ERS | 6,935,310 |
| Deferred inflows of resources - OPEB | (13,306,453) |
| Deferred outflows of resources - OPEB | 28,491,949 |
| Deferred charges on defeased debt | <u>623,921</u> |
| Total pension, OPEB and debt related items | (169,883,812) |

Long-term liabilities that are not due and payable in the current period are not reported in the funds. These liabilities consist of the following:

| | |
|------------------------------|---------------------|
| Accrued interest | (108,975) |
| Bonds payable | (88,164,000) |
| Unamortized bond premium | (2,566,462) |
| Energy performance contracts | (5,355,533) |
| Compensated absences | <u>(2,447,095)</u> |
| Total liabilities | <u>(98,642,065)</u> |

| | |
|---|------------------------|
| Net position of governmental activities | \$ <u>(82,824,280)</u> |
|---|------------------------|

GATES CHILI CENTRAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

| | <u>Special Revenue Funds</u> | | | | | | <u>Total Governmental Funds</u> |
|--|------------------------------|-----------------------------|---|------------------------------|------------------------------|----------------------------------|---|
| | <u>General Fund</u> | <u>Special Aid Fund</u> | <u>Miscellaneous Special Revenue Fund</u> | <u>School Lunch Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | |
| Revenues | | | | | | | |
| Real property taxes | \$ 55,889,506 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 55,889,506 |
| Real property tax items | 2,501,465 | - | - | - | - | - | 2,501,465 |
| Non property tax items | 4,497,559 | - | - | - | - | - | 4,497,559 |
| Charges for services | 1,928,680 | - | - | - | - | - | 1,928,680 |
| Use of money and property | 88,485 | - | - | 447 | 8,668 | - | 97,600 |
| Sale of property and compensation for gain (loss) | 249,455 | - | - | - | - | - | 249,455 |
| Miscellaneous | 1,615,683 | 28,641 | 117,189 | 1,427 | - | - | 1,762,940 |
| State sources | 41,205,559 | 1,665,859 | - | 39,118 | - | 12,689 | 42,923,225 |
| Federal sources | 969,841 | 1,789,360 | - | 1,130,921 | - | - | 3,890,122 |
| Sales - school lunch | - | - | - | 23,465 | - | - | 23,465 |
| Total revenues | 108,946,233 | 3,483,860 | 117,189 | 1,195,378 | 8,668 | 12,689 | 113,764,017 |
| Other Financing Sources | | | | | | | |
| Interfund transfers | 3,017,775 | 200,142 | - | 198,702 | 11,066,590 | 6,692 | 14,489,901 |
| Proceeds from energy performance contract | - | - | - | - | - | 4,093,308 | 4,093,308 |
| Proceeds on issuance of debt | - | - | - | - | - | 20,404,000 | 20,404,000 |
| Premiums on obligations | - | - | - | - | 621,507 | 224,738 | 846,245 |
| Total revenues and other financing sources | 111,964,008 | 3,684,002 | 117,189 | 1,394,080 | 11,696,765 | 24,741,427 | 153,597,471 |
| Expenditures | | | | | | | |
| General support | 9,194,986 | - | - | 1,300,615 | - | 25,157,425 | 35,653,026 |
| Instruction | 55,170,202 | 3,651,825 | 105,333 | - | - | 1,273,969 | 60,201,329 |
| Pupil transportation | 3,466,901 | - | - | - | - | 1,606,716 | 5,073,617 |
| Community services | 294,335 | - | - | - | - | - | 294,335 |
| Employee benefits | 25,091,766 | 32,177 | - | 445,511 | - | - | 25,569,454 |
| Debt principal | - | - | - | - | 8,621,295 | - | 8,621,295 |
| Debt interest | - | - | - | - | 2,533,462 | - | 2,533,462 |
| Total expenditures | 93,218,190 | 3,684,002 | 105,333 | 1,746,126 | 11,154,757 | 28,038,110 | 137,946,518 |
| Other Financing Uses | | | | | | | |
| Interfund transfers | 11,262,477 | - | - | - | 3,006,692 | 220,732 | 14,489,901 |
| Total expenditures and other financing uses | 104,480,667 | 3,684,002 | 105,333 | 1,746,126 | 14,161,449 | 28,258,842 | 152,436,419 |
| Change in Fund Balance | <u>7,483,341</u> | <u>-</u> | <u>11,856</u> | <u>(352,046)</u> | <u>(2,464,684)</u> | <u>(3,517,415)</u> | <u>1,161,052</u> |
| Fund Balances - Beginning, as Previously Stated | 35,203,098 | - | - | 405,910 | 3,754,087 | 13,818,726 | 53,181,821 |
| Restatement | <u>-</u> | <u>-</u> | <u>180,027</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>180,027</u> |
| Fund Balances - Beginning, as Restated | <u>35,203,098</u> | <u>-</u> | <u>180,027</u> | <u>405,910</u> | <u>3,754,087</u> | <u>13,818,726</u> | <u>53,361,848</u> |
| Fund Balances - Ending | <u>\$ 42,686,439</u> | <u>\$ -</u> | <u>\$ 191,883</u> | <u>\$ 53,864</u> | <u>\$ 1,289,403</u> | <u>\$ 10,301,311</u> | <u>\$ 54,522,900</u> |

The accompanying notes are an integral part of these financial statements.

GATES CHILI CENTRAL SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2021

| | | |
|---|--------------------|-----------------------|
| Net change in fund balances - total governmental funds | | \$ 1,161,052 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following: | | |
| Capital outlay | \$ 23,080,216 | |
| Depreciation expense | <u>(6,463,049)</u> | |
| Excess of capital outlay over depreciation | | 16,617,167 |
| Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period, these amounts are the following: | | |
| Debt repayments | | 8,621,295 |
| Some items 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. In the current period, these amounts are the following: | | |
| Compensated absences | | (62,731) |
| Total OPEB liability | | (12,036,779) |
| Deferred outflows of resources - OPEB | | (5,029,560) |
| Deferred inflows of resources - OPEB | | 8,740,643 |
| Deferred inflows of resources - pensions - TRS & ERS | | (4,926,314) |
| Deferred outflows of resources - pensions - TRS & ERS | | 3,615,221 |
| Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. | | |
| | | (20,404,000) |
| Changes in the proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds: | | |
| Teachers' retirement system | | (10,275,576) |
| Employees' retirement system | | 8,104,776 |
| Other differences | | |
| Accrued interest | (22,102) | |
| Bond premium proceeds | (826,143) | |
| Amortization of bond premiums | 1,086,350 | |
| Amortization of deferred amounts on refunded debt | (158,327) | |
| Disposition of assets | <u>(630,612)</u> | |
| Total other differences | | <u>(550,834)</u> |
| Change in net position of governmental activities | | \$ <u>(6,425,640)</u> |

The accompanying notes are an integral part of these financial statements.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The financial statements of the Gates Chili Central School District, (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units (hereinafter referred to as generally accepted accounting principals (GAAP)). The Government Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The following is a summary of significant accounting policies and reporting practices of the District:

A. Reporting Entity

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

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

The reporting entity of the District is based upon criteria set forth by GASB Statement 14, *Defining The Financial Reporting Entity*, and Statement No. 61, *The Financial Reporting Entity: Omnibus*. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

1. Extraclassroom Activity Funds

The extraclassroom activity funds of the District represent funds of the students of the District. The Board of Education exercises general oversight of these funds. The extraclassroom activity funds are independent of the District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the extraclassroom activity funds can be found at the District's business office. The District accounts for assets held as an agent for various student organizations in the miscellaneous special revenue fund.

B. Joint Venture

The 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 Districts in a geographic area that shares planning, services, and programs that provide educational and support activities. There is no authority or process by which a 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.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school districts enrollment as defined in Education Law, §1950(4)(b)(7). In addition, component 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.

C. Basis of Presentation

1. District-Wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall 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.

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

2. Fund Financial Statements

The fund statements provide information about the District's funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following Major Governmental funds -

- i. **General Fund** - This is the District's primary operating fund. It accounts for all financial transactions that are not required to be accounted for in another fund. The general fund is always reported as a major fund.
- ii. **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:
 1. **Special Aid Fund** - Used to account for proceeds received from state and federal grants that are restricted for special educational programs.
 2. **Miscellaneous Special Revenue Fund** - Used to account for funds utilized for extraclassroom and scholarship activities at the District.
 3. **School Lunch Fund** - Used to account for child nutrition activities whose funds are restricted as to use.
- iii. **Debt Service Fund** - This fund accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of governmental activities.
- iv. **Capital Projects Fund** - This fund is used to account for the financial resources used for acquisition, construction, or major repair of capital facilities.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

D. Measurement Focus and Basis of Accounting

1. Accrual

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the 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 and sales taxes are recognized in the fiscal year for which the taxes are levied or earned. 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.

2. Modified Accrual

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 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.

3. 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.

4. Cash and Investments

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

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

5. Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

6. Due To/From State, Federal and Other Governments

The District reports amounts due to and due from state, federal and other governments 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.

7. 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 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.

8. Due To/From Other Funds

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

The amounts reported on the statement of net position as due to and due from other funds represents amounts due between different 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.

9. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Donated assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following useful lives:

| | <u>Capitalization Threshold</u> | <u>Estimated Useful Life</u> |
|-------------------------|--|---|
| Buildings | \$ 50,000 | 15-50 Years |
| Machinery and equipment | \$ 5,000 | 5-25 Years |

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

10. 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 judgments, other post employment 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 District's future obligations or future economic outflows. The liabilities are reported as due within one year or due within more than one year in the statement of net position.

11. Other Postemployment Benefits

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 District's employees may become eligible for these benefits if they reach normal retirement age while working for the 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 District and the retired employee. The 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 District complies with GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The District's liability for other postemployment benefits has been recorded in the statement of net position, in accordance with the statement. See Note 10 for additional information.

12. Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the 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 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.

13. Accounting and Financial Reporting for Pensions

The District complies with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the District to report as an asset and/or liability for its portion of the collective pension asset and/or liability in the New York State Teachers' and Employees' Retirement Systems. The District also reports a deferred outflow and/or a deferred inflow for the effect of the net change in the District's proportion of the collective net pension asset and/or liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow is the District contributions to the pension systems subsequent to the measurement date. See Note 9.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

14. Vested Employee Benefits

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.

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 a you go basis.

15. Budgetary Procedures and Budgetary Accounting

The District administration prepares a proposed general fund budget for approval by the Board of Education. The Board of Education presents their approved budget proposition to the voters. The voters of the District approved the proposed appropriation budget for the general fund on May 19, 2020.

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.

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. The special revenue funds have not been included in the budget and actual comparison because they do not have legally authorized (appropriated) budgets.

16. Deferred Outflows and 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 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 District also reports deferred outflows of resources related to pension plans and OPEB plan in the district-wide statement of net position. The types of deferred outflows of resources related to pension plans and OPEB plan are described in Notes 9 and 10, 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 District reports deferred inflows of resources related to cash received before the related revenue is earned and is reported as unearned revenue. The District also reports deferred inflows of resources related to pension plans and OPEB plan which are further described in Notes 9 and 10, respectively.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

17. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes.

18. Net Position and Fund Balance - Reservations and Designations

a. District-wide statements

In the district-wide statements there are three classification of net position:

Net Investment in Capital Assets - This component of net position consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets as well as unspent bond proceeds.

Restricted Net Position - This component of net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted Net Position - This component of net position consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

The District will fund outlays for a particular purpose for both restricted and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the district-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. When resources are available from multiple classifications, the District spends funds in the following order: restricted, unrestricted.

b. Fund statements

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

- **Nonspendable Fund Balance** - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.
- **Restricted Fund Balance** - amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Most of the District's legally adopted reserves are reported here.
- **Committed Fund Balance** - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the District, the highest level of decision making authority resides with the Board of Education. The District does not maintain committed fund balance.
- **Assigned Fund Balance** - amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Board of Education delegates the authority.
- **Unassigned Fund Balance** - amounts that are available for any purpose.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

For the classification of governmental fund balances, the District considers an expenditure to be made from budgetary appropriation first when more than one classification is available. The District established and modifies fund balance commitments by a passage of a resolution in meetings of the Board of Education. Assigned fund balance is established by the District through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The District's Purchasing Agent is responsible for all the purchasing activities of the District and encumbrances at year end, which are considered assigned funds and therefore, the purchasing agent is designated as having the authority to assign amounts intended to be used for specific purposes. The Board of Education approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance. When resources are available from multiple classifications, the District spends funds in the following order: restricted, committed, assigned, unassigned.

The District has implemented a policy in accordance with Real Property Tax Law §1318 which limits the amount of unexpended surplus funds a school district can retain to no more than 4% of next year's budgetary appropriations. Funds properly maintained under other sections of law are excluded from the 4% limitation. Under GASB Statement No. 54 classifications, the 4% limitation is interpreted to be the total of committed, assigned, and unassigned classifications, minus the appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction and encumbrances included in committed and assigned fund balance.

The following is a summary of the District's fund balance classifications and categories within those classifications. Restricted and assigned fund balance categories are available to the District. Any capital gains or interest earned on restricted or assigned fund resources becomes part of the respective restricted or assigned fund balance category. While a separate bank account is not necessary for each restricted or assigned fund, a separate identity for each reserve fund must be maintained.

A. Nonspendable

1. Reserve for Inventory - Amounts classified as nonspendable for inventory related directly to the amounts reported in the balance sheet - governmental funds as inventory. The balance at June 30, 2021 is \$53,864.

2. Reserve for Prepaid Expenditures - Amounts classified as nonspendable for prepaid expenditures related directly to the amounts reported in the balance sheet - governmental funds as prepaid expenditures. The balance at June 30, 2021 is \$68,150.

B. Restricted

1. Reserve for Unemployment Insurance - Unemployment Insurance Reserve (GML §6-m) is 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 sixty 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 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. The balance at June 30, 2021 is \$2,693,635.

2. Reserve for ERS Retirement Contribution - Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing contributions to the New York State and Local Employee's Retirement System. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the reserve must be provided to the Board. This reserve is accounted for in the general fund. The balance at June 30, 2021 is \$11,353,950.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

a. Reserve for TRS Retirement Contribution - TRS reserve is used for the purpose of financing retirement contributions to the New York State Teacher's Retirement System. General Municipal Law (GML §6-r) permits school districts to finance retirement contributions to the TRS. The reserve must be accounted for separate and apart from all other funds, and a detailed report of the operation and condition of the reserve must be provided to the Board. The reserve is accounted for in the general fund. The balance at June 30, 2021 is \$2,063,186.

3. Reserve for Tax Certiorari - Tax Certiorari Reserve (Education Law §3651.1-a) is 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 which 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. The reserve is accounted for in the general fund. The balance at June 30, 2021 is \$980,178.

4. Reserve for Capital - Capital Reserve (Education Law §3651) is used to pay the cost of any object or purpose for which bonds may be issued. The creation of a capital reserve fund requires authorization by a majority of the voters establishing the purpose of the reserve; the ultimate amount, its probable term and the source of the funds. Expenditure may be made from the 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. These reserves are accounted for in the general fund. The balance at June 30, 2021 for the capital reserves are, \$10,003,043 for capital 2018, \$5,000,000 for capital 2020, \$900,000 for technology and \$300,000 for vehicle purchases.

5. Reserve for Debt Service - Mandatory Reserve for Debt Service (GML §6-l) is used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of 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 District property or capital improvement. The reserve is accounted for in the debt service fund. The balance at June 30, 2021 is \$1,289,403.

6. Reserve for Employee Benefit Accrued Liability - Reserve for Employee Benefit Accrued Liability (GML §6-p) is used to reserve funds for the payment of accrued employee benefit due to an employee upon termination of the employee's service. This reserve may be established by a majority vote of the Board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. The reserve is accounted for in the general fund. The balance at June 30, 2021 is \$1,181,814.

C. Assigned

1. Reserve for Subsequent Year - Represents the estimated fund balance that is appropriated into the adopted budget. The balance at June 30, 2021 is \$2,800,000.

2. Reserve for Encumbrances - Reserve for encumbrances represents the amount of outstanding encumbrances at the end of the fiscal year. The balance at June 30, 2021 is \$627,203.

3. Reserve for Capital Projects Fund - Represents the amount of fund balance reserved for capital projects. The balance at June 30, 2021 is \$10,301,311.

4. Reserve for Miscellaneous Special Revenue Fund - Represents the amount of fund balance reserved for the miscellaneous special revenue fund. The balance at June 30, 2021 is \$191,883.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

E. Property Taxes

Real property taxes are levied annually by the Board of Education no later than September 1. For the year ended June 30, 2021, the tax lien was issued on August 18, 2020. Taxes were collected during the period September 1, 2020 to October 31, 2020. 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.

Note 2. Cash and Investments

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

Collateral is required for time deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

The written investment policy requires repurchase agreements to be purchased from banks and primary security dealers located within the state and that underlying securities must be obligations of the Federal government.

Deposits and investments at year end consisted of:

| | <u>Carrying Amount</u> | <u>Bank Balance</u> |
|---------------------------|-----------------------------------|--------------------------------|
| Cash and cash equivalents | \$ <u>50,989,093</u> | \$ <u>52,261,243</u> |
| Collateralized amounts | | \$ 50,512,223 |
| Covered by FDIC insurance | | <u>1,749,020</u> |
| Total deposits | | \$ <u>52,261,243</u> |

Note 3. Accounts Receivable

Receivables at June 30, 2021 consisted of the following, which are stated at net realizable value. District management has deemed the amounts to be fully collectible:

| <u>Description</u> | <u>Amount</u> |
|----------------------------|----------------------|
| State and federal aid | \$ 5,359,589 |
| Due from other governments | 5,122,526 |
| Other | <u>38,806</u> |
| Total | \$ <u>10,520,921</u> |

Note 4. Participation in BOCES

During the year, the District was billed \$15,657,860 for BOCES administrative and program costs. The District's share of BOCES aid amounted to \$3,008,801.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 5. Capital Assets

Capital asset balances and activity for the year ended June 30, 2021 was as follows:

| | <u>Restated Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|---|---|----------------------|-----------------------|---------------------------|
| Governmental Activities | | | | |
| Capital Assets Not Depreciated | | | | |
| Land | \$ 1,226,581 | \$ - | \$ - | \$ 1,226,581 |
| Construction in progress | <u>20,071,265</u> | <u>19,212,326</u> | <u>(1,226,863)</u> | <u>38,056,728</u> |
| Total capital assets not depreciated | <u>21,297,846</u> | <u>19,212,326</u> | <u>(1,226,863)</u> | <u>39,283,309</u> |
| Capital Assets Depreciated | | | | |
| Buildings | 166,919,646 | 3,120,786 | (8,800) | 170,031,632 |
| Machinery and equipment | <u>14,341,115</u> | <u>1,973,967</u> | <u>(1,783,846)</u> | <u>14,531,236</u> |
| Total capital assets depreciated | <u>181,260,761</u> | <u>5,094,753</u> | <u>(1,792,646)</u> | <u>184,562,868</u> |
| Less - Accumulated Depreciation | | | | |
| Buildings | 82,191,606 | 5,012,698 | (6,252) | 87,198,052 |
| Machinery and equipment | <u>5,174,859</u> | <u>1,450,351</u> | <u>(1,155,782)</u> | <u>5,469,428</u> |
| Total accumulated depreciation | <u>87,366,465</u> | <u>6,463,049</u> | <u>(1,162,034)</u> | <u>92,667,480</u> |
| Total capital assets depreciated - net | <u>93,894,296</u> | <u>(1,368,296)</u> | <u>(630,612)</u> | <u>91,895,388</u> |
| Governmental Activities Capital Assets - Net | <u>\$115,192,142</u> | <u>\$ 17,844,030</u> | <u>\$ (1,857,475)</u> | <u>\$131,178,697</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--------------------------------|---------------------|
| Governmental Activities | |
| General government support | \$ 3,753,025 |
| Instruction | 1,497,979 |
| Pupil transportation | 1,171,933 |
| School lunch | <u>40,112</u> |
| Total depreciation expense | <u>\$ 6,463,049</u> |

The District underwent a complete physical inventory of capital assets during the year ended June 30, 2021. This resulted in a restatement to the beginning balance of capital assets in the amount of \$8,670,240. See Note 17.

Note 6. Indebtedness

A. Short-Term Debt

Bond Anticipation Notes

The 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. New York 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. The changes in the District's bond anticipation notes (BAN) are as follows:

| <u>Purpose</u> | <u>Due Date / Interest Rate</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|----------------|-------------------------------------|------------------------------|------------------|-------------------|---------------------------|
| 2021 BAN | 06/21, 0.75% | \$ - | \$ 10,000,000 | \$ 10,000,000 | \$ - |

The bond anticipation note included a premium of \$20,102 for the year ended June 30, 2021. Total interest expense on the bond anticipation note was \$32,708 for the year ended June 30, 2021.

B. Long-Term Debt

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Serial Bonds and Energy Performance Contracts

The District borrows money in order to acquire land or high cost 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. The District uses energy savings from large-scale energy-efficiency improvements to finance the cost of new equipment and other capital improvements over several years. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the District-wide financial statements (statement of net position).

The District had the following serial bonds and energy performance contracts outstanding as of June 30, 2021:

| <u>Purpose</u> | <u>Due Date / Interest Rate</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> |
|-------------------------------------|--|-------------------------------------|-------------------------|--------------------------|----------------------------------|
| Refunding bonds | | | | | |
| Refunding bonds - 2015 | 06/27; 2.0-5.0% | \$ 16,550,000 | \$ - | \$ 2,050,000 | \$ 14,500,000 |
| Refunding bonds - 2020 | 06/26, 2.0-5.0% | <u>5,020,000</u> | <u>-</u> | <u>1,025,000</u> | <u>3,995,000</u> |
| Sub-total | | <u>21,570,000</u> | <u>-</u> | <u>3,075,000</u> | <u>18,495,000</u> |
| Energy performance contracts | | | | | |
| EPC - 2005 (phase I) | 06/22; 3.8% | 264,865 | - | 174,094 | 90,771 |
| EPC - 2013 refinancing (phase II) | 06/23; 1.8% | 493,789 | - | 161,660 | 332,129 |
| EPC - 2013 refinancing (phase III) | 06/26; 2.4% | 1,186,362 | - | 185,935 | 1,000,427 |
| EPC - 2020 | 12/35; 2.1% | <u>4,161,812</u> | <u>-</u> | <u>229,606</u> | <u>3,932,206</u> |
| Sub-total | | <u>6,106,828</u> | <u>-</u> | <u>751,295</u> | <u>5,355,533</u> |
| Serial bonds | | | | | |
| Serial bond - 2013 | 06/28; 2.9% | 795,000 | - | 95,000 | 700,000 |
| Serial bond - 2013 | 06/42; 3.0-4.0% | 3,435,000 | - | 105,000 | 3,330,000 |
| Serial bond - 2016 | 06/21; 3.0-4.0% | 325,000 | - | 325,000 | - |
| Serial bond - 2017 | 06/22; 2.0% | 590,000 | - | 295,000 | 295,000 |
| Serial bond - 2018 | 06/31; 3.0% | 4,835,000 | - | 440,000 | 4,395,000 |
| Serial bond - 2019 | 06/23; 1.5-3.0% | 1,065,000 | - | 345,000 | 720,000 |
| Serial bond - 2019 | 06/40; 3.0% | 11,405,000 | - | 645,000 | 10,760,000 |
| Serial bond - 2020 | 06/24; 3.0-4.0% | 1,610,000 | - | 330,000 | 1,280,000 |
| Serial bond - 2020 | 06/37; 2.0% | 30,000,000 | - | 2,215,000 | 27,785,000 |
| Serial bond - 2020 | 6/25; 5.0% | - | 1,580,000 | - | 1,580,000 |
| Serial bond - 2021 | 6/36; 2.0% | - | <u>18,824,000</u> | - | <u>18,824,000</u> |
| Sub-total | | <u>54,060,000</u> | <u>20,404,000</u> | <u>4,795,000</u> | <u>69,669,000</u> |
| Bond premiums | | <u>2,826,669</u> | <u>826,143</u> | <u>1,086,350</u> | <u>2,566,462</u> |
| Total long-term debt - net | | <u>\$ 84,563,497</u> | <u>\$ 21,230,143</u> | <u>\$ 9,707,645</u> | <u>\$ 96,085,995</u> |

In prior years, the District defeased certain general obligations bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. \$21,720,000 of bonds outstanding are considered defeased.

In the event of a default in the payment of the principal or interest on the serial bonds, the New York State Comptroller is required to withhold, under certain conditions prescribed by Section 99-b of the New York State Finance Law, state aid and assistance to the District and to apply the amount thereof so withheld to the payment of such defaulted principal and/or interest, which requirement constitutes a covenant by the State with the holders from time to time of the serial bonds. Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by a municipality upon any judgment or accrued claim against such municipality shall not exceed nine per centum per annum. This provision might be constructed to have application to the holders of the serial bonds in the event of a default in the payment of the principal or interest on the serial bonds.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Interest on long-term debt for the year amounted to:

| | |
|--|---------------------|
| Interest paid | \$ 2,533,462 |
| Less: interest accrued in the prior year | (86,873) |
| Add: interest accrued in the current year | 108,975 |
| Add: amortization of deferred charges on defeased debt | 158,327 |
| Less: amortization on bond premiums | <u>(1,086,350)</u> |
| Total interest expense | <u>\$ 1,627,541</u> |

C. Changes in Long-Term Debt

The changes in the District's long-term indebtedness during the year ended June 30, 2021 are summarized as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|------------------------------|------------------------------|----------------------|----------------------|---------------------------|--|
| Serial bonds | \$ 75,630,000 | \$ 20,404,000 | \$ 7,870,000 | \$ 88,164,000 | \$ 9,279,000 |
| Bond premiums | 2,826,669 | 826,143 | 1,086,350 | 2,566,462 | - |
| Energy performance contracts | 6,106,828 | - | 751,295 | 5,355,533 | 680,325 |
| Total OPEB liability | 181,713,536 | 12,036,779 | - | 193,750,315 | - |
| Compensated absences | 2,384,364 | 62,731 | - | 2,447,095 | - |
| Net pension liability - ERS | 8,135,546 | - | 8,104,776 | 30,770 | - |
| Net pension liability - TRS | - | <u>5,334,856</u> | - | <u>5,334,856</u> | - |
| Total | <u>\$276,796,943</u> | <u>\$ 38,664,509</u> | <u>\$ 17,812,421</u> | <u>\$297,649,031</u> | <u>\$ 9,959,325</u> |

D. Deferred Charges on Deferred Debt

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:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due Within One Year</u> |
|----------------------|------------------------------|------------------|-------------------|---------------------------|--|
| 2015 refunding bonds | \$ <u>782,248</u> | \$ <u>-</u> | \$ <u>158,327</u> | \$ <u>623,921</u> | \$ <u>143,728</u> |

E. Maturity

The following is the amortization schedule for the long-term liability resulting from the serial bonds:

| | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|----------------------|----------------------|----------------------|
| 2021 - 2022 | \$ 9,959,325 | \$ 2,656,491 | \$ 12,615,816 |
| 2022 - 2023 | 10,392,171 | 2,374,727 | 12,766,898 |
| 2023 - 2024 | 9,849,491 | 2,040,853 | 11,890,344 |
| 2024 - 2025 | 9,274,585 | 1,716,272 | 10,990,857 |
| 2025 - 2026 | 9,134,908 | 1,413,463 | 10,548,371 |
| 2026 - 2031 | 24,948,444 | 3,954,004 | 28,902,448 |
| 2031 - 2036 | 17,810,609 | 1,449,890 | 19,260,499 |
| 2036 - 2041 | 1,925,000 | 200,300 | 2,125,300 |
| 2041 - 2042 | <u>225,000</u> | <u>9,000</u> | <u>234,000</u> |
| Total | <u>\$ 93,519,533</u> | <u>\$ 15,815,000</u> | <u>\$109,334,533</u> |

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 7. Interfund Balances and Activity

Interfund receivables and payables at June 30, 2021 are as follows:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-----------------------|--|-------------------------------------|
| General fund | \$ 2,529,687 | \$ 52,702 |
| Special aid fund | - | 1,958,961 |
| Capital projects fund | - | 253,611 |
| School lunch fund | 52,702 | 570,726 |
| Debt service fund | 253,611 | - |
| Total | <u>\$ 2,836,000</u> | <u>\$ 2,836,000</u> |

The District typically transfers from the general fund to the special aid fund the District's share of the cost to accommodate the mandated accounting for the 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 District also transfers funds from the capital reserve in the general fund to capital funds, as needed, to fund capital projects.

The 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.

Note 8. Interfund Transfers

Interfund transfers for the year ended June 30, 2021 consisted of the following:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-----------------------|----------------------------|-----------------------------|
| General fund | \$ 3,017,775 | \$ 11,262,477 |
| Special aid fund | 200,142 | - |
| School lunch fund | 198,702 | - |
| Debt service fund | 11,066,590 | 3,006,692 |
| Capital project funds | 6,692 | 220,732 |
| Total | <u>\$ 14,489,901</u> | <u>\$ 14,489,901</u> |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) move residual cash from closed projects to debt service to be used for debt payments at a later date.

The purpose of interfund transfers within the District is to consolidate funding from multiple funds into others for several reasons, such as purchases of fixed assets or the completion of a project that is to benefit multiple funds.

Note 9. Pension Plans

A. General Information

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

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

B. Plan Descriptions

Teachers' Retirement System (TRS)

The District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer 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. 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 Statute. The New York State TRS issues a publicly available financial report that contains financial statements and required supplementary information for the System. The report and additional information may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, NY 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Employees' Retirement System (ERS)

The District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing multiple-employer retirement system. 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 New York State Retirement and Social Security Law (NYSRSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

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

The District 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>ERS</u> | <u>TRS</u> | <u>Total</u> |
|------|--------------|--------------|--------------|
| 2021 | \$ 1,471,228 | \$ 3,205,927 | \$ 4,677,155 |
| 2020 | \$ 1,499,730 | \$ 2,903,327 | \$ 4,403,057 |
| 2019 | \$ 1,567,081 | \$ 3,360,495 | \$ 4,927,576 |

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

The total unpaid liability for NYSERS and NYSTRS was \$3,736,119.

Teachers' Retirement System (TRS)

The District recognized its proportion of the TRS net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense as of June 30, 2021. The TRS total pension liability was determined by actuarial valuations as of June 30, 2019 and rolled forward to the measurement date of June 30, 2020. The proportion allocation method utilized by TRS was the percentage of each employers fiscal year 2020 contribution to the total contributions to the plan.

The District's share of the pension asset/liability of the TRS Plan represents 0.193063% of the total net pension asset/liability, which was an increase of 0.0028930 from its proportion as of June 30, 2020. The District has recorded a net pension liability of \$5,334,856 as of June 30, 2021. The District has also recorded its proportionate share of pension plan expense of \$7,212,515 as of June 30, 2021.

Actuarial Assumptions

Significant actuarial assumptions used in the TRS valuation were as follows:

| | |
|-------------------------------|--|
| Rate of return on investments | 7.10% compounded annually, net of pension investment expense, including inflation |
| Salary increases | Rates of increase differ based on years of service and are projected between 1.90% - 4.72% |
| Inflation | 2.20% |
| Decrement tables | Society of Actuaries Scale MP2019 July 1, 2009 - June 30, 2014 System's Experience |

Expected rate of return on investments

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.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

The long-term expected real rates of return are presented by asset allocation classification, which differs from the financial statement presentation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of the measurement date of June 30, 2020 are summarized in the following table:

| <u>Asset Type</u> | Long Term Expected Real Rate* | <u>Target Allocation</u> |
|--------------------------|--|---------------------------------|
| Domestic equity | 7.10 % | 33 % |
| International equity | 7.70 | 16 |
| Global equity | 7.40 | 4 |
| Real estate equity | 6.80 | 11 |
| Private equity | 10.40 | 8 |
| Domestic fixed income | 1.80 | 16 |
| Global bonds | 1.00 | 2 |
| Private debt | 5.20 | 1 |
| Real estate debt | 3.60 | 7 |
| High-yield bonds | 3.90 | 1 |
| Cash equivalents | 0.70 | 1 |
| | | <u>100 %</u> |

* Real rates of return are net of a long-term inflation assumption of 2.2%.

Discount Rate

The discount rate used to measure the TRS total pension liability as of June 30, 2021 was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption

The following presents the District's proportionate share of the net pension liability of the TRS plan, calculated as of the measurement date of June 30, 2020 using the discount rate of 7.10%, per annum (the "current rate"). The table shows what the net pension asset would be if it were calculated using a discount rate that is 1% point lower (6.10%), or 1% point higher (8.10%) than the current rate:

| | 1% Decrease <u>(6.10%)</u> | Current Discount Rate <u>(7.10%)</u> | 1% Increase <u>(8.10%)</u> |
|--|---------------------------------------|---|---------------------------------------|
| Gates Chili Central School District's proportionate share of the TRS net pension asset (liability) | \$ (33,698,445) | \$ (5,334,856) | \$ 18,469,384 |

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to the TRS pension from the following sources:

| | <u>Deferred</u> <u>Outflows of</u> <u>Resources</u> | <u>TRS</u> <u>Deferred</u> <u>Inflows of</u> <u>Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 4,674,401 | \$ 273,401 |
| Changes of assumptions | 6,747,351 | 2,405,078 |
| Net difference between projected and actual investment earnings on pension plan investments | 3,484,129 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 354,452 | 241,202 |
| Employer contributions subsequent to the measurement date | <u>3,205,927</u> | <u>-</u> |
| Total | <u>\$ 18,466,260</u> | <u>\$ 2,919,681</u> |

The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on plan investments, are amortized into pension expense over a 5 year closed period, which reflects the weighted average remaining service life of all plan members, beginning the year in which the deferred amount occurs. The annual difference of the projected and actual earnings on plan investments is amortized over a period beginning the year in which the difference occurs. The cumulative amounts of deferred outflows of resources and deferred inflows of resources reported will be recognized in pension expense as follows:

For the fiscal year ended:

| | <u>TRS</u> |
|------------|----------------------|
| 2022 | \$ 2,108,141 |
| 2023 | 4,225,144 |
| 2024 | 3,479,264 |
| 2025 | 2,176,661 |
| 2026 | 124,863 |
| Thereafter | <u>226,579</u> |
| Total | <u>\$ 12,340,652</u> |

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the June 30, 2020 measurement date were as follows:

| | <u>TRS</u> <u>6/30/2020</u> |
|--|--------------------------------|
| Measurement date | |
| Employers' total pension liability | \$ 123,242,776,215 |
| Plan net position | <u>(120,479,505,380)</u> |
| Employers' net pension asset (liability) | <u>\$ (2,763,270,835)</u> |

Ratio of plan net position to the employers' total pension liability 97.80 %

Employees' Retirement System (ERS)

The District recognized its proportion of the ERS net pension liability, deferred outflows of resources, and pension expense as of June 30, 2021. The ERS total pension liability was determined by actuarial valuations as of April 1, 2020 and rolled forward to the measurement date of March 31, 2021. The proportion allocation method utilized by ERS was the percentage of each employers fiscal year 2020 contribution to the total contributions to the plan.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

The District's share of the pension liability of the ERS Plan represents 0.0309020% of the total net pension liability, which was an increase of 0.0001790 from its proportion as of June 30, 2020. The District has recorded a net pension liability of \$30,770 as of June 30, 2021. The District has also recorded its proportionate share of pension plan expenses of \$939,862 as of June 30, 2021.

Actuarial Assumptions

Significant actuarial assumptions used in the April 1, 2020 ERS valuation were as follows:

| | |
|-------------------------------|---|
| Rate of return on investments | 5.9% compounded annually, net of investment expenses |
| Salary scale | 4.4% average |
| Inflation | 2.7% |
| Decrement table | Society of Actuaries Scale MP-2020 April 1, 2015 - March 31, 2020, System's Experience |

Expected rate of return on investments

The long-term expected rate of return on the ERS investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included in Plan's target asset allocation as of the April 1, 2020 actuarial valuation are summarized in the following table:

| <u>Asset Type</u> | <u>Long Term Expected Real Rate*</u> | <u>Target allocation</u> |
|-----------------------------|---|-------------------------------------|
| Domestic equity | 4.05 % | 32 % |
| International equity | 6.30 | 15 |
| Private equity | 6.75 | 10 |
| Real estate | 4.95 | 9 |
| Opportunistic/ARS portfolio | 4.50 | 3 |
| Credit | 3.63 | 4 |
| Real assets | 5.95 | 3 |
| Fixed income | - | 23 |
| Cash | 0.50 | 1 |
| | | <u>100 %</u> |

* Real rates of return are net of a long-term inflation assumption of 2.00%.

Discount Rate

The discount rate used to measure the ERS total pension liability as of June 30, 2021 was 5.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the plan's 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 plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption

The following presents the District's proportionate share of the net pension liability of the ERS plan, calculated as of the measurement date of March 31, 2021 using the discount rate of 5.9%, per annum (the "current rate"). The table shows what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (4.9%), or 1% point higher (6.9%) than the current rate.

| | 1% Decrease (4.9%) | Current Discount (5.9%) | 1% Increase (6.9%) |
|--|-------------------------------|--|-------------------------------|
| Gates Chili Central School District's proportionate share of the ERS net pension asset (liability) | \$ (8,540,659) | \$ (30,770) | \$ 7,817,339 |

At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to the ERS pension from the following sources:

| | Deferred Outflows of Resources | ERS Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 375,789 | \$ - |
| Changes of assumptions | 5,657,675 | 106,705 |
| Net difference between projected and actual investment earnings on pension plan investments | - | 8,839,057 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 573,038 | 113,415 |
| Employer contributions subsequent to the measurement date | 328,808 | - |
| Total | <u>\$ 6,935,310</u> | <u>\$ 9,059,177</u> |

The components of deferred outflows of resources and deferred inflows of resources, other than the difference between the projected and actual earnings on plan investments, are amortized into pension expense over a 5 year closed period, which reflects the weighted average remaining service life of all plan members, beginning the year in which the deferred amount occurs. The annual difference between the projected and actual earnings on plan investments is amortized over a five-year closed period beginning the year in which the difference occurs. The cumulative amounts of deferred outflows of resources and deferred inflows of resources reported will be recognized in pension expense as follows:

For the fiscal year ended:

| | ERS |
|-------|-----------------------|
| 2022 | \$ (329,430) |
| 2023 | (64,871) |
| 2024 | (407,899) |
| 2025 | (1,650,475) |
| 2026 | - |
| Total | <u>\$ (2,452,675)</u> |

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of March 31, 2021 were as follows:

| | ERS 3/31/2021 |
|--|--------------------------|
| Measurement date | |
| Employers' total pension liability | \$ 220,680,157,000 |
| Plan net position | <u>(220,580,583,000)</u> |
| Employers' net pension liability | <u>\$ 99,574,000</u> |
| Ratio of plan net position to the employers' total pension liability | 99.95 % |

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 10. Post Employment Healthcare Plan

Plan Description - The 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 District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the District's Board of Education. 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 District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent on which contract each employee falls under. The specifics of each contract are on file at the District offices and are available upon request.

Employees Covered by Benefit Terms - At June 30, 2021, the following employees were covered by the benefit terms.

Participant Data

| | |
|---|--------------|
| Active employees not eligible to retire | 616 |
| Active employees eligible to retire | 237 |
| Inactive employees entitled to but not yet receiving benefit payments | - |
| Retired and surviving spouses | 485 |
| Retiree spouses covered | <u>262</u> |
| Total | <u>1,600</u> |

Total OPEB Liability - The District's total OPEB liability of \$193,750,315 was measured as of June 30, 2021 and was determined by an actuarial valuation as of March 31, 2021.

Actuarial assumptions and other inputs - The total OPEB liability in the March 31, 2021 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: | 2.27% |
| Single discount rate | 2.27% |
| Salary scale | 3.11% |
| Dental cost trend rate | 5.00% per year |
| Marital assumption | 70.00% |
| Participation rate | 100.00% |
| Healthcare cost trend rates | 4.00% for 2021, increasing ultimately to a rate of 4.08% 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 reflects the rate at which payroll amounts are expected to increase over time for purposes of attributing liabilities under the entry age normal, level percent of pay actuarial cost method. Based on inflation + 1.0%.

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. 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 NYSTRS retirement system tiers 2-4 retirement rates; separate for males and females.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Healthcare Cost Trend Rates were based on the National Health Expenditure Projections 2012-2028 and reflect the impact of legislative changes in 2020 and future years. Long-term trend rates were developed using the Societies of Actuaries Getzen Long-Term Healthcare Cost Trend Resource Model v2021 (updated September 2020). CPI inflation rates were based on the Livingston Survey for June 2020, Long-Term (10-year) Forecast mean rates. Real GDP rates are based on median rates from OECD 2022-2060 GDP projections, published 2020.

The actuarial assumptions used in the June 30, 2021 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability - The following table shows the changes to the total OPEB liability:

| | |
|--|----------------------|
| Total OPEB liability as of June 30, 2020 | \$181,713,536 |
| Changes for the year: | |
| Service cost | 5,154,636 |
| Interest cost | 4,510,412 |
| Changes of benefit terms | (660,026) |
| Differences between expected and actual experience | 4,637,060 |
| Changes in assumptions or other inputs | 3,391,434 |
| Benefit payments | <u>(4,996,737)</u> |
| Net changes | <u>12,036,779</u> |
| Total OPEB liability as of June 30, 2021 | <u>\$193,750,315</u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 2.48% in 2020 to 2.27% in 2021 as well as a change in the salary scale from 3.22% in 2020 to 3.11% in 2021.

Differences between expected and actual results reflects a change in health care cost trend rates from 5.20% - 4.18% in 2020 to 4.00% - 4.08% in 2021.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the District's OPEB liability calculated using the discount rate of 2.27% per annum (the "current rate"), as well as what the District's OPEB liability would be if it were calculated using a discount rate that is 1% point lower (1.27%) or 1% point higher (3.27%) than the current rate:

| | 1% Decrease (1.27%) | Current Assumption (2.27%) | 1% Increase (3.27%) |
|----------------------|--------------------------------|---|--------------------------------|
| Total OPEB Liability | \$ 227,617,527 | \$ 193,750,315 | \$ 166,799,070 |

Sensitivity of the total OPEB liability in the Healthcare Cost Trend Rates

The following presents the District's OPEB liability calculated using the healthcare cost trend rate, as well as what the District's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

| | 1% decrease (3.00% to 3.08%) | Current Assumption (4.00% to 4.08%) | 1% Increase (5.00% to 5.08%) |
|----------------------|---|--|---|
| Total OPEB Liability | \$ 163,865,732 | \$ 193,750,315 | \$ 232,246,987 |

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

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

For the year ended June 30, 2021, the District recognized OPEB expense of \$13,325,796. At June 30, 2021, the 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 actual and expected experience | \$ 13,020,807 | \$ 7,529,867 |
| Changes of assumptions | 14,221,958 | 5,776,586 |
| Employer contributions subsequent to the measurement date | 1,249,184 | - |
| Total | <u>\$ 28,491,949</u> | <u>\$ 13,306,453</u> |

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

| | |
|----------------------------|----------------------|
| For the fiscal year ended: | |
| 2022 | \$ 5,160,533 |
| 2023 | 4,759,723 |
| 2024 | 1,946,713 |
| 2025 | 608,630 |
| 2026 | 608,630 |
| Thereafter | 852,083 |
| Total | <u>\$ 13,936,312</u> |

Note 11. Risk Management

A. General Information

The District is exposed to various risks of loss related to torts, theft, damage, injuries, errors and omissions, natural disasters, and other risks. 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 two years.

B. Workers' Compensation

The 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 District's share of workers compensation premiums totaled \$638,499 for the year ended June 30, 2021.

The Plan has published its own financial report for the year ended June 30, 2021, which can be obtained from Monroe 2-Orleans BOCES, 3599 Big Ridge Road, Spencerport, New York 14559.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

C. Health Insurance

The 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 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, 2020, which can be obtained from Monroe 2-Orleans BOCES, 3599 Big Ridge Road, Spencerport, New York 14559.

During the year ended June 30, 2021, the School District incurred premiums or contribution expenditures totaling \$16,641,591.

D. Unemployment

District employees are entitled to coverage under the New York State Unemployment Insurance Law. The District has elected to discharge its liability to the New York State Unemployment Insurance Fund (the Fund) by the benefit reimbursement method, a dollar-for-dollar reimbursement to the Fund for benefits paid from the Fund to former employees. The District has established a self insurance fund to pay these claims. The balance of the Fund at June 30, 2021 was \$2,693,635 and is recorded in the general fund as an unemployment insurance reserve. In addition, as of June 30, 2021, no loss contingencies existed or were considered probable or estimable for incurred but not reported claims payable.

Note 12. Contingencies and Commitments

Litigation - The 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 District.

Uncertainty - The United States is presently in the midst of a national health emergency related to the COVID-19 virus. The overall consequences of COVID-19 on a national, regional and local level are unknown, but has the potential to result in a significant economic impact. The impact of this situation on the District and its future results and financial position is not presently determinable.

Note 13. Federal and State Funded Programs

The District participates in a number of Federal and New York State grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Note 14. Tax Abatements

For the year ended June 30, 2021, property in the District was subject to property tax abatements negotiated by the County of Monroe Industrial Development Agency (COMIDA).

COMIDA enters into Payment in Lieu of Tax (PILOT) agreements 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, 2021 is as follows:

| | <u>Taxable Assessed Value</u> | <u>Tax Rates</u> | <u>Tax Value</u> | <u>PILOT Received</u> | <u>Taxes Abated</u> |
|--|--|-----------------------------|-------------------------|----------------------------------|--------------------------------|
| <i>Town of Chili:</i> | | | | | |
| Wegmans | \$ 55,551,200 | 25.58 % | \$ 1,421,151 | \$ 1,392,725 | \$ 28,426 |
| 200 Aviation Ave LLC | 1,436,900 | 25.58 % | 36,760 | 13,252 | 23,508 |
| Pontarelli Associated LLC | 1,384,700 | 25.58 % | 35,424 | 33,647 | 1,777 |
| 44 Jet View Drive LLC | 4,137,700 | 25.58 % | 105,854 | 77,422 | 28,432 |
| Howitt Paul Road LLC | 6,021,600 | 25.58 % | 154,049 | 75,947 | 78,102 |
| <i>Town of Gates:</i> | | | | | |
| CLA WNY LLC | 17,433,400 | 24.56 % | 428,154 | 248,087 | 180,067 |
| Galina Development Corp (225 Mile Crossing Blvd) | 1,154,600 | 24.56 % | 28,356 | 19,087 | 9,269 |
| 2013 VS LLC | 6,529,300 | 24.56 % | 160,356 | 57,175 | 103,181 |
| Boulder Point Development | 2,800,000 | 24.56 % | 68,766 | 62,294 | 6,472 |
| Town of Gates (Tech Park and S. Andrews Apartment) | <u>75,040,500</u> | 24.56 % | <u>1,842,951</u> | <u>521,829</u> | <u>1,321,122</u> |
| Total PILOT Agreements | <u>\$ 171,489,900</u> | | <u>\$ 4,281,821</u> | <u>\$ 2,501,465</u> | <u>\$ 1,780,356</u> |

Note 15. Future Implementation of GASB Pronouncements

The Governmental Accounting Standards Board has issued the following pronouncements which will be implemented in the years required. The effects of the implementation of these pronouncements are not known at this time.

Statement No. 87 - *Leases*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for fiscal years beginning after December 15, 2020.

Statement No. 91 - *Conduit Debt Obligations*. Effective for fiscal years beginning after December 15, 2021.

Statement No. 92 - *Omnibus 2020*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 93 - *Replacement of Interbank Offered Rates*. Effective for fiscal years beginning after June 15, 2021.

Statement No. 94 - *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. Effective for fiscal years beginning after June 15, 2022.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Financial Statements

Statement No. 96 - *Subscription-Based Information Technology Arrangements*. Effective for fiscal years beginning after June 15, 2022.

Statement No. 97 - *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. Effective for fiscal years beginning after June 15, 2021.

Note 16. Subsequent Events

Management has evaluated subsequent events through the date of the report, which is the date these financial statements were available to be issued.

Note 17. Restatement of Net Position

During the year ended June 30, 2021, the District completed a physical inventory of all capital assets. The result of this physical inventory increased beginning net position by \$8,670,240.

For the fiscal year ended June 30, 2021, the District implemented GASB Statement No. 84 - "Fiduciary Activities." The implementation resulted in an increase in beginning net position of \$180,027.

The District's net position at June 30, 2020 has been restated as follows:

| | |
|---|------------------------|
| Net position beginning of year - as previously stated | \$ (85,248,907) |
| Physical inventory of capital assets | 8,670,240 |
| GASB Statement No. 84 implementation | <u>180,027</u> |
| Net position beginning of year - as restated | \$ <u>(76,398,640)</u> |

The miscellaneous special revenue fund statement of revenues, expenditures and changes in fund balance has also been restated due to the implementation of GASB Statement No. 84 resulting in an increase in the beginning fund balance of \$180,027 as of July 1, 2020.

GATES CHILI CENTRAL SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|--|----------------------------|-------------------------|----------------------|---|
| Revenues | | | | |
| Real property tax | \$ 55,821,084 | \$ 55,821,084 | \$ 55,889,506 | \$ 68,422 |
| Real property tax items | 2,600,000 | 2,600,000 | 2,501,465 | (98,535) |
| Non property tax items | 3,500,000 | 3,500,000 | 4,497,559 | 997,559 |
| Charges for services | 1,791,000 | 1,791,000 | 1,928,680 | 137,680 |
| Use of money and property | 210,000 | 210,000 | 88,485 | (121,515) |
| Sale of property and compensation for loss | 65,500 | 65,500 | 249,455 | 183,955 |
| Miscellaneous | 1,773,991 | 1,773,991 | 1,615,683 | (158,308) |
| State sources | 42,467,738 | 42,467,738 | 41,205,559 | (1,262,179) |
| Medicaid reimbursement | 95,000 | 95,000 | 160,251 | 65,251 |
| Federal sources | - | - | 809,590 | 809,590 |
| Total revenues | <u>108,324,313</u> | <u>108,324,313</u> | <u>108,946,233</u> | <u>621,920</u> |
| Other Financing Sources | | | | |
| Interfund transfers | - | - | 3,017,775 | 3,017,775 |
| Appropriated fund balance - budget | 5,100,000 | 5,100,000 | - | (5,100,000) |
| Encumbrances carried forward from prior year | - | 910,739 | - | (910,739) |
| Total revenues and other financing sources | <u>113,424,313</u> | <u>114,335,052</u> | <u>111,964,008</u> | <u>(2,371,044)</u> |
| Expenditures | | | | |
| General support | 9,794,769 | 10,358,601 | 9,194,986 | 1,163,615 |
| Instruction | 59,237,499 | 59,928,945 | 55,170,202 | 4,758,743 |
| Pupil transportation | 5,086,173 | 5,312,907 | 3,466,901 | 1,846,006 |
| Community services | 504,737 | 507,042 | 294,335 | 212,707 |
| Employee benefits | <u>27,577,502</u> | <u>27,003,924</u> | <u>25,091,766</u> | <u>1,912,158</u> |
| Total expenditures | <u>102,200,680</u> | <u>103,111,419</u> | <u>93,218,190</u> | <u>9,893,229</u> |
| Other Financing Uses | | | | |
| Interfund transfers | <u>11,223,633</u> | <u>11,223,633</u> | <u>11,262,477</u> | <u>(38,844)</u> |
| Total expenditures and other financing uses | <u>113,424,313</u> | <u>114,335,052</u> | <u>104,480,667</u> | <u>9,854,385</u> |
| Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | 7,483,341 | <u>\$ 7,483,341</u> |
| Fund Balances - Beginning | | | <u>35,203,098</u> | |
| Fund Balances - Ending | | | <u>\$ 42,686,439</u> | |

See accompanying notes to required supplementary information.

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2021

| | Total OPEB Liability | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
| Service cost | \$ 5,154,636 | \$ 4,335,222 | \$ 4,648,817 | \$ 4,519,921 |
| Interest on total OPEB liability | 4,510,412 | 5,499,186 | 6,181,616 | 6,125,926 |
| Change of benefit terms | (660,026) | 26,152 | (2,403,234) | - |
| Differences between expected and actual experience | 4,637,060 | (12,065,933) | (15,369,247) | (95,060) |
| Changes in assumptions or other inputs | 3,391,434 | 28,394,062 | 485,497 | 3,961,509 |
| Benefit payments | <u>(4,996,737)</u> | <u>(4,605,688)</u> | <u>(4,613,866)</u> | <u>(4,399,532)</u> |
| Net changes in total OPEB liability | 12,036,779 | 21,583,001 | (11,070,417) | 10,112,764 |
| Total OPEB liability - beginning | <u>181,713,536</u> | <u>160,130,535</u> | <u>171,200,952</u> | <u>161,088,188</u> |
| Total OPEB liability - ending | <u><u>\$193,750,315</u></u> | <u><u>\$181,713,536</u></u> | <u><u>\$160,130,535</u></u> | <u><u>\$171,200,952</u></u> |
| Covered payroll | \$ 41,280,337 | \$ 42,472,680 | \$ 41,147,723 | \$ 39,829,371 |
| Total OPEB liability as a percentage of covered payroll | 469.35 % | 427.84 % | 389.16 % | 429.84 % |

Note: Information not available for periods prior to implementation of GASB Statement No. 75.

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability - ERS
For the Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| The District's proportion of the net pension liability | 0.030902 % | 0.030723 % | 0.033667 % | 0.033842 % | 0.031468 % | 0.034184 % | 0.033189 % |
| The District's proportionate share of the net pension liability | \$ 30,770 | \$ 8,135,546 | \$ 2,385,432 | \$ 1,092,243 | \$ 2,956,802 | \$ 5,486,590 | \$ 1,121,188 |
| The District's covered payroll | \$10,731,987 | \$10,616,475 | \$10,757,490 | \$10,633,885 | \$ 9,767,043 | \$ 9,953,785 | \$ 9,609,791 |
| The District's proportionate share of the net pension liability as a percentage of covered payroll | 0.29 % | 76.63 % | 22.17 % | 10.27 % | 30.27 % | 55.12 % | 11.67 % |
| Plan fiduciary net position as a percentage of the total pension liability | 99.95 % | 86.40 % | 96.30 % | 98.20 % | 94.70 % | 90.70 % | 97.90 % |

The accompanying notes to required supplementary information.

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Asset (Liability) - TRS
For the Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| The District's proportion of the net pension asset/liability | 0.1930630 % | 0.1901700 % | 0.1954300 % | 0.1974400 % | 0.1964900 % | 0.1950900 % | 0.1922000 % |
| The District's proportionate share of the net pension asset (liability) | \$ (5,334,856) | \$ 4,940,720 | \$ 3,533,898 | \$ 1,500,717 | \$(2,104,445) | \$20,263,959 | \$21,409,302 |
| The District's covered payroll | \$ 33,741,442 | \$32,768,928 | \$31,643,079 | \$31,833,429 | \$31,284,966 | \$30,319,729 | \$29,305,636 |
| The District's proportionate share of the net pension asset (liability) as a percentage of covered payroll | (15.81)% | 15.08 % | 11.17 % | 4.71 % | (6.73)% | 66.83 % | 73.06 % |
| Plan fiduciary net position as a percentage of the total pension asset/liability | 97.80 % | 102.20 % | 101.50 % | 100.70 % | 99.00 % | 110.50 % | 111.50 % |

The accompanying notes to required supplementary information.

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of Employer's Contributions for ERS
For the Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|
| Contractually required contribution | \$ 1,471,228 | \$ 1,499,730 | \$ 1,567,081 | \$ 1,561,249 | \$ 1,487,041 | \$ 1,835,272 | \$ 1,665,460 | \$ 2,029,197 | \$ 1,971,959 | INA |
| Contribution in relation to the contractually required contribution | <u>1,471,228</u> | <u>1,499,730</u> | <u>1,567,081</u> | <u>1,561,249</u> | <u>1,487,041</u> | <u>1,835,272</u> | <u>1,665,460</u> | <u>2,029,197</u> | <u>1,971,959</u> | INA |
| Contribution deficiency (excess) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | INA |
| Covered payroll | <u>\$10,731,987</u> | <u>\$10,616,475</u> | <u>\$10,757,490</u> | <u>\$10,633,885</u> | <u>\$ 9,767,043</u> | <u>\$ 9,953,785</u> | <u>\$ 9,609,791</u> | <u>\$10,285,566</u> | <u>\$10,266,733</u> | INA |
| Contribution as a percentage of covered payroll | 13.71 % | 14.13 % | 14.57 % | 14.68 % | 15.23 % | 18.44 % | 17.33 % | 19.73 % | 19.21 % | INA |

INA - Information not available for periods prior to implementation of GASB Statement No. 68.

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of Employer's Contributions for TRS
For the Year Ended June 30, 2021

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------|
| Contractually required contribution | \$ 3,205,927 | \$ 2,903,327 | \$ 3,360,495 | \$ 3,119,676 | \$ 3,666,598 | \$ 4,020,396 | \$ 5,137,278 | \$ 4,613,402 | \$ 3,309,769 | INA |
| Contribution in relation to the contractually required contribution | <u>3,205,927</u> | <u>2,903,327</u> | <u>3,360,495</u> | <u>3,119,676</u> | <u>3,666,598</u> | <u>4,020,396</u> | <u>5,137,278</u> | <u>4,613,402</u> | <u>3,309,769</u> | INA |
| Contribution deficiency (excess) | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | INA |
| Covered payroll | <u>\$33,741,442</u> | <u>\$32,768,928</u> | <u>\$31,643,079</u> | <u>\$31,833,429</u> | <u>\$31,284,966</u> | <u>\$30,319,729</u> | <u>\$29,305,636</u> | <u>\$28,390,166</u> | <u>\$27,954,130</u> | INA |
| Contribution as a percentage of covered payroll | 9.50 % | 8.86 % | 10.62 % | 9.80 % | 11.72 % | 13.26 % | 17.53 % | 16.25 % | 11.84 % | INA |

INA - Information not available for periods prior to implementation of GASB Statement No. 68.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2021

Note 1. Budgetary Procedures and Budgetary Accounting

The 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 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.

Budgets are adopted annually on a basis consistent with U.S. 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, school lunch and miscellaneous special revenue). 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 District's fiscal year. Budgetary controls for school lunch fund and miscellaneous special revenue fund are established internally.

Note 2. Schedule of Changes in the District's Total OPEB Liability and Related Ratios

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. Additional information for the other postemployment benefit obligation, latest actuarial valuation and actuarial assumptions and methods can be found in the notes to the financial statements.

The schedule of changes in the District's total OPEB liability and related ratios is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Note 3. Schedules of District's Proportionate Share of the Net Pension Asset (Liability) and Schedules of Employer's Contributions

The information presented in these required supplementary schedules was determined as part of the audit of the New York State Employees' Retirement System Plan (NYSERS) and the New York State Teachers' Retirement System (NYSTRS). Additional information for the pension schedules can be found in the notes to the financial statements.

The schedules of District's proportionate share of the net pension asset (liability) are presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of Changes from Original Budget to Final Budget
General Fund
For the Year Ended June 30, 2021

| | |
|--------------------------------|------------------------------|
| Original budget | \$113,424,313 |
| Add: Prior year's encumbrances | 910,739 |
| Add: Budget revisions | <u> -</u> |
| Final budget | <u>\$114,335,052</u> |

Schedule of the Real Property Tax Limit
General Fund
For the Year Ended June 30, 2021

SECTION 1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

| | |
|--|---------------------|
| 2021-22 voter-approved expenditure budget | \$117,882,045 |
| Maximum allowed 4% of 2020-21's budget | \$ 4,715,282 |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law*: | |
| Unrestricted fund balance: | |
| Committed fund balance | \$ - |
| Assigned fund balance | 3,427,203 |
| Unassigned fund balance | <u>4,715,280</u> |
| Total unrestricted fund balance | <u>8,142,483</u> |
| Less: | |
| Appropriated fund balance | \$ 2,800,000 |
| Encumbrances included in committed and assigned fund balance | <u>627,203</u> |
| Total adjustments | <u>3,427,203</u> |
| General Fund Fund Balance Subject to Section 1318 of Real Property Tax Law | <u>\$ 4,715,280</u> |
| Actual percentage | 4.00 % |

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

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of Project Expenditures
Capital Projects Fund
For the Year Ended June 30, 2021

| PROJECT TITLE | Original Budget | Amended Budget | Prior Years | Expenditures | | Unexpended Balance | Obligations | Methods of Financing | | | Total | Fund Balance |
|--|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|------------------------|----------------------------|----------------------------|
| | | | | Current Year | Total | | | State Aid | Local Sources | Interfund Transfers | | |
| Smart School Bond Act | \$ 2,980,556 | \$ 2,980,556 | \$ 1,201,565 | \$ 12,697 | \$ 1,214,262 | \$ 1,766,294 | \$ - | \$ 1,214,262 | \$ - | \$ - | \$ 1,214,262 | \$ - |
| Phase I Reconstruction | 8,929,368 | 10,452,064 | 10,452,064 | - | 10,452,064 | - | 5,452,064 | - | 5,000,000 | - | 10,452,064 | - |
| Phase II Reconstruction | 1,600,301 | 1,866,664 | 1,866,664 | - | 1,866,664 | - | 1,866,664 | - | - | - | 1,866,664 | - |
| Phase III Reconstruction | 16,241,285 | 14,188,391 | 10,976,334 | 3,175,892 | 14,152,226 | 36,165 | 14,152,226 | - | - | - | 14,152,226 | - |
| Phase IV Reconstruction | 6,183,074 | 4,791,332 | 4,791,332 | - | 4,791,332 | - | 4,191,332 | - | 600,000 | - | 4,791,332 | - |
| Phase V Reconstruction | 22,088,349 | 23,601,999 | 4,135,079 | 12,297,277 | 16,432,356 | 7,169,643 | 22,614,493 | - | - | - | 22,614,493 | 6,182,137 |
| Phase VI Reconstruction | 13,244,081 | 13,423,550 | 1,774,431 | 6,797,745 | 8,572,176 | 4,851,374 | 8,293,600 | - | 4,400,000 | - | 12,693,600 | 4,121,424 |
| Buses 2019-2020 | 1,851,000 | 1,851,000 | 1,604,843 | 5,157 | 1,610,000 | 241,000 | 1,610,000 | - | - | - | 1,610,000 | - |
| Buses 2020-2021 | 1,945,100 | 1,945,100 | 222 | 1,804,516 | 1,804,738 | 140,362 | 1,804,738 | - | - | - | 1,804,738 | - |
| Energy Performance Contract 2021 | 4,100,000 | 4,100,000 | 6,692 | 4,093,308 | 4,100,000 | - | 4,100,000 | - | - | - | 4,100,000 | - |
| Florence Brasser Emergency Abatement | 70,000 | 70,000 | - | 70,000 | 70,000 | - | - | - | 70,000 | - | 70,000 | - |
| *New Prospective Project 2/2022 Vote | <u>10,000,000</u> | <u>10,000,000</u> | <u>-</u> | <u>2,250</u> | <u>2,250</u> | <u>9,997,750</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,250)</u> |
| Total | <u>\$89,233,114</u> | <u>\$89,270,656</u> | <u>\$36,809,226</u> | <u>\$28,258,842</u> | <u>\$65,068,068</u> | <u>\$24,202,588</u> | <u>\$64,085,117</u> | <u>\$ 1,214,262</u> | <u>\$10,070,000</u> | <u>\$ -</u> | <u>\$75,369,379</u> | <u>\$10,301,311</u> |

GATES CHILI CENTRAL SCHOOL DISTRICT
Net Investment in Capital Assets
June 30, 2021

| | |
|--|-----------------------------|
| Capital Assets - Net | <u>\$131,178,697</u> |
| Add- | |
| Unspent bond proceeds | 11,797,852 |
| Deferred charges on defeased debt | <u>623,921</u> |
| Subtotal | <u>12,421,773</u> |
| Deduct - | |
| Short-term portion of bonds payable | 9,279,000 |
| Long-term portion of bonds payable | 81,451,462 |
| Short-term portion of energy performance contracts | 680,325 |
| Long-term portion of energy performance contracts | <u>4,675,208</u> |
| Subtotal | <u>96,085,995</u> |
| Net Investment in Capital Assets | <u>\$ 47,514,475</u> |

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

| Federal Grantor/Pass Through Grantor/ Program or Cluster Title | Assistance Listing | Pass Through Entity Identifying Number | Federal Expenditures | Expenditures to Subrecipients |
|---|-------------------------------|---|---------------------------------|--|
| U.S. Department of Education | | | | |
| Pass through programs from: | | | | |
| New York State Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 0021201335 | \$ 109,608 | \$ - |
| Title I Grants to Local Educational Agencies | 84.010 | 0021211335 | 407,572 | - |
| Total Title I Grants to Local Educational Agencies | | | 517,180 | - |
| Special Education Cluster | | | | |
| Special Education - Grants to States | 84.027 | 0032210357 | 1,069,979 | - |
| Special Education - Preschool Grants | 84.173 | 0033210357 | 42,826 | - |
| Total Special Education Cluster | | | 1,112,805 | - |
| Improving Teacher Quality State Grants | | | | |
| Improving Teacher Quality State Grants | 84.367 | 0147201335 | 28,050 | - |
| Improving Teacher Quality State Grants | 84.367 | 0147211335 | 99,867 | - |
| Total Improving Teacher Quality State Grants | | | 127,917 | - |
| English Language Acquisition State Grants | | | | |
| English Language Acquisition State Grants | 84.365 | 0293201335 | 678 | - |
| English Language Acquisition State Grants | 84.365 | 0293211335 | 13,608 | - |
| Total English Language Acquisition State Grants | | | 14,286 | - |
| Title IV Student Support and Academic Enrichment Program | | | | |
| Title IV Student Support and Academic Enrichment Program | 84.424 | 0204201335 | 764 | - |
| Title IV Student Support and Academic Enrichment Program | 84.424 | 0204211335 | 16,408 | - |
| Total Title IV Student Support and Academic Enrichment Program | | | 17,172 | - |
| Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act | | | | |
| COVID-19 - Governor's Emergency Education Relief Fund | 84.425C | 5895211335 | 117,327 | - |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund | 84.425D | 5890211335 | 692,262 | - |
| Total Education Stabilization Fund Under The Coronavirus Aid, Relief, and Economic Security Act | | | 809,589 | - |
| Total U.S. Department of Education | | | 2,598,949 | - |
| U.S. Department of Agriculture | | | | |
| Pass through program from: | | | | |
| New York State Department of Education: | | | | |
| Child Nutrition Cluster: | | | | |
| Summer Food Service Program for Children | 10.559 | N/A | 1,050,142 | - |
| National School Lunch Program - Commodities | 10.555 | N/A | 80,779 | - |
| Total Child Nutrition Cluster | | | 1,130,921 | - |
| Total U.S. Department of Agriculture | | | 1,130,921 | - |
| Total Expenditures of Federal Awards | | | \$ 3,729,870 | \$ - |

See accompanying notes to schedule of expenditures of federal awards.

GATES CHILI CENTRAL SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information in this schedule was prepared on the accrual basis of accounting and 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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Note 2. Subrecipients

No amounts were provided to subrecipients.

Note 3. Indirect Costs

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

Note 4. Non-Monetary Federal Program

The District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program". During the year ended June 30, 2021, the District received \$80,779 worth of commodities under the National School Lunch Program (Assistance Listing #10.555).



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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

To the 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 and each major fund of Gates Chili Central School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Gates Chili Central School District's basic financial statements and have issued our report thereon dated September 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gates Chili Central School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gates Chili Central School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Gates Chili Central 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 District'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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
September 29, 2021



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

To the 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 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 District's major federal programs for the year ended June 30, 2021. Gates Chili Central School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Gates Chili Central 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 the 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 Gates Chili Central 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 Gates Chili Central School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Gates Chili Central School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Gates Chili Central School District is responsible for establishing and maintaining effective internal control over compliance with the type of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Gates Chili Central 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 the 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 Gates Chili Central 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 a material weakness. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Rochester, New York
September 29, 2021

GATES CHILI CENTRAL SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued on whether the basic financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- | | | |
|----|--|--|
| 1. | Material weaknesses identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 2. | Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported |
| 3. | Noncompliance material to the financial statements noted? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

Federal Awards

Internal control over major programs:

- | | | |
|----|--|--|
| 4. | Material weaknesses identified? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 5. | Significant deficiencies identified that are not considered to be material weaknesses? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> None reported |

Type of auditors' report issued on compliance for major programs:

Unmodified

- | | | |
|----|--|---|
| 6. | Audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| 7. | Major program audited was: | |

Program Title

Education Stabilization Fund - Governor's Emergency Education Relief Fund
Education Stabilization Fund - Elementary and Secondary School Emergency Relief Fund
Child Nutrition Cluster

Assistance Listing

84.425C
84.425D
10.555, 10.559

- | | | |
|----|---|---|
| 8. | Dollar threshold to determine type A and type B programs: | \$750,000 |
| 9. | Auditee qualified as low-risk auditee? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

GATES CHILI CENTRAL SCHOOL DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2021

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE